



ANNUAL REPORT 2012/2013

Accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management and support services



Working for integration

The HDA's priority and focus is to deliver on its land mandate. In addition, we will continue to build partnerships – at national, provincial and local level, as well as with communities and other stakeholders – and to play a meaningful role in ensuring the successful alignment of our initiatives with the priorities set in Outcome 8, and the Human Settlements Minister's delivery agreement with the President.



Mission

**Building partnerships to
create integrated sustainable
human settlements.**

Vision

**Vibrant communities living
on well-located land.**





“ The role of the HDA is to ensure that feasibilities are done for state-owned land with respect to human settlements. It is also their role to source privately owned land. The HDA should be looking to leverage state-owned land, particularly in urban areas. I think the HDA has done well. You know where the land is, you have created the partnerships, and are assembling land with release to the human settlement sector. ”

Thabane Zulu – Director General, National Department of Human Settlements

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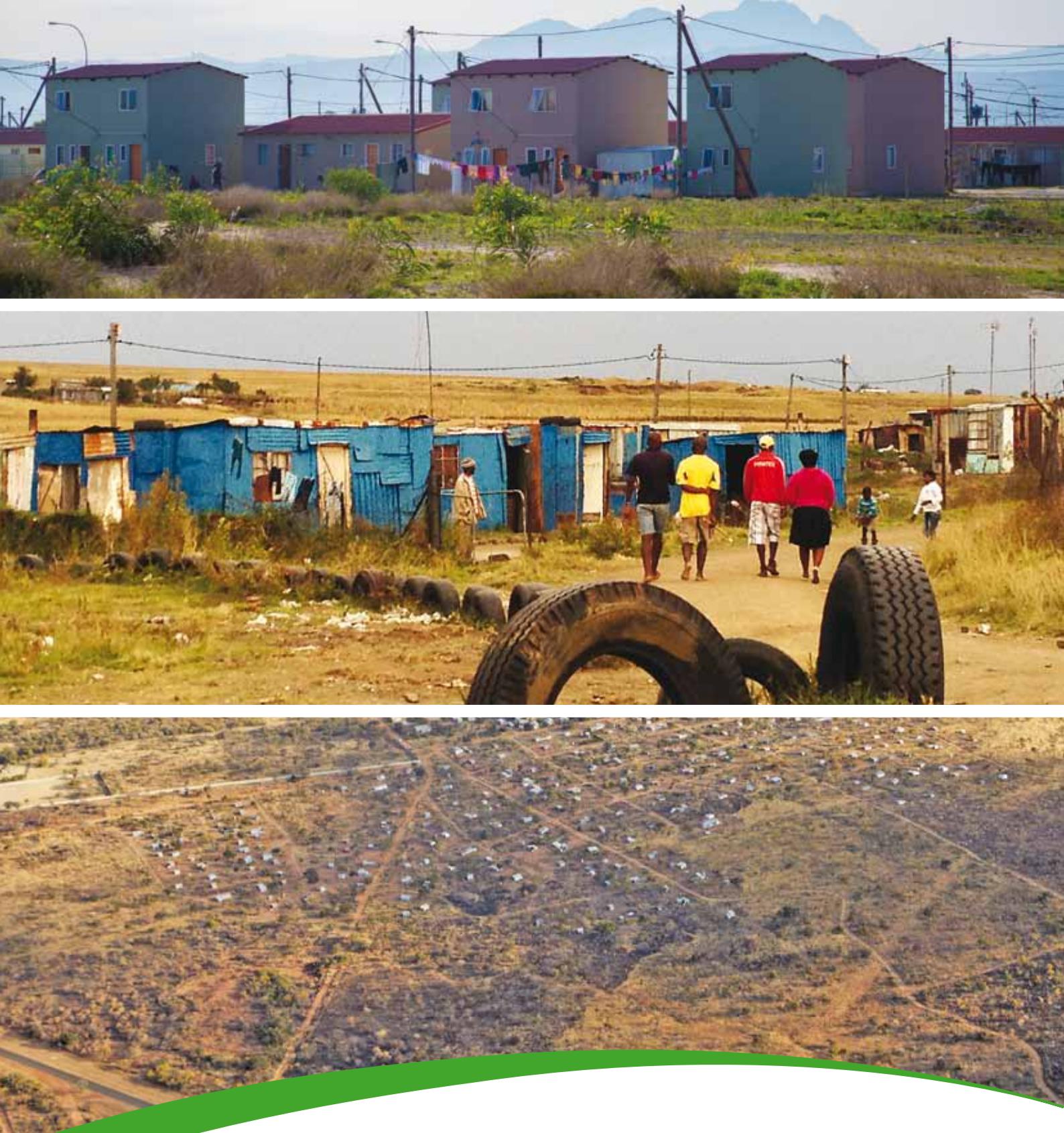
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Abbreviations



“ On land released by the HDA “I am particularly happy for the people of Intabazwe who fought so hard to keep this portion for the benefit of the entire community. It is encouraging indeed to begin a year on this high note. Thank you and thanks to all the HDA team for the overwhelming support you continue to give us.” ”

Machela Hleli – Director Human Settlements, Spatial Development and Planning, Maluti-a-Phofung Local Municipality, Free State

MESSAGE FROM THE CHAIRPERSON

Delivering results

As a new Chairperson, appointed together with the new board in April 2012, it has been extremely satisfying to inherit an organisation that is already functioning well, is consistently meeting its mandates and that has accomplished so much in its short history.

Our thanks to the previous board who bequeathed us a legacy of leadership, professionalism, effective governance, and a financially strong and compliant organisation. I and the incoming board look forward to the challenge of maintaining this record.

The current HDA Board has been operating effectively, is functioning well in its governance role and is fully compliant with requirements imposed by legislation and regulation. Similarly, the HDA Executive Committee (EXCO) has successfully risen to the challenge of providing direction and oversight of expanding portfolios and a broader mandate.

I am pleased to observe that the Agency has played a leading role in ensuring the implementation of a range of Outcome 8 objectives. Perhaps our most outstanding achievement is the fulfilment of our major target, the release of public land for development, one year before target. Since the Agency's establishment in 2009, more than 7 000 hectares of public and state-owned land has been released for development through the HDA's facilitation exceeding the Outcome 8 target of 6 250 hectares. In addition, the HDA has taken a leading role in such initiatives as the National Upgrading and Support Programme (NUSP) and the Rapidly Growing Towns and Locations (RGTL) national programmes. Throughout the year a critical topic of engagement between the Agency and various provincial and municipal authorities has been to determine exactly what kind of support is required to ensure local delivery of Outcome 8 objectives.

This last Financial Year saw the Agency significantly expand its geographical scope of focus and develop new productive partnerships with municipalities, provinces and state-owned enterprises. It has also been very satisfying to see that the greater depth of HDA's work over the year is translating to activities and solid deliverables in the provinces. Examples of this include informal settlement upgrading work in Limpopo, the Free State and the Northern Cape, property acquisition in a number of provinces and rapid assessments of the status of communities across the country. The HDA is well into the process of creating a framework through which to ensure that identified land moves into the delivery cycle.

The fact that the HDA's spending has operated within the limits of its grants and other funding sources (while achieving the outcomes budgeted for) is testimony to the organisation's high standards of financial administration. It is also noteworthy that the Agency has achieved unqualified audits in each year since its inception.



Mr SS Somyo

Chairperson

While the Agency's achievements have been substantial it is also important to note that major challenges remain. Spatial demographic patterns in South Africa still largely reflect those of the previous dispensation. Many authorities continue to develop subsidised housing in a way that does not support transformation or long term sustainability, preferring delivery outcomes that are easier to achieve but which do not change socioeconomic conditions and spatial patterns. The challenge for the HDA is therefore to help change a mind-set from one of simply delivering a certain number of units to envisaging fundamental transformation of our settlement patterns.

It has been another very challenging year for the HDA but also, as the evidence clearly shows a highly successful one. I would like to extend a note of thanks to all of our new partners as well as our existing ones for all of their hard work, collaboration and commitment. Our colleagues at the National Department of Human Settlements (NDHS) must be acknowledged for their solid and on-going support as must our Minister Mr Tokyo Sexwale. The HDA staff, our CEO Taffy Adler and his Executive Team, and the new board deserve special recognition for their phenomenal efforts in a year which saw the Agency consolidate four years' worth of gains and an expansion into new programmatic, technical and geographical areas.

Mr SS Somyo

Chairperson

OVERVIEW OF THE HDA

WHAT IS THE HDA?

The Housing Development Agency (HDA) is a national public development agency established by an Act of Parliament (Act 23 of 2008). The HDA promotes sustainable communities by making well-located land and buildings available for the development of housing and human settlements. As an organ of state, the HDA is accountable through its Board to the Minister of Human Settlements.

OBJECTIVES OF THE HDA

The HDA was established to address the land acquisition and assembly process so as to accelerate housing delivery and human settlement development. The two main objectives of the Agency are to:

- Identify, acquire, hold, develop and release well-located land and buildings
- Provide project management support and housing development services

In order to achieve these objectives, the Agency must:

- Ensure that residential and community developments are sustainable, viable and appropriately located
- Ensure that job creation is optimised in the process of residential and community development
- Introduce and manage a land inventory and information system
- Ensure that community participation takes place

WHAT ARE THE FUNCTIONS OF THE HDA?

In terms of section 7 (1) of the HDA Act, the HDA must:

- Develop a development plan to be approved by the Minister in consultation with the relevant authorities in the provinces and municipalities
- Develop strategic plans with regard to the identification and acquisition of state, privately and communal owned land which is suitable for residential and community development
- Prepare necessary documentation for consideration and approval by the relevant authorities as may be required in terms of any other applicable law
- Monitor progress of the development of land and landed property acquired for the purposes of creating sustainable human settlements
- Enhance the capacity of organs of state including skills transfer to enable them to meet the demand for housing delivery
- Ensure that there is collaboration and intergovernmental and integrated alignment for housing development services
- Identify, acquire, hold, develop and release state, private and communal land for residential and community development
- Undertake such project management services as may be necessary, including assistance relating to approvals required for housing development
- Contract with any organ of state for the purpose of acquiring available land for residential housing and community development for the creation of sustainable human settlements
- Assist organs of state in dealing with housing developments that have not been completed within the anticipated project period

- Assist organs of state with the upgrading of informal settlements
- Assist organs of state in respect of emergency housing solutions

In terms of the HDA Act, the Minister may authorise the Agency to perform any additional function that is consistent with the Act. Accordingly the Minister can direct the Agency to conclude land assembly and/or project management agreements with organs of state, in consultation with the relevant MECs.

STRATEGIC GOALS OF THE AGENCY

The Agency's strategic goals are as follows:

- Develop and lead a national sector-wide land assembly strategy and programmes for sustainable human settlements in partnership with organs of state and other key sector stakeholders
- Provide land and housing development support services to our partners to achieve key national strategic priorities relating to human settlements

HOW DOES THE HDA WORK?

The Agency provides project delivery services in the form of land acquisition and management, project structuring, project planning, capacity assembly, as well as the management of projects. The type of assistance provided is negotiated and expressed through an Implementation Protocol (IP). Intergovernmental agreements are structured between the HDA and the respective organ of state with a view to ensuring that there is collaboration and intergovernmental and integrated alignment for housing development services.

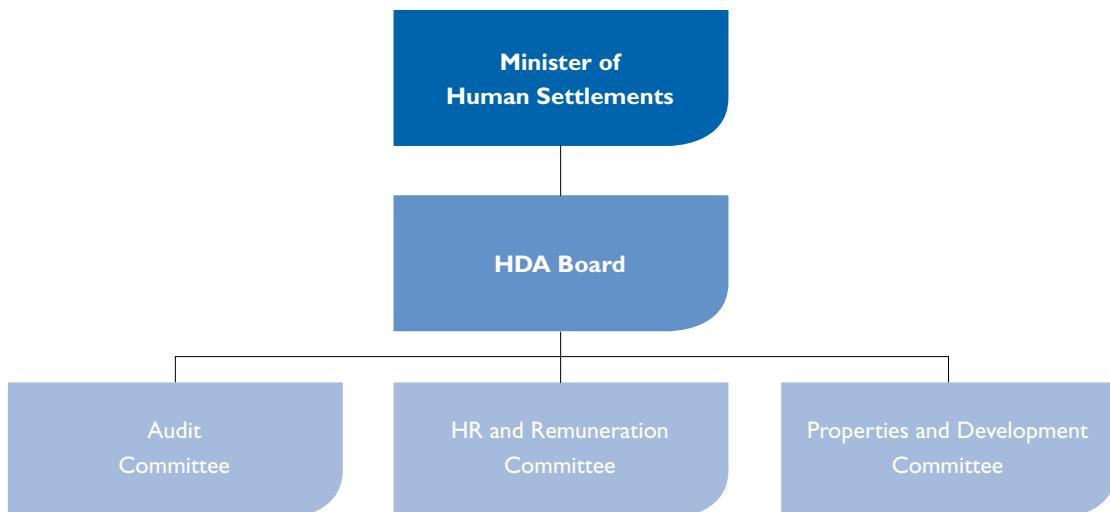
In general the agreement outlines the framework of cooperation, the areas of activity in both land and building acquisitions, management and project management, and the institutional arrangements, for example, the establishment of a steering committee. Specific project-based agreements are then formulated to guide the overall agreement covering the following key services provided by the HDA:

- Programme and project portfolio planning and management support
- Informal settlement upgrading support
- Emergency housing support
- Land assembly and land acquisition/release support
- Land holding and land holding support
- Land geo-spatial services
- Intergovernment Relations (IGR) support
- Project technical implementation support
- Section 29 mandated projects where HDA acts as an implementing agent – N2 Gateway and Zanemvula

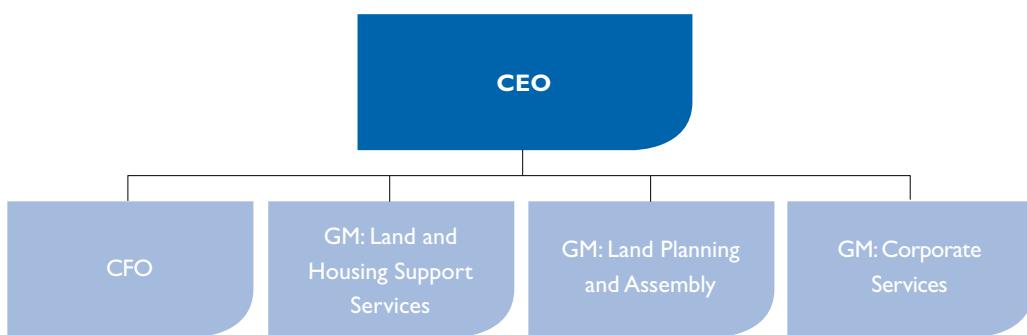
The HDA collaborates with provinces and municipalities, as well as supplementing their capacity in the development of housing and human settlements. The HDA does not, and cannot, replace a province and municipality in the fulfilment of housing development functions.

HOW IS THE HDA STRUCTURED?

The HDA Board is appointed by the Minister of Human Settlements and includes appointees representing the Ministries of Cooperative Governance and Traditional Affairs, Public Works, and Rural Development and Land Reform.



The HDA's Executive Management team is led by the Chief Executive Officer and is structured as follows:



The HDA has offices in Johannesburg, Cape Town, Port Elizabeth, Polokwane and Bloemfontein.

HOW IS THE HDA FUNDED?

In terms of the HDA Act, the Agency can be funded as follows:

- Monies appropriated by Parliament (via the NDHS)
- Donations or contributions
- Interest on investments
- Loans raised
- Proceeds from the sale of land
- Fees for services provided to provinces and municipalities based on cost recovery
- Subsidies and grants from organs of state

Broadening our scope and forming new partnerships

The broadening of the HDA's scope and mandate in the 2012/13 Financial Year has brought with it many new challenges and opportunities. To deliver on our mandate the Agency has expanded our skills base, developed new strategies and formed new partnerships. In addressing the challenges we can point to significant progress in several areas.

I am particularly proud of the targets achieved under our macro indicators – a key measurable of the Agency's performance. With regards land, in this financial year we achieved a release figure of 6113. 3308 hectares, far exceeding our target of 4 250 hectares; and in the number of human settlement projects and programmes supported we again exceeded our target of 20 by supporting 37.

Tremendous progress has been made at the N2 Gateway in the Western Cape and the Zanemvula project in the Eastern Cape. Particularly notable at the N2 Gateway was the completion of Phase 1 at Boystown, a community that has experienced a great deal of division and confrontation. All stakeholders involved in Boystown deserve recognition for their efforts in overcoming tremendous obstacles and ensuring that building in Phase one was completed. The Joe Slovo development saw significant progress and is delivering houses on target. Also highly noteworthy was the N2 Gateway winning the 'Best National Priority Project' at the Govan Mbeki Awards. Zanemvula has similar progressed well over the year and won 'Best Provincial Priority Project' at the Eastern Cape leg of the awards. Among numerous achievements at the Zanemvula project was the rectification and upgrading at Soweto on Sea which well exceeded its quarterly targets and delivered units ahead of schedule.

Early in the Financial Year a new HDA office was opened in the Free State. Staff members have worked with the province and provided assistance in the assessment of properties and in regard to development feasibilities. The Free State office is also in the process of acquiring properties on behalf of the province and has worked closely with Manguang Municipality on numerous projects including the development of an informal settlement strategy.



Taffy Adler
Chief Executive Officer

The year saw a major new joint initiative implemented in the Northern Cape. In our project pipeline work the Northern Cape MEC of Co-operative Governance, Human and Traditional Affairs (COGHSTA) approved the HDA support programme captured in the Medium Term Operational Plan, along with the accompanying budget. Furthermore, the HDA successfully facilitated a strategic workshop for Northern Cape COGHSTA on the diagnostic review and improvement of their housing delivery systems.

While significant progress was made during 2012/13 in dealing with the challenge of delays in the development process there is still much that needs to be done to overcome the bottlenecks. A major contributing factor to the delays is the complex and lengthy process involved in the transfer of land between government departments and from state-owned enterprises to provincial and local governments. To address the slow pace of land acquisition the Agency is providing direct assistance to municipalities and provinces in prioritising land assets for human settlement development. To this end, the HDA is working closely with municipalities and provinces on medium-term land assembly programmes which should put realistic targets around land acquisition in place. I am pleased to note that implementation operational agreements and protocols with three provinces and one municipality were signed in 2012/13, aimed, in large part to help speed up the land acquisition process. More such agreements are in the pipeline.

The high level of technical capability of the Agency is reflected in the development and implementation of LaPSIS (Land and Property Spatial Information System) and NaHSLI (National Human Settlement Land Indices). These are spatial analysis systems and they are proving to be invaluable in support of the HDA's land identification and planning services and its work in the provinces. The sharing of these systems with provinces and municipalities is one of a number of examples of how the Agency is capacitating human settlement authorities across the country.

The 2012/12 Financial Year also saw the Agency significantly expand our focus on informal settlement upgrading. This policy direction is very much in line with national priorities and is a key component of Outcome 8. The Minister's delivery agreement with the President commits government to the upgrading of 400 000 households in well-located informal settlements by 2014. The HDA is working in close partnership with the Department on the National Upgrading Support Programme (NUSP) and is assisting provinces in meeting their Outcome 8 targets on informal settlement upgrading. In the fourth quarter alone the Agency conducted rapid assessments in six settlements in the Northern Cape and held NUSP forum meetings in Limpopo and Northern Cape. Pilot projects were also initiated in five provinces and municipalities. Our efforts around informal settlement upgrades have led to the development of partnerships with a wide range of non-government organisations and state-owned entities.

In its fourth year of operation the HDA has successfully met the challenges of an expanded mandate and further consolidated its multifaceted role as a national leading Agency in the development of sustainable human settlements. In helping us to achieve these results, I wish to thank the Board for its support, the Executive Management and all HDA staff for their efforts, our colleagues at the National Department of Human Settlements led by the Director General, Mr Thabane Zulu, our colleagues in the various provincial and local authorities, and of course, the communities with whom and for whom we work.



Taffy Adler
Chief Executive Officer

BOARD MEMBERS



SS Somyo
Chairperson



CF Platt
Deputy Chairperson



TM Adler
Chief Executive Officer



APG Moola
Chief Financial Officer



TE Nwedamutswu



LC Archary



MJL Lephallo



“ It was a pleasure and a privilege to be part of the LaPsis User Group last Friday. Thank you again for the professional manner you organized and facilitated the workshop. LapSis is assisting us tremendously with Property Management in the Eastern Cape Province. We don't have a GIS in the unit and therefore LaPsis is our tool to view property data and to plan for land use investigations. ”

Danie Pretorius – Department of Public Works, Eastern Cape Province

Making a difference in 2012/2013

- 6113.3008 HECTARES OF PUBLIC LAND RELEASED FOR HUMAN SETTLEMENTS IN THIS FINANCIAL YEAR
- TWO INNER CITY JOHANNESBURG BUILDINGS HAVE BEEN TRANSFERRED AND REGISTERED IN THE NAME OF THE HDA, AND THE PROCESS PLAN TO RELEASE THE PROPERTIES INTO THE DEVELOPMENT CYCLE IS CURRENTLY UNDERWAY
- DEED OF SALE SIGNED FOR THE ACQUISITION BY THE HDA OF FIVE SERVCON PROPERTIES OF 746.5626 HECTARES
- 16 IMPLEMENTATION PROTOCOLS IN PLACE WITH THREE NEW PROTOCOLS SIGNED WITH PROVINCES AND ONE WITH A MUNICIPALITY
- THREE MEDIUM TERM OPERATIONAL PLANS ARE IN PLACE WITH LIMPOPO, FREE STATE AND NORTHERN CAPE
- HDA OFFICE OPENED IN THE FREE STATE AND SUPPORT WORK COMMENCED
- PRIORITY HOUSING DEVELOPMENT AREA POLICY AND REGULATIONS ARE GOING THROUGH THE PARLIAMENTARY AND LEGISLATIVE APPROVAL PROCESS
- INFORMAL SETTLEMENT UPGRADING TECHNICAL SUPPORT WORK IS UNDERWAY IN LIMPOPO, FREE STATE AND NORTHERN CAPE
- TWO GIS TOOLS IN THE FORM OF THE LAND AND PROPERTY SPATIAL INFORMATION SYSTEM (LAPSIS) AND THE NATIONAL HUMAN SETTLEMENTS LAND INDICES (NAHSLI) ARE BEING USED WIDELY IN VARIOUS PROVINCES AND MUNICIPALITIES
- 37 SUSTAINABLE HUMAN SETTLEMENT PROJECTS AND PROGRAMMES SUPPORTED
- MEGA PROJECT MANAGEMENT REMAINS AN HDA STRENGTH AS ILLUSTRATED BY ONGOING DELIVERY ON N2 GATEWAY AND ZANEMVULA PROJECTS

PROGRAMME PERFORMANCE

VISIONARY GOALS AND STRATEGIC OBJECTIVES 2012/13

The HDA's strategic objectives for the year under review were set down in the 2012/13 Strategic Plan, approved by the Board and the NDHS. They are as follows:

GOAL ONE	GOAL STATEMENT	STRATEGIC OBJECTIVES
Land and property availability and release	To coordinate the integrated national (public sector) land and landed property inventory to facilitate the release of land for human settlements development	<ol style="list-style-type: none"> 1. Identify land for human settlements development 2. Validate and prioritise identified land for acquisition 3. Prepare land for development 4. Sector support in land assembly 5. Facilitate the release of public sector land for human settlements development 6. Implement land release procedures and/or granting rights in land 7. Acquire (prioritised) land and properties 8. Monitor progress of development on land acquired with human settlement funding 9. Establish and management of NaHSLI 10. Maintain LaPsis 11. Establish spatial analyses and modelling capability
GOAL TWO	GOAL STATEMENT	STRATEGIC OBJECTIVES
Land and property holding	To efficiently and effectively manage land and landed property and release for human settlements	<ol style="list-style-type: none"> 1. Manage all fixed properties held by the HDA 2. Land and property revenue and benefits optimisation 3. Land and property maintenance and security
GOAL THREE	GOAL STATEMENT	STRATEGIC OBJECTIVES
Providing technical and programme management capability	To ensure there is appropriate management, capacity and technical support services for programmes and projects implementation that promote sustainable human settlements	<ol style="list-style-type: none"> 1. Provide programme and project portfolio planning, management and implementation support to provinces and municipalities 2. Provide programme support to the informal settlement upgrading programme 3. Provide programme support to the emergency housing programme 4. Provide technical support services to identified and targeted projects within provinces and municipalities (including addressing slow moving projects and/or rectification projects)
Organisational credibility	To operate and function as an organisation with a track record of quality, effective delivery and professional service	<ol style="list-style-type: none"> 1. Develop a responsive organisation that applies effective and compliant systems to the delivery process 2. Build a values-based, sustainable, performance focused organisation
Intergovernmental collaboration and alignment	To foster intergovernmental alignment and collaboration for accelerating sustainable human settlement development	<ol style="list-style-type: none"> 1. Manage the development and implementation of the HDA IGR Strategy and Policy Framework 2. Enhance the appreciation of HDA mandate and functions by identified public sector stakeholders 3. Monitor and ensure follow-up and referral of engagements with public sector stakeholders to close outreach 4. Facilitate the conclusion of agreements/contracts with key stakeholders 5. Support the implementation and management of agreements concluded with organs of state 6. Facilitate sector IGR coordination and support 7. Ensure intergovernmental programme and strategy alignment 8. Apply the Priority Housing Development Areas Framework



“ The HDA came in and they did an amazing job in terms of turning the project around. Particularly with how they put measures and structures in place to improve the working relationship between the different spheres of government. ”

Mbubelo Tshangana – Former Head of Department
Human Settlements, Western Cape Province

PROGRAMME PERFORMANCE CONTINUED

MACRO INDICATORS

MACRO INDICATORS	DESCRIPTION OF INDICATOR	PROGRAMME MOST CLOSELY LINKED TO ACHIEVEMENT INDICATOR	TARGET ESTIMATES	
			2012/13	Targets achieved
1) Hectares of publicly-owned land released for human settlements	This indicator tracks the publicly-owned land released for human settlements development in terms of the delivery agreement	Land Assembly Management	4 250 ha	6113.3308 hectares (total of public land released for human settlements)
2) Number and extent of properties and/or land acquired by the HDA for human settlements (portions and hectares)	This indicator tracks the number and extent of properties and/or land acquired by the HDA	Land Assembly Management	5 properties and/or 50 ha of land	2 Properties in Inner City Johannesburg acquired by HDA – title deeds in HDA possession A Deed of Sale has been signed by HDA and Servcon for 5 Servcon properties measuring 746.5626 hectares. Payment of the purchase price has been effected. Total = 7 properties
3) Hectares of properties and/or land managed by the HDA	This indicator tracks the extent of properties and/or land managed by the HDA	Land Assembly Management	1 000 ha	924.4915 hectares of land currently managed by the Agency Clause 9 of the Servcon Deed of Sale states that the Agency is liable for management of the land upon signature date (26 February 2013) and all leases have been ceded to the Agency
4) Percentage of land or number of HDA landed properties released for human settlement development	This indicator tracks the extent of HDA-owned land (as per indicator 2 above) released for human settlements by the HDA	Land Assembly Management	1 building	Not achieved Transfer of buildings in process but not effected by financial year end
5) Number of human settlement projects and/or programmes supported	This indicator tracks the development of human settlements projects and/or programmes through provision of project support services and capacity building support to organs of state	Programme and technical support services	20	Support for the year: Projects supported = 10 Programmes supported = 13 Workshops with Provinces and stakeholders = 5 Tools to support sector = 6 Publications = 3 Total for the year = 37 <i>Included in the above, the HDA supported 4 Provinces = 4 and 29 Municipalities</i>
6) Number of Priority Housing Development Areas (PHDAs) determined	This indicator tracks the process for pre declaration and declaration of PHDAs with provinces and/or municipalities	IGR&SA	2	Not achieved. The PHDA is going through the approval process and is targeted to be promulgated in the third quarter of the 2013/14 financial year
7) Number of IGR protocols established, implemented and maintained	Facilitate the process of concluding implementation protocols that will enable <ul style="list-style-type: none">• Joint operational and/ or project planning,• Joint funding• Prioritisation and recognition of HDA service	IGR&SA	15	IPs established or maintained for the year: 1. North West IP 2. Limpopo IP 3. Limpopo MTOP 4. Free State IP 5. Free State MTOP 6. Eastern Cape MOA 7. Western Cape Department of Human Settlements MOA 8. Western Cape Department of Human Settlements IP 9. City of Tshwane IP 10. Nelson Mandela Bay IP 11. Northern Cape IP 12. Northern Cape MTOP 13. EThekweni Metropolitan Municipality IP 14. Rustenburg Local Municipality IP 15. Kwa Zulu Natal Department of Human Settlements IP 16. Council for Geosciences MOA Total for the year = 16

PROGRAMME PERFORMANCE CONTINUED

HDA STAFF STATISTICS

Categories	African Female	African Male	Coloured Female	Coloured Male	Indian Female	Indian Male	White Female	White Male	Disabled (WF)	TOTAL
% Top management (CEO and EXCO)	0.95%		0.95%		0.95%		0.95%	0.95%		4.76%
Top management (CEO and EXCO)	1	0	1	0	1	0	1	1	0	5
% Senior management	2.8%	5.7%						0.95%		9.52%
Senior management	3	6	0	0	0	0	0	1	0	10
% Professionals, specialists and mid-management	4.7%	9.5%	0.95%	1.9%	0.95%	0.95%	0.95%	0.95%	0.95%	21.9%
Professionals, specialists and mid-management	5	10	1	2	1	1	1	1	1	23
% Skilled, qualified workers, supervisors	20%	11.4%		10.48%	3.8%		6.7%			53.3%
Skilled, qualified workers, supervisors	21	12	0	11	4	0	7	0	0	55
% Semi-skilled workers	3.8%	1.9%	1.9%	0.95%						8.55%
Semi-skilled workers	4	2	2	1	0	0	0	0	0	9
% Unskilled workers	1.9%	0.95%								2.85%
Unskilled workers	2	1	0	0	0	0	0	0	0	3
Total percentage	34.2%	30%	3.8%	13.3%	5.7%	1%	8.5%	2.8%	1%	100
Total staff number	36	31	4	14	6	1	9	3	1	105

STAFF MOVEMENT APRIL 2012 – MARCH 2013

Recruited	Resigned	Dismissed
16	12	1

STRATEGIC MANAGEMENT, FINANCE AND ADMINISTRATION

The principal function of the Strategic Management, Finance and Administration programme has been to develop the HDA as a credible and responsive organisation that applies effective and compliant systems. The programme deals with:

- Strategic planning, coordination, performance, governance, marketing and communications
- Financial management, supply chain management, risk management, and financial compliance and reporting
- Corporate services, including human resources management and development, information technology, documents and records management and legal services

The HDA subscribes to good corporate governance and recognises the need to conduct the Agency with integrity in accordance with the principles, practices and applicable prescripts of the King Code of Corporate Governance. The finance environment is regulated by the Public Finance Management Act and Treasury Regulations. Financial policies and procedures were authorised by the Accounting Authority and are reviewed periodically. There is also a system of monthly financial reporting ensuring timely reconciliations and limitation of risks. There are also approved policies and procedures for Supply Chain Management, which encompass the terms of reference and conduct of members of the Bid Adjudication Committee which adjudicates tenders. The Supply Chain Management Manager ensures that the systems and procedures run according to the approved policies. The Risk Manager manages the risk management system and keeps the strategic and operational risk register up to date.

Marketing and communications was very active in the last financial year producing a series of best-practice videos, best-practice and research publications, marketing materials, and especially the external HDA newsletter which is providing much-needed

information on a quarterly basis to our stakeholders about progress. The two community newsletters on N2 Gateway and Zanemvula have now been going for two years and are proving to be an important tool to keep the communities informed about progress on the projects. All publications are available on our website www.thehda.co.za

The Corporate Services unit ensured effective and efficient support services were provided across the organisation in alignment with the HDA strategy. Corporate services includes human resources management, information technology and facilities management, legal services, documents and record management and the company secretariat function.

Specific focus was placed on the improvement of Human Resource Management and Information Technology with two new managers being appointed.

Human Resources

The HDA has undergone a transformational process in the last financial year which has been facilitated and implemented by Human Resources Department. Human Resources have assisted with defining functions and job profiles within the HDA; rolled out the new performance management programme throughout the organisation and have started the process of reviewing the HDA HIR Policy and Procedure manual. Human Resources has also improved on the internal HR administrative controls.

IT

An IT roadmap was established to align and enhance the IT infrastructure throughout the HDA, in line with the current strategic plan. Focus has been placed on improving :

- IT systems
- Disaster Recovery
- Helpdesk
- IT Governance
- Compliance

INTERGOVERNMENT RELATIONS AND STRATEGY ALIGNMENT

The purpose of the IGR programme is to negotiate and secure key relationships between the different spheres of government in order to facilitate and accelerate the development of human settlements. It provides support to the other divisions of the HDA by facilitating access to stakeholders and concluding agreements that allow Land Assembly Management (LAM) and Projects and Technical Services Support (P&TSS) to function effectively. IGR is also responsible for fostering partnerships with identified sector stakeholders including parastatal, academic, private sector and non-government organisations.

The IGR programme is structured into the following sub-programme areas:

- IGR strategy development, outreach and consultations
- IGR agreements and contract management
- IGR strategy and programme alignment
- PHDA facilitation

Performance in 2012/13

The year was characterised by IGR significantly expanding its outreach and stakeholder development activities resulting in a range of new productive institutional relationships as well as the resuscitation of engagements with stakeholders that had previously not been successful. These new and strengthened relationships have resulted in a significant expansion of intergovernmental agreements and contract management for the Agency and its partners.

The second quarter saw IGR focus on extending outreach to municipalities, concluding agreements with stakeholders that were engaged in previous financial years, engaging in discussions within

the sector that assisted in defining the areas of focus for the Agency, and continuing to provide support to provinces where the Agency has established a regional presence. Information was also provided to traditional leaders and this has assisted the Agency to extend its reach beyond urban municipalities. In the third quarter IGR developed and implemented a municipal councillor induction process.

Later in the year IGR focused its attention on further strengthening relations with stakeholders with some engagements culminating in conclusion of implementation protocols, namely Northern Cape Department of Cooperative Governance, Human Settlements and Traditional Affairs, Western Cape Department of Human Settlements, KwaZulu-Natal Department of Human Settlements, and Rustenburg Local Municipality. During this time the unit successfully sought to engage municipalities that had expressed interest in securing the support of the Agency. Relations were also established and/or strengthened with provincial departments of human settlements. In the final quarter of 2012/13 IGR promoted policy alignment with national and provincial departments through the activities of the Joint Coordinating Land Task Team and the Cities Support Programme.

Throughout the year the IGR unit also worked closely with and provided important informational support to the NDHS. IGR provided input at quarterly meetings organised by the NDHS to consider provincial business plans. In the final quarter alone the IGR provided NDHS with a revised Rapidly Growing Towns and Locations (RGTL) implementation framework, a terms of reference for the national steering committee and draft profiles of target towns and localities, and last but not least a draft policy for PHDAs.



“ As a national agency responsible for land assembly, the hands on project implementation in Zanemvula by the HDA demonstrates the impact on service delivery by national human settlements thereby drawing lessons to contribute to future policy direction.

Gaster Sharpley – Head of Department, Eastern Cape Provincial Department of Human Settlements

LAND ASSEMBLY MANAGEMENT

The primary purpose of the LAM programme is to identify, acquire, hold and release land required for integrated sustainable human settlements development. The programme entails working closely with provinces and municipalities in the land assembly process.

The LAM portfolio has the following sub-programme areas:

- Land identification and planning
- Land and property acquisitions management
- Land and property assets management
- Land geospatial systems

Performance in 2012/13

During the period under review the approach to land assembly programme has increased focus on mechanisms required to enhance the land identification criteria for well-located land. This approach requires greater consultation with provinces and municipalities to ensure that appropriate land is identified that responds to housing plans and the related budgets allocations. The property portfolio owned and managed by the Agency is increasing steadily.

The land identification process has been supported by two land analysis tools developed by the Agency namely LAPsis and NaHSLI. The Agency's land geospatial services are continually being improved. These supporting tools have been increasingly used to assist provinces and municipalities to consider and identify land investment opportunities. To this end, NUSP municipalities have been targeted with this support particularly in Limpopo. Support has been provided to the NDHS on Special Projects and contribution of inputs to the recent SIPs initiatives by the Department of Economic Development.

Land identification and planning

The total numbers of hectares identified by LAM as suitable for human settlement development exceeded the targets in all four quarters of 2012/13. By the end of the first quarter alone approximately 19529.4485 hectares of public land had been identified in seven provinces. The challenge remains in the prioritisation of identified land and state of readiness of sites for development cycles. The significant number of pre-acquisition feasibility studies would now need to be prioritised for the preparation of Development Plans and securing budgets for land acquisition and project pipeline. This will require greater focus and consultation with the respective provinces and municipalities.

Pre-feasibility studies were completed on most of the properties identified throughout the year with a particular focus on properties located in the NUSP and provincial priority areas.

Studies to establish the geological and environmental conditions of the prioritised properties could not be concluded due to procurement challenges. However, provision has been made in Financial Year 2013/14 for this work to be undertaken to inform acquisitions and development planning.

During the year LAM began a series of consultations with municipalities and provinces with regard to the proposed developments. A prime objective of these consultations was to align the development to local initiatives and planned resource allocation. LAM also worked closely with the Department of Public Works and conducted joint inspections for properties prioritised for human settlements developments in three provinces.

Land and property acquisition management

By the end of the Financial Year the Agency had facilitated the release of 6113.3305 hectares of public land to various local authorities while the total land acquired and acquisitions facilitated by the HDA amounted to 1042.2115 hectares.

Early in the year four properties in NorthWest Province measuring 5940.4951 hectares were released for human settlements and tenure upgrading to the Rustenburg and Madibeng municipalities. In the second quarter four properties in the Free State measuring 754.6182 hectares were also approved for release to the Maluti-A-Phofung Municipality for human settlements and associated uses. A further six properties measuring approximately 92.6655 hectares located in Welkom, Kroonstad, Bethlehem and Bloemfontein were also transferred.

Later in the year the Agency facilitated acquisition, transfer and registration of 295.2526 hectares of private land in Ventersdorp for transfer to the municipality. Two properties in inner city Johannesburg were transferred and registered in the name of the HDA while five Servcon properties measuring approximately 746.5626 hectares were acquired nationally.

Throughout the year LAM engaged and /or partnered with a wide range of public bodies with the aim of facilitating the release of land for human settlements. LAM also initiated the Land Compensation Framework for state-owned companies – a study, which will be used to inform the process of compensation for public land earmarked for human settlements.

Land and property asset management

As one important outcome of a busy year an approved maintenance plan for the portfolio was completed. Planned maintenance works on HDA-managed properties were completed on time, per specification and within cost. By the end of the Financial Year the

PROGRAMME PERFORMANCE CONTINUED

portfolio was in full compliance with the building regulations and with Safety, Health, Environment and Quality (SHEQ) requirements.

The Agency continued with managing the nine properties held in trust on behalf of Free State and Limpopo departments of human settlements. The two HDA-owned buildings in Johannesburg were earmarked for release for the purpose of social rental and this has been guided by a committee with broad public sector and NGO representation.

Properties added to the HDA asset register late in the year increased the total number of properties under management to 924.4915 hectares out of a target of 1000 hectares of land valued at R113m. They are properly secured, have experienced no invasions and a cumulative rent revenue of R1,675m has been received from the portfolio. By the end of the Fiscal Year all the properties, including those newly acquired, were fully insured.

Land Geospatial Services

NaHSLI, an executive analytical tool to facilitate and guide the formulation of planning alternatives, gained significant momentum during the year generating great interest among a range of stakeholders and was increasing used within the human settlements sector. Many stakeholders shared their data and participated on the NaHSLI Technical Working Group. Land identified by the HDA was subjected to the NaHSLI tool to determine the Land Suitability Value based on Geotechnical Conditions, Rivers and Wetlands, Mining, Agriculture and Forestry, Biodiversity Planning, Protected Areas and Habitat Quality to facilitate the rapid assessment and prioritisation of properties.

In the second half of the year in particular the Agency received many requests for strategic support and was able to respond accordingly. NaHSLI has been used to enhance HDA's collaborative work with partner organisations. LAM hosted a well-attended workshop where NaHSLI was tested as a rapid Land Analytical Tool and organised several forums and presentations. Internally, the Land Suitability Index within NaHSLI was increasingly used to make informed decisions on identified properties.

The Land and Property Spatial Information system (LaPsis), the HDA's online spatial geographic information solution, is used widely in various provinces and municipalities to consider land and housing information by operation staff and strategic managers. In one of the provincial departments of public works, LaPsis was used to do a land audit; and in other provinces, the information on properties in LaPsis is used to determine ownership when there are property disputes.

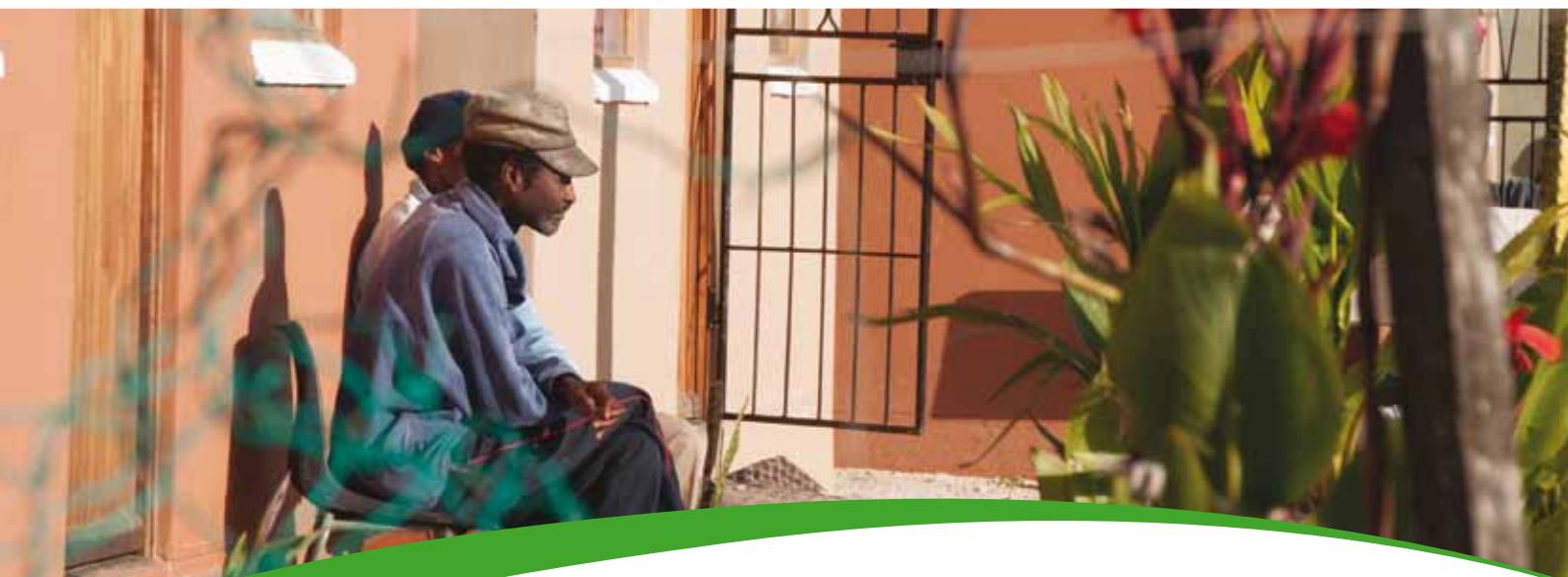
Current property portfolio

Area description	Size (±Ha)	Status
FREE STATE		
Bethlehem	4.886	Land and buildings
Bethlehem	0.39	Land and buildings
Bloemfontein	40.91	Vacant land
Bloemfontein	5.028	Vacant land
Kroonstad	48.61	Vacant land
Kroonstad	2.065	Land and buildings
Kroonstad	1.228	Land and buildings
Welkom	2.42	Land and buildings
LIMPOPO		
Bela Bela	72	Vacant land partly invaded
GAUTENG		
Johannesburg Inner City	0.2476	High rise building
Johannesburg Inner City	0.1488	High rise building
EASTERN CAPE		
Lukhanji Local Municipality	5.1924	Vacant land
GAUTENG		
City of Tshwane	18.748	Vacant land
City of Tshwane	19.3595	Vacant land
WESTERN CAPE		
City of Cape Town	2.4814	Vacant land
Swartland	700.7813	Vacant land and small scale farming
TOTAL	924.496	

We have approximately 200 users registered on LaPsis and there are between 30 and 50 active users on a monthly basis. LaPsis has been used for 33 500 search transactions since 2010.

Our latest version was rolled out with a number of new and enhanced functionalities. These included a new landing page and numerous new and enhanced functionalities, data updates, trend maps and an updated Census Portal. We have recently added the land inventory database of all land identified on the LaPsis environment to ensure consistent reporting of progress on land and landed properties identified for sustainable human settlement development.

The intention going forward with LaPsis is to allow users more autonomy to create maps, search for properties and consider possible areas to invest in by the HDA.



“ I am grateful to the HDA for so much: I received this beautiful home for my family and they also gave me a temporary job at the same time. I was a relocation officer and got to tell a few people every week as their homes were ready and that they could move in. I still remember reading my name and how great it felt. ”

Thabisa Mgaguli – Chatty resident, Zanemvula project

PROJECTS AND TECHNICAL SERVICES SUPPORT (P&TSS)

The Projects and Technical Support Services unit is focused primarily on managing projects and supporting programmes that provide the basis for the creation of sustainable human settlements, providing project and capacity support services to provinces, municipalities and other organs of state. The unit is also responsible for the Section 29 projects of the N2 Gateway and Zanemvula which are classified as National Priority Housing Projects. The unit also works in close conjunction with the NDHS on the National Upgrading Support Programme (NUSP).

It has been a challenging but successful year for the unit as it has for the Agency as a whole. In 2012/13 we formed many new partnerships and worked in many new localities. It has been very gratifying to see our efforts come to fruition in terms of new human settlement programmes finally getting underway and stalled projects being unblocked.

Performance in 2012/13

Early in the year the project portfolio management approach in Limpopo was defined within the context of the Limpopo medium-term operational plan (MTOP). The approach aims to ensure that the Provincial Department of Human Settlements creates greater value from its projects and that it is in a position to make better-informed and more cost-effective decisions going forward.

The Bendor Extension 100 development is one of several projects in Limpopo for which the unit provided leadership and support in 2012/13. The HDA is the implementing agency for Bendor Extension, a mixed income housing project in Polokwane. In the second quarter a contractor was appointed to construct roads and stormwater infrastructure for the project and by the end of the Financial Year the work was 80 per cent complete. Late in the year a developer was appointed to build the top structures for Bendor Extension. The units, which include a mix of low income, GAP/bonded and affordable rental units, are to be constructed in three phases.

Early in the year the need for clear and practical information to guide our municipal and provincial partners to unblock stalled

projects was identified. Publications for blocked projects were researched, written, published and distributed before the end of the year.

The unit's work in 2012/13 was characterised in part by a stronger and broader focus on Informal Settlement Upgrade (ISU). In the second quarter a provincially-specific definition of informal settlements was provided for Limpopo which provided an appropriate provincial context and direction for informal settlement upgrade support. With support from the Agency six ISU projects were packaged and these have been prioritised for implementation in the 2013/14 Financial Year. A strategy development process for Mangaung Municipality was also implemented and this will be used as the basis to inform the work to be done with other municipalities in the Free State.

By the final quarter the unit had extended ISU support to five provinces, having provided services in the Northern Cape and North West provinces. Rapid assessments were conducted for six settlements in the Northern Cape and NUSP forum meetings were held in Limpopo and the Northern Cape. Among the support tools provided for informal settlement upgrade in the final quarter, the unit hosted an ISU partners' workshop attended by existing partners and the NUSP national task team. A diagnostic review workshop was also held in the Northern Cape as part of the planning and programming support being provided to the province.

Significant progress was made at both the N2 Gateway project in the Western Cape and the Zanemvula project in the Eastern Cape. The commencement of building at the long-troubled Boystown site at the N2 is a significant milestone as was the completion of the Delft Symphony project. At Zanemvula the rectification and upgrading at Soweto on Sea was commenced. The yearly target up to quarter 3 of 1107 units was exceeded with actuals being at 1206. The first phase of the Chatty Projects was completed in the third quarter with 1339 houses having been built. During 2012/13 the Agency consolidated its reputation as a centre of best practice in mega project management.

Annual financial statements

For the year ended 31 March 2013

GENERAL INFORMATION

LEGAL FORM OF ENTITY

Schedule 3A entity listed in terms of the PFMA

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management support services

THE FOLLOWING IS INCLUDED IN THE SCOPE OF OPERATION

Identify acquire, hold, develop and release well-located land and buildings, provide project management support and housing development services.

MEMBERS OF THE ACCOUNTING AUTHORITY

SS Somyo (Chairperson)
CF Platt (Deputy Chairperson)
MJL Lephallo
TE Nwedamutswu
LS Archary
TM Adler (Executive)
APG Moola (Executive)

BUSINESS ADDRESS

Block A,
Riviera Office Park
6-10 Riviera Road
Killarney
Johannesburg

BANKERS

First National Bank Ltd

AUDITOR

PwC Inc

BUSINESS ADDRESS

PO Box 3209
Houghton 2041

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

For the year ended 31 March 2013

The accounting authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting authority acknowledges that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting authority is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting authority has reviewed the entity's cash flow forecast for the year to 31 March 2014 and in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 30.

The annual financial statements set out on pages 32 to 55 which have been prepared on the going concern basis, were approved by the accounting authority on 25 July 2013 and were signed on its behalf by:



SS Somyo
Chairperson of the Accounting Authority

REPORT OF THE AUDIT COMMITTEE

For the year ended 31 March 2013

The Accounting Authority of the Housing Development Agency (HDA) delegated certain responsibilities to the Audit Committee (Committee) and these are set out in the Terms of Reference of the Committee.

The Committee's responsibilities are in line with the Public Finance Management Act, Act 1 of 1999 and the Treasury Regulations and it has discharged all its responsibilities set out in its Terms of Reference. The Committee has amongst other things reviewed the following during the 2012/2013 financial year:

- the effectiveness of the internal control systems;
- the activities of the internal audit function, including its annual work program, co-ordination with the external auditors, the reports of significant findings and the responses of management to specific recommendations;
- the adequacy, reliability and accuracy of financial information provided by management;
- any accounting or auditing concern identified as a result of an internal or external audit;
- where relevant, the independence of and objectivity of the external auditors.

The internal controls implemented by HDA focus on identified key risk areas. Management monitors all internal controls closely and ensures that action is taken to correct deficiencies as they are identified. In the opinion of the Committee, these controls and procedures of the HDA were, during the period under review, appropriate in safeguarding the HDA's assets, ensuring the maintenance of proper accounting records and that working capital and resources were efficiently utilised. Nothing has come to the attention of the Committee to indicate that a material breakdown in the functioning of the internal controls, procedures and systems has occurred during the year under review.

Following our review of the annual financial statements of the HDA for the year ended 31 March 2013, we are of the opinion that they comply in all material respects with the relevant provisions of the Public Finance Management Act and Generally Recognised Accounting Practice.

The Committee, at its meeting held on 12 June 2013 recommended these annual financial statements, which were prepared on a going concern basis, to the Accounting Authority for approval.



CF Platt

Chairperson of the Audit Committee

ACCOUNTING AUTHORITY'S REPORT

For the year ended 31 March 2013

The members of the accounting authority present their report for the year ended 31 March 2013. This report forms part of the audited annual financial statements.

I. Main business and operations

The Housing Development Agency (HDA) was enacted via an Act of Parliament, the Housing Development Act 23 of 2008. The HDA is listed as a schedule 3A entity in terms of the Public Finance Management Act 1, of 1999.

The Executive Authority of the HDA is the National Minister of Human Settlements. The HDA commenced operations on 1 April 2009.

The objectives of the Agency, as described in the HDA Act are to:

- identify, acquire, hold, develop and release state, communal and privately owned land for residential and community purposes and for the creation of sustainable human settlements;
- provide project management support and housing development services.

I.I Corporate governance statement

The accounting authority is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting authority supports the highest standards of corporate governance and the ongoing development of best practice.

The salient features of the entity's adoption of the principles of the King Code on Corporate Governance are outlined below:

Accounting Authority (Board)

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
 - non-executive members, all of whom are independent directors as defined in the principles of King Code; and
 - executive members.

Chairperson and Chief Executive

The Chairperson is a non-executive and independent member (as defined by the principles of King Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Human Resources and Remuneration Committee

The Chairperson of the Human Resources and Remuneration Committee is Ms TE Nwedamutswu, who is an independent non-executive member. The other independent non-executive member of this committee is Mr SS Somyo.

The committee operates in accordance with its approved charter and has been constituted to oversee the formulation of a remuneration philosophy and human resources strategy to ensure that the HDA enjoys the best human capital relevant to its business needs and maximises the potential of its employees.

Audit Committee

The Chairperson of the Audit Committee is Mrs CF Platt, who is an independent non-executive member. The committee has another independent non-executive member, Mr SS Somyo, as well as an independent member, Mr GL Leissner.

The Audit committee operates under an approved audit charter.

Properties and Development Committee

The Chairperson of the Properties and Development Committee is Mrs CF Platt, who is a non-executive member. The other members are Mrs MJL Lephallo (non-executive member) and the executive members are Ms NL Lester, Ms O Crofton, Ms AP Moola and Mr T Adler. The committee has an approved terms of reference.

ACCOUNTING AUTHORITY'S REPORT CONTINUED

For the year ended 31 March 2013

1.2 Internal audit

The HDA's internal auditors were Outsourced Risk and Compliance Assessment (Pty) Ltd (ORCA), until 31 May 2012. KPMG Services (Pty) Ltd were appointed on 1 June 2012, to perform the internal audit at the HDA in accordance with the requirements of the PFMA, Treasury Regulations and the Standards of the Institute of Internal Auditors.

1.3 Compliance with legislation

The Board complies with the mandatory legislation applicable to it such as the Public Finance Management Act 1 of 1999 and the HDA Act of 2008.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Events after reporting date

Refer to Note 26 of the Notes to the annual financial statements.

4. Members of the Accounting Authority interest in contracts

To our knowledge none of the members had any interest in contracts entered into during the period under review.

5. Financial results

The HDA's operating results and financial position are reflected in the attached annual financial statements.

Some of the salient points are:

- The HDA has a surplus R7,7m for the current financial year.
 - Capital projects include the following projects for which there are signed agreements:
 - Bela Bela land transfer amounting to R65,4m;
 - A conditional grant, from the Western Cape for R18,9m.
- Project obligations include amounts relating to money received from:
 - North West Province (remainder of interest after the purchase of property in Ventersdorp) – R626k;
 - Free State Province(various projects) – R104,6m;
 - Limpopo Province (various projects) – R5,1m, and
 - Eastern Cape Province(various projects) – R138,8m.

6. Members of the Accounting Authority

The members of the accounting authority of the HDA during the accounting period and up to the date of this report were as follows:

Name	Date of appointment	Date of resignation/ term of office ended
SS Somyo (Chairperson)	01 June 2012	
C Platt (Deputy Chairperson)	Reappointed – 01 June 2012	
MJL Lephallo	01 June 2012	
TE Nwedamutsu	01 March 2009	
SL Archary	10 October 2012	
TM Adler (Executive)	01 February 2009	
APG Moola (Executive)	01 March 2009	
B Daries	01 June 2012	17 August 2012
NL Sowazi (Chairperson)	01 February 2009	31 May 2012
K Gordhan	15 May 2009	31 May 2012
GG Leissner	15 May 2009	31 May 2012
M Swartz	01 March 2009	31 May 2012

ACCOUNTING AUTHORITY'S REPORT CONTINUED

For the year ended 31 March 2013

The Board has met 4 times during the financial year under review. The Board is scheduled to meet at least four times a year.

The term of office of the First Board of the HDA, ended on 31 January 2012 and was extended to 30 April 2012. The term of office for the Second Board of the HDA commenced on 1 June 2012.

Non-executive members have access to all members of management of the HDA. Attendance at meetings of the Board and its sub-committees are as follows:

BOARD MEETINGS

Name	Meetings	Attended	Apologies
SS Somyo	3	3	—
CF Platt	4	4	—
MJL Lephallo	3	3	—
T Nwedamutswu	4	2	2
N Sowazi	1	1	—
K Gordhan	1	—	1
G Leissner	1	1	—
M Swartz	1	—	1
LS Archary	2	—	2
T Adler	4	4	—
APG Moola	4	4	—

AUDIT COMMITTEE

Name	Meetings	Attended	Apologies
C Platt	3	3	—
G Leissner	3	3	—
K Gordhan	1	0	1
T Adler	2	2	1
APG Moola	3	3	—

HR AND REMUNERATION COMMITTEE

Name	Meetings	Attended	Apologies
T Nwedamutswu	1	1	—
SS Somyo	1	1	—
T Adler	1	1	—

PROPERTIES AND DEVELOPMENT COMMITTEE

Name	Meetings	Attended	Apologies
C Platt	—	—	—
MJL Lephallo	—	—	—
T Adler	—	—	—
APG Moola	—	—	—
O Crofton	—	—	—
N Lester	—	—	—

7. Auditors

The Auditor-General has given HDA permission to appoint external auditors on their behalf. The HDA has appointed PwC Inc for the financial year 2012/13, on 18 July 2012. The appointment is granted for one financial year as contemplated in terms of section 25(4) of the Public Audit Act, Act No. 25 of 2004.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

REPORT ON THE FINANCIAL STATEMENTS

Introduction

We have audited the financial statements of the Housing Development Agency as set out on pages 32 and 55, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, the statement of financial performance, statement of changes in net assets and statement of cash flows 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

The board of directors which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Accepted Accounting Practice and the requirements of the Public Finance Management Act of South Africa, 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's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Housing Development Agency as at 31 March 2013, and of their financial performance and cash flows for the year then ended in accordance with the Standards of Generally Accepted Accounting Practice and the requirements of the Public Finance Management Act of South Africa.

Additional matter

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Unaudited supplementary schedules

The supplementary information set out on page 56 does not form part of the financial statements and are presented as additional information. We have not audited these schedules and accordingly, we do not express an opinion thereon.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2013

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the *General Notice* issued in terms therof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

We performed procedures to obtain evidence about usefulness and reliability of the information in the annual performance report as set out on pages 32 to 55 of the annual report.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete.)

There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with laws and regulations. We did not identify any deficiencies in internal control that we considered sufficiently significant for inclusion in this report.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers

Director: P Persad

Registered Auditor

Pretoria

12 June 2013

STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2013

	Note(s)	2013 R'000	2012 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	2	20 654	22 237
Intangible assets	3	19	63
Land prepayment	4	–	1 800
Long-term land inventory	5	27 905	–
Total non-current assets		48 578	24 100
Current assets			
Land inventory	6	73 100	65 400
Receivables from exchange transactions	7	8 820	20 628
Cash and cash equivalents	8	308 413	99 420
Total current assets		390 333	185 448
Total assets		438 911	209 548
Net assets and liabilities			
Accumulated surplus		63 690	55 986
Non-current liabilities			
Finance lease obligations	9	3	65
Current liabilities			
Payables from exchange transactions	11	24 983	28 619
Provisions	12	7 859	5 626
Current portion of finance leases	9	62	732
Projects obligations	13	269 214	53 120
Land inventory funding	14	73 100	65 400
Total current liabilities		375 218	153 497
Total net assets and liabilities		438 911	209 548

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2013

	Note(s)	2013 R'000	2012 R'000
Operating revenue			
Operational grants	15	120 679	111 038
Project management fee (Sect.29)		5 515	4 002
Interest income		2 036	1 776
Total operating revenue		128 230	116 816
Expenditure			
Land and related costs	16	8 057	7 147
Operating expenses	17	34 423	34 432
Project services	18	11 716	6 423
Finance costs		268	424
Employee costs	19	68 139	51 916
Deficit on disposal of property, plant and equipment		35	89
Total expenditure		122 638	100 431
Other income			
Sundry income		2 112	1 447
Total other income		2 112	1 447
Surplus for the year		7 704	17 832

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2013

	Note(s)	2013 R'000	Total R'000
Balance at 1 April 2011		38 154	38 154
Surplus for the year		17 832	17 832
Balance at 31 March 2012		55 986	55 986
Balance at 1 April 2012		55 986	55 986
Surplus for the year		7 704	7 704
Balance at 31 March 2013		63 690	63 690

STATEMENT OF CASH FLOW

For the year ended 31 March 2013

	Note(s)	2013 R'000	2012 R'000
Cash flows from operating activities			
Cash receipts		128 246	114 709
Grants		120 679	109 260
Management fees		5 515	4 002
Other receipts		2 052	1 447
Cash paid to suppliers and employees		(109 719)	(62 676)
Employee costs		(68 139)	(47 786)
Other payments		(41 580)	(14 890)
Cash generated from operations	22	18 527	52 033
Interest received		2 036	1 776
Net cash flows from operating activities		20 563	53 809
Cash flows from investing activities			
Property, plant and equipment acquired		(881)	(21 378)
Intangible assets acquired		(6)	(6)
Decrease in land repayment		1 800	(1 800)
Long-term land inventory acquired		(27 905)	–
Net cash flows from investing activities		(26 992)	(23 184)
Cash flows from financing activities			
Increase/(decrease) in projects obligations		216 094	(176)
Decrease in lease liability		(672)	(483)
Cash flows from financing activities		215 422	(659)
Increase in cash and cash equivalents		208 993	29 966
Cash and cash equivalents at beginning of the year		99 420	69 454
Cash and cash equivalents at end of the year	8	308 413	99 420

ACCOUNTING POLICIES

For the year ended 31 March 2013

I. Presentation of Annual Financial Statements

General information

The Housing Development Agency is a section 3A entity of the PFMA, Act 1 of 1999. The principal activity is accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management and support services.

Basis of preparation

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

The following are the principal accounting policies of the HDA, adopted in preparation of the annual financial statements. The historical cost convention has been used, except where indicated otherwise.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7,11 and 12 of the GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Use of estimates and judgements

Management has used assessments and estimates in preparing the annual financial statements – these are based on the best information available at the time of preparation. The annual financial statements have been prepared on a going-concern basis. All amounts have been presented in the currency of South African Rand, which is the functional currency of the HDA.

Standards and pronouncements comprising the GRAP Financial Reporting Framework

The following standards have been approved but are not yet effective as at 31 March 2013. The impact that these standards will have on the entity is detailed below. A list of these standards is provided below:

GRAP	STANDARDS	IMPACT	EFFECTIVE DATE
GRAP 25	Employee benefits	This standard will have a minimal impact on the entity, as the entity complies with IAS18.	01 April 2013
GRAP 18	Segment reporting	Disclosure will be affected as the HDA has operations in different geographic regions. Geographic regions will qualify as segments and will need to be separately disclosed.	No effective date.
GRAP 20	Related party disclosures	Disclosure will be affected as the HDA has transactions with related parties.	No effective date.
GRAP 105	Transfer of functions between entities under common control	Disclosure will be affected as the HDA may have transactions with other entities.	No effective date.
GRAP 106	Transfer of functions between entities not under common control	Disclosure will be affected as the HDA may have transactions with other entities.	No effective date.
GRAP 107	Mergers	No impact.	No effective date.

The following are interpretations issued but not yet effective:

	INTERPRETATIONS	EFFECTIVE DATE
	Preface to the interpretations of the Standards of GRAP	No effective date.
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01 April 2013

ACCOUNTING POLICIES CONTINUED

For the year ended 31 March 2013

1.1 Revenue recognition

The HDA is financed from money appropriated by Parliament and other sources as indicated below.

Revenue from exchange transactions

Revenue from exchange transactions refers to the revenue that accrued to the HDA directly in return for services rendered, the value of which approximates the consideration received or receivable.

Revenue arising from the use by others of entity interest yielding assets is recognised when:

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

Interest income is recognised as it accrues on a time apportionment basis taking into account its effective yield. Other income comprises tender fees and insurance claims and is recognised when consideration is received.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the HDA received revenue from another party without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants from government are recognised at fair value when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Grants relating to projects approved for funding but not yet transferred are accrued for.

The service rendered is recognised as revenue by reference to the stage of completion of the transaction at the statement of financial position date.

1.2 Taxation

The HDA is not required to make provision for SA Normal Taxation in the annual financial statements, since it is exempted in terms of Section 10(1) cA (i) of the Income Tax Act 58 of 1962 as amended.

The HDA is defined as a public authority in terms of the VAT Act 89 of 1991 as amended and is not required to register for VAT (Value Added Tax). The HDA is also exempt from paying Skills Development Levy in terms of Section 4 (d) of the Skills Development Levies Act no 9 of 1999.

1.3 Property, plant and equipment

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

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

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

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired at no or nominal cost, its cost is its fair value as at date of acquisition.

Depreciation commences when the asset is ready for its intended use. Depreciation is provided on straight-line basis which, if estimated, will reduce the carrying value of the assets to their residual values at the end of their useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the cost of the item shall be depreciated separately. Where the carrying value is greater than estimated recoverable amount, it is written down immediately to its recoverable amount. The useful lives of all the assets are assessed on an asset by asset basis. The major categories of assets are depreciated over the following average useful lives:

ACCOUNTING POLICIES CONTINUED

For the year ended 31 March 2013

Computer equipment	3 – 4 years
Office equipment	4 – 5 years
Furniture and fittings	10 – 12 years
Electronic hardware	4 – 5 years
Property	20 – 25 years

The residual value, and the useful life and depreciation method of each asset are 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.

Paintings

Paintings are carried at fair value and not depreciated. Paintings are revalued every 3 years.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefit or service potential of items of property, plant and equipment are expensed as incurred.

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are purchased computer software that is stated at cost less accumulated depreciation and any accumulated impairment losses. It is amortised over its estimated life of three years using the straight-line method.

The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life; or
- there is an active market for the assets; and
 - Residual value can be determined by reference to that market; and
 - It is probable that such a market will exist at the end of the asset's useful life.

Useful lives, amortisation methods and residual values of assets are re-estimated annually to finite periods. The depreciable amount of an intangible asset with finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use. The assets are then amortised over their re-assesed useful lives.

An intangible asset shall be derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss on derecognition on an intangible asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

At each balance sheet date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that those assets have may be impaired. If the fair value less costs to sell of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its fair value less costs to sell. An impairment loss is recognised immediately in surplus or deficit.

ACCOUNTING POLICIES CONTINUED

For the year ended 31 March 2013

1.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Classification of leases is done at the inception of the lease agreement.

Finance leases – lessee

Assets acquired in terms of finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance lease assets are carried at the initial cost recognised less accumulated depreciation and impairment losses. Finance lease assets are depreciated over the shorter of the useful life of the asset or the lease term unless the asset is expected to be used by the entity beyond the term of the lease.

The major categories of leased assets are depreciated using the following range of useful life

Office equipment	2 – 3 years
------------------	-------------

Operating leases – lessee

Leases for assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. The liability is not discounted.

1.6 Provisions

A provision is recognised in the annual financial statements when the entity has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation.

Where some or all of the expenditure required for settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

1.7 Leave pay provision

Employee entitlements to annual leave are recognised when it accrues to employees. A provision, based on total employment cost, is raised for the estimated liabilities as a result of services rendered by employees up to date of the statement of financial position.

1.8 Long-service payment

In determining the liability for other long-term benefits, management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation and the number of employees expected to leave before they receive the benefits.

1.9 Contingent liabilities

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the entity, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

1.10 Land inventory

Initial recognition and measurement

Land inventory is a tangible assets that is held for sale or distribution in the ordinary course of operations. Land inventory shall be recognised as an asset if, and only if:

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

ACCOUNTING POLICIES CONTINUED

For the year ended 31 March 2013

Inventories that qualify for recognition as assets shall initially be measured at cost. Inventories are measured at the lower of cost and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be fair value as at the date of acquisition.

Subsequent measurement

Inventories shall be measured at the lower of cost or current replacement cost where they are held for distribution at no charge or for a nominal charge.

I.11 Related parties

The HDA operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties. Only transactions with such parties which are not arm's length and not on normal commercial terms are disclosed.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of Executive Committee up to the Accounting Authority are regarded as key management. Close members of key members who may be expected to influence, or be influenced by, key management individuals or other parties related to the entity.

I.12 Financial instruments

Initial recognition and measurement

All financial instruments are initially recognised at fair value including transaction costs, with the exception of financial instruments measured at fair value through surplus or deficit which are valued at fair value excluding transaction costs.

• Receivables

Receivables are classified as loans and receivables and are initially measured at fair value. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial are subsequently measured at amortised cost using the effective interest rate method. The allowance for debtor impairment is determined as being the difference between the present value of the expected future cash receipts and the carrying value. Bad debts are written off when concrete cases of default are identified. Gains and losses are recognised in surplus and deficit when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

• Payables

The entity's financial liabilities include payables which are initially measured at fair value and subsequently measured at amortised cost.

• Cash and cash equivalents

Cash and cash equivalents are subsequently measured at amortised cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts, all of which are available for use unless otherwise stated.

• Offsetting

Transactions are only offset when such offsetting reflects the substance of the transaction or event. Where a legally enforceable right of offset exists for recognised financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or settle on a net basis, all related financial effects are offset.

• Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. As the indicators are subject to uncertainty and as such may change in future financial periods. Such changes in estimates may have the effect of decreasing impairment losses recognised. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Impairment losses are recognised in surplus or deficit.

ACCOUNTING POLICIES CONTINUED

For the year ended 31 March 2013

- **Derecognition**

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

- the rights to receive cash flow from the asset have expired;
 - the entity retains the right to receive cash flow from the asset, but has assumed the obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
 - the entity has transferred its right to receive cash flows from the asset and either
 - Has transferred substantially all the risks and rewards of the assets, or
 - Has neither transferred nor retained substantially all the risks and rewards of the assets, has transferred control of the asset,
- A financial liability is derecognised when an obligation under the liability is discharged, cancelled or expires.

On derecognition, the difference between the carrying amount of the financial assets and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets, is included in the surplus or deficit for the period.

1.13 Employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 HDA is a member of the Government Employees Pension Fund.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payment as a result of past performance.

1.14 Accruals

Accruals are recognised as liabilities when the entity has taken receipt of the related goods or services without a corresponding invoice having been issued.

The amount of accruals is the present value of the expenditure required to settle the obligation. Where some or all of the expenditure required for settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the accruals. Accruals are not recognised for future operating deficits.

1.15 Grants accrued

Grant accrued represents funds committed and allocated to specific projects for which contracts have been entered into and which await cash payments in terms of payment agreed contracts.

1.16 Projects in progress (conditional grants)

Projects in progress represent grants received from the Department of Human Settlements for funding programme production projects, the conditional grants are treated as liabilities in the statement of financial position in the year it was received or accrued and released to revenue as the expenses are incurred or to the extent that the conditions are met.

1.17 Significant estimates and judgement made by management in applying accounting policies

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgement has been exercised in determining the following:

ACCOUNTING POLICIES CONTINUED

For the year ended 31 March 2013

Fair value estimation

The amortised cost (using the effective interest method), less impairment provision of receivables and payables approximate their fair values. The present value of future cash flows (using the effective interest method) approximate the fair value of revenue and expenditure transactions.

Provisions

Management used available information to determine estimations for provisions. These are measured at management's best estimate of the expenditure required to settle the obligation at reporting date.

Budgets

The budget is prepared as part of the 3 year Medium Term Expenditure Framework plan and 5 year Strategic Plan on an accrual basis. The budget for the year of operation is monitored against actual figures incurred. Provisions and accruals are reviewed monthly. Variances more than 15% must be explained.

A quarterly review is also conducted whereby each department explains variances against budget. This is included in the HDA quarterly reports which are sent to the National Department of Human Settlements., who have oversight over HDA.

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

- (a) this PFMA; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the CEO or accounting authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
2. Property, plant and equipment						
Assets						
Leased assets	1 173	1 148	25	1 449	887	562
Furniture and fittings	810	120	690	860	284	576
Electronic hardware	1 600	938	662	1 387	546	841
Office equipment	90	64	26	90	41	49
Computer equipment	2 069	1 193	876	1 627	793	834
Paintings	208	—	208	208	—	208
Property	20 000	1 833	18 167	20 000	833	19 167
	25 950	5 296	20 654	25 621	3 384	22 237

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2013 Carrying value at end of year
Assets					
Leased assets	562	—	(19)	(518)	25
Furniture and fittings	576	166	(10)	(42)	690
Electronic hardware	841	213	—	(392)	662
Office equipment	49	—	(1)	(22)	26
Computer equipment	834	502	(5)	(455)	876
Paintings	208	—	—	—	208
Property	19 167	—	—	(1 000)	18 167
	22 237	881	(35)	(2 429)	20 654

The paintings were evaluated in August 2010 by an independent valuer Crouse Art. The valuation was done using market values. The next valuation is due in August 2013.

Property comprises two buildings situated in Johannesburg, addresses are: Union Square Building, 74 Plein Street, Johannesburg and Hoek Street Building, 27 Hoek Street, Braamfontein.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2013

	2013			2012		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
3. Intangible assets						
Computer software	302	(283)	19	296	(233)	63
	302	(283)	19	296	(233)	63

The carrying amounts of intangible assets can be reconciled as follows::

	Carrying value at beginning of year	2013		Carrying value end of year
		Additions	Amortisation	
Computer software	63	6	(50)	19
	63	6	(50)	19

	2013		2012	
	R'000		R'000	
4. Land prepayment				
Servcon land	—		—	1 800
	—		—	1 800

A land transfer agreement was signed between the HDA and Servcon which states that the various land and landed properties will be registered in the name of the HDA pending approval of National Treasury. A nominal cost of R1.8m (including transfer cost) has been paid to the attorneys to facilitate the transfer. The agreement was cancelled.

5. Long-term land inventory

Land inventory – various	27 905	—
	27 905	—

Land inventory – various

The HDA in terms of a directive received from the National Department of Human Settlements, had purchased various land and properties from Servcon.

Land purchased comprises: Erf 13120 Queenstown (R3,539m); Portion 237 of 78 farm Hartbeestpoort No.328JR (R9,914m); Portions 78,89,90,151 Daspoort 319JR (R7,158m); Erf 10509 Cape Town (R2,257m); Erf farm 755/2 Michael Heyns – Swartland Cape Town (R5,036m).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2013

	2013 R'000	2012 R'000
6. Land inventories		
Land inventory – Bela Bela	65 400	65 400
Property inventory – various	7 700	–
	73 100	65 400
Land inventory – Bela Bela		
The HDA acquired portion 170 portion and portion of the current portion of Farm Roodeport 467 KR – Limpopo Province (Bela Bela) in extent of 72 5875 hectares for R65,4m (Refer also to Note 14)		
Property inventory – various		
The HDA registered in its name two properties – Erf 1816 Bethlehem township and Erf 4919 Kroonstad Ext 30 township at market values of R4,4m and R3,3m respectively. The properties were acquired at no cost to the HDA and are reported at market value. (Refer also to note 13).The assets were acquired on behalf of the Department of Human Settlements based on an agreed protocol.These assets carry a corresponding liability disclosed in Note 14.		
7. Receivables from exchange transactions		
Receivables	7 549	19 703
Sundry receivables	401	185
Deposits	870	740
	8 820	20 628
The carrying amount of receivables approximates fair value.		
8. Cash and cash equivalents		
Petty cash	16	8
Bank balances	308 397	99 412
	308 413	99 420
9. Finance lease obligations		
Lease of photocopiers and faxes with Nashua	3	65
	3	65
Repayable within one year; transferred to current liabilities	62	732
	65	797
Reconciliation between the total of the minimum lease payments and the present value:		
Minimum lease payments	70	943
– No later than 1 year	67	874
– Later than 1 year and no later than 5 years	3	69
Future finance charges on finance leases	(5)	(146)
	65	797

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2013

	2013 R'000	2012 R'000
10. Obligations under operating leases		
The future minimum office lease payments, which escalate at 9% p.a are as follows:		
Johannesburg		
– Not later than one year	6 460	9 564
– Greater than one year less than five	3 385	3 105
	3 075	6 459
The future minimum office lease payments, which escalate at 10% p.a are as follows:		
Port Elizabeth		
– Not later than one year	2 098	3 008
– Greater than one year less than five	999	909
	1 099	2 099
The future minimum office lease payments, which escalate at 8% p.a are as follows:		
Cape Town		
– Not later than one year	1 626	2 384
– Greater than one year less than five	1 137	937
	489	1 447
The future minimum office lease payments, which escalate at 10% p.a are as follows:		
Bloemfontein		
– Not later than one year	1 410	–
– Greater than one year, less than five	471	–
	939	–
	11 594	14 956
Lease terms and conditions	Expiry date	Lease term
Johannesburg office	31 Jan 2015	3 years
Port Elizabeth office	31 Mar 2015	3 years
Cape Town office	31 Aug 2014	3 years
Bloemfontein office	31 Dec 2015	3 years
	2013 R'000	2012 R'000
11. Payables from exchange transactions		
Payables	24 961	28 597
Board fees donated	22	22
	24 983	28 619

Trade and other payables include retentions amounting to R2m, which relates to amounts withheld from contractors in respect of construction projects completed. The amounts are withheld for the duration of the period agreed upon with the contractors.

Board fees donated

Some members of accounting authority have donated their fees to a development fund for the benefit of the HDA employees.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2013

	Leave	Bonus	Total	Total
12. Provisions				
The following provisions are included in payable:accounts				
Carrying amount at the beginning of the year	2 170	3 457	5 627	3 722
Increase in provision	452	4 287	4 739	4 278
Amounts incurred and charged against the provision	(242)	(2 265)	(2 507)	(2 374)
Carrying amount at end of the year	2 380	5 479	7 859	5 626

The provision for leave is expected to realise during the 2014 financial year. The provision for leave was not discounted as the provision is already reflected at its present value at the reporting date. When the provision for leave is calculated it is based on the employees' salary scales as at the reporting date, but when the provision realises during the 2014 financial year, it may realise at the employees new salary scales as per the HDA Human Resources policy.

The provision for bonus is based on the HDA and employee's performance. This is payable in September of each year, based on the employees scale as at the reporting date.

	2013 R'000	2012 R'000
13. Projects obligations		
Eastern Cape Provincial Government	138 813	8 226
Free State Provincial Government	104 579	5 269
Limpopo Provincial Government	5 094	4 285
North West Provincial Government	626	14 441
Cape Town Joe Slovo Rectification	18 988	19 824
Thubelisha ring fenced	1 114	1 075
	269 214	53 120

Below is a reconciliation of each project obligation:

Eastern Cape Provincial Government		
Opening balance	8 226	5 308
Income	301 243	89 352
Expenditure	170 656	86 434
Closing balance	138 813	8 226
Free State Provincial Government		
Opening balance	5 269	—
Income	102 156	5 269
Expenditure	2 846	—
Closing balance	104 579	5 269
Limpopo Provincial Government		
Opening balance	4 285	—
Income	9 300	8 459
Expenditure	8 491	4 174
Closing balance	5 094	4 285

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2013

	2013 R'000	2012 R'000
13. Projects obligations (continued)		
Below is a reconciliation of each project obligation (continued):		
North West Provincial Government		
Opening balance	14 441	—
Income	2 487	14 441
Expenditure	16 302	—
Closing balance	626	14 441
Cape Town Joe Slovo Rectification		
Opening balance	19 824	20 000
Income	1 010	1 130
Expenditure	1 846	1 306
Closing balance	18 988	19 824
Thubelisha transfer		
Opening balance	1 075	—
Income	39	1 075
Expenditure	—	—
Closing balance	1 114	1 075
14. Land inventory funding		
Funding for land acquisition Bela-Bela	65 400	65 400
Properties held in trust	7 700	—
	73 100	65 400
Funding for land acquisition Bela-Bela		
The HDA acquired land on behalf of the Limpopo Provincial Government (LPG). LPG initiated the request to purchase a particular parcel of land, fixed the purchase price and the terms and supplied the funding. The HDA is obliged to release and render such land available to the Department and/or the Municipality for human settlement development.		
Properties held in trust		
A Deed of Sale has been signed by the HDA and Servcon for 2 properties measuring 746,5626 hectares. The properties are shown at market value.		
15. Revenue from non-exchange transactions		
Revenue from non-exchange transactions is made up as follows:		
Operational grant – Department of Human Settlements	92 336	89 100
Operational grant – Section 29 projects	15 198	16 514
Operational grant – Limpopo	8 489	4 204
Operational grant – Free State	2 846	—
Operational grant – Joe Slovo Rectification	1 810	1 220
	120 679	111 038

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2013

	2013 R'000	2012 R'000
16. Land and related costs		
Insurance	330	245
Maintenance costs	1 954	2 132
Conveyancing and valuation costs	1 183	622
Projects operational contractors	2 733	1 351
Development planning and feasibility studies	1 857	2 797
	8 057	7 147
17. Operational expenses		
Accounting other services	472	1 225
Advertising and marketing	1 248	1 430
Agency support – outsourcing	4 444	2 722
Amortisation	50	97
Assets below R5 000 expenses	603	39
Auditors remuneration	752	606
Bad debts	3	–
Bank charges	47	35
Board costs	205	178
Catering and entertainment	686	356
Communications	857	764
Computer expenses	1 480	1 207
Consultants	2 550	2 277
Contractors – operational	460	401
Depreciation	2 429	2 268
Insurance	226	165
Legal fees	2 125	1 033
Office rentals	5 648	7 488
Printing, publications and stationery	1 048	931
Repairs and maintenance	206	157
Repairs – office refurbishment	510	710
Staff recruitment	1 607	3 908
Staff welfare	205	112
Sundry office expenses	183	304
Training and staff development	634	504
Travel and accommodation	5 745	5 515
	34 423	33 432

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2013

	2013 R'000	2012 R'000
18. Project services		
Technical services	11 336	5 441
Project support services	380	982
	11 716	6 423
19. Employee costs		
Basic salaries	60 285	46 386
Performance awards	4 287	3 472
Temporary staff	1 704	286
Leave payment	474	819
Employer's contributions	1 191	953
Other payroll expenses – COID	198	–
	68 139	51 916
20. Executive and non-executive members remuneration		
(including Senior Management)		
Executive members	4 221	3 979
TM Adler – Chief Executive Officer	2 391	2 258
Basic salary	2 027	1 959
Bonus	111	147
Pension fund	196	94
Risk benefits	36	35
Allowances	21	23
APG Moola – Chief Financial Officer	1 830	1 721
Basic salary	1 543	1 490
Bonus	88	112
Pension fund	149	72
Risk benefits	29	26
Allowances	21	21
Senior management team	6 141	4 337
JM Leshabane – GM: Intergovernmental relations	1 093	1 665
Basic salary	350	1 422
Lump sum	699	–
Bonus	–	102
Pension fund	30	89
Risk benefits	6	25
Allowances	8	27
OJ Crofton – GM: Projects and programmes	1 778	1 670
Basic salary	1 487	1 422
Bonus	89	108
Pension fund	145	89
Risk benefits	27	25
Allowances	30	26

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2013

20. Executive and non-executive members remuneration (continued)		
Senior management team (continued)		
R Issel – GM: Corporate services	1 560	881
Basic salary	1 360	793
Bonus	45	—
Pension fund	114	62
Risk benefits	25	13
Allowances	16	13
N Lester – GM: Land and acquisition management	1 710	121
Basic salary	1 368	108
Bonus	5	—
Pension fund	282	9
Risk benefits	25	2
Allowances	30	2
Total executive and SMT remuneration	10 362	8 316
This represents the total cost to company, the choice of salary structure is that of the employee.	115	161
Non-executive members of accounting authority		
NL Sowazi (Chairperson)	—	6
SS Somyo (Chairperson)	39	—
CF Platt	41	77
GGL Leissner	15	78
MJL Lephallo	20	—
TOTAL REMUNERATION	10 477	8 477
21. Surplus for the year		
The HDA has a surplus of R7,7m and in accordance with its policies, this money will be used for land acquisition.		
22. Cash generated from operations		
Net surplus	7 704	17 832
Adjustment for:		
Depreciation	2 429	2 268
Amortisation	50	97
Interest received	(2 036)	(1 776)
Deficit on disposal of property, plant and equipment	35	89
Gains from cancellation of lease liability prior period error	(60)	—
Prior period error	—	(1 778)
	8 122	16 732
Movements in working capital	10 405	35 301
(Decrease)/increase in payables	(3 636)	41 241
Increase in provisions	2 233	1 905
Decrease/(increase) in receivables	11 808	(7 845)
Cash generated from operations	18 527	52 033

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2013

23. Comparative figures

Some comparative amounts have been reclassified. Following a review of the financial statements, the new classification is considered more appropriate.

24. Related party transactions

During the year, the company entered into the following transactions:

	Operational grant received		Amounts owed by the related party at year-end	
	2013	2012	2013	2012
National Department of Human Settlements	92 336	89 100	—	—

By virtue of the HDA being a national public entity, it is presumed that all other government entities within the national sphere are related to it. However, only transactions that occurred outside the normal terms available to the broader public are disclosed in accordance with IPSAS 20: Related Party Disclosures.

	2013 R'000	2012 R'000
25. Non-financial disclosures		
Irregular expenditure		
Opening balance	—	—
Irregular expenditure – current year	51	426
Less amounts amounts condoned	(51)	(426)
Irregular expenditure awaiting condonation	—	—

The above expenditure was irregular due to non-compliance with the Supply Chain Management Policy and National Treasury Practice Notes. There was no financial misconduct relating to these transactions.

The irregular expenditure was condoned by the CEO who has authority in accordance with the HDA Act 23 of 2008, Section 21.

26. Events after statement of financial position date

In April 2013, the National Treasury (NT) has requested the HDA to return a surplus pertaining to the 2012 financial year. An amount of R19m has been paid back to NT on 31 May 2013.

27. Financial risk management

The HDA, in the course of normal operations, has limited exposure to the financial risks, e.g liquidity risks, credit risks and interest rate risks. However, the HDA attempts to manage the following financial risks:

Liquidity risks

Liquidity risk refers to the risk that sufficient liquidity is not available when required. The goal of the entity is to maintain adequate liquidity at all times.

The HDA is exposed to liquidity risk only with regards to the payment of its payables. The payables are all due within a short time. The HDA manages its liquidity risk by holding sufficient cash in its bank account, supplemented by cash available in a money market account.

The HDA manages liquidity risk according to its investment policy and working capital management, expenditure versus forecasted cash flows. The amount of cash invested in call deposits of 30 days, 60 days and 90 days is guided by the projected future cash requirements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2013

	2013 R'000	2012 R'000
27. Financial risk management (continued)		
The maturity analysis of payables at reporting date were as follows:		
Payables		
Not past due	10 108	16 058
Past due 0 – 30 days	–	76
Past due 31 – 120 days	–	337
	10 108	16 471

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, currency risk, interest rate risk and other price risk. The entity is only exposed to interest rate risk. See cash and cash equivalents below.

Interest rate risk

Interest rate risk results from the cash flow and financial performance uncertainty arising from interest rate fluctuations. Financial assets and liabilities affected by interest rate fluctuations include bank and cash deposits.

This is a risk that fair value or future cash flows from financial instruments will fluctuate as a result of changes in the market interest rates. Values in the financial instruments may change, thus resulting in both potential gains and losses. The HDA's activities do not expose it to significant market interest rate risks. Therefore, there are no procedures in place to mitigate these risks.

Cash in the bank account is kept at a minimum in order to maximise interest earned on cash.

The HDA has invested any surplus cash in a short-term money market account. The interest rates on this account fluctuates in line with movements in current money market rates.

Credit risk

Credit risk consists mainly of cash deposits, cash and cash equivalents, derivative financial instruments and trade debtors. The HDA deposits cash only with major banks with high quality credit standing and limits exposure to any other counter party.

The HDA receives grant funding from the government through the National Department of Human Settlements, therefore, its exposure to credit risk is minimal.

Receivables

The receivables are exposed to a low risk and amounts overdue are owing by other government institutions and are recoverable.

	2013 R'000	2012 R'000
Receivables		
Not past due	7 290	19 130
Past due 0 – 30 days	2	56
Past due 31 – 120 days	–	2
	7 292	19 188

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2013

27. Financial risk management (continued)**Cash and cash equivalents**

Cash and deposits are regarded as having insignificant credit risk. The balances of cash and cash equivalents are as follows:

Bank	Type	Interest rate %	Balance as at March 2013
First National Bank	Current HDA	2.5	12 000
First National Bank	Current EC	2.5	20 984
First National Bank	Current rentals	2.5	3 053
First National Bank	Current Thubelisha transfer	2.5	402
First National Bank	Current deposits	2.5	714
First National Bank	Call account	2.5	15 924
First National Bank	Fixed maturity account	4.9	2 140
First National Bank	Fixed maturity account	4.85	6 971
First National Bank	Fixed maturity account	4.85	3 554
First National Bank	Fixed maturity account	4.9	19 045
Nedbank	Fixed maturity account	4.5	572
Nedbank	Fixed maturity account	4.5	10 194
Nedbank	Fixed maturity account	4.5	65 000
Nedbank	Fixed maturity account	5.03	35 227
Nedbank	Fixed maturity account	5.03	12 324
Standard Bank	Fixed maturity account	4	100 298
Cash	Cash	—	11
			308 413

Financial assets by category

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

	2013 R'000	2012 R'000
Receivables and sundry receivables	8 579	20 442
Bursaries paid in advance	241	186
Cash and cash equivalents	308 413	99 420
	317 233	120 048

Financial liabilities by category

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

Payables and other payables	24 983	28 619
Designated income received in advance	269 214	53 120
Finance leases	65	797
	294 262	82 536

BUDGET STATEMENT

For the year ended 31 March 2013

Note(s)	2013 R'000					
	Actuals	Budget	Variance	% Variance	Adjustments	Approved annual budget
(due to consolidation)						
Operating revenue						
Operational grants	120 679	132 151	(11 472)	(8.68%)	5 600	137 751
Sect.29 project management fee	1 5 515	11 613	(6 098)	(52.51%)		11 613
Other operating revenue	—	—	—	—		—
Interest income	2 036	2 117	(81)	(3.83%)		2 117
Total operating revenue	128 230	145 881	(17 651)	(12.10%)	5 600	151 481
Expenditure						
Land and related costs	8 057	8 876	819	9.23%	5 600	14 476
Operating expenses	34 423	40 163	5 740	14.29%		40 163
Technical and project services	2 11 716	18 162	6 446	35.49%		18 162
Finance costs	3 268	515	247	47.96%		515
Employee costs	68 139	80 625	12 486	15.49%		80 625
Deficit-disposal of property plant and equipment	4 35	69	34	49.28%		69
Total expenditure	122 638	148 410	25 772	17.36%	5 600	154 010
Other income						
Sundry income	5 2 112	2 529	(417)	(16.49%)		2 529
Total other income	2 112	2 529	(417)	(16.49%)	—	2 529
Surplus for the year	7 704	—	7 704	—	—	—

Notes

- 1 The Eastern Cape has not yet paid what was expected.
- 2 The Joe Slovo rectification work did not take place as expected.
- 3 Finance leases were re-structured resulting in a saving.
- 4 Less disposals took place than originally expected.
- 5 Less rental collected than estimated.

DETAILED STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2013

	2013 R'000	2012 R'000
Revenue		
Grants received	120 679	111 038
Rent received	2 112	1 447
Section 29 – project management fee	5 515	4 002
Gross revenue	128 306	116 487
Other income		
Investment income	2 036	1 776
	130 342	118 263
Expenditure		
Accounting other services	472	1 225
Advertising and marketing	1 248	1 430
Agency support – outsourcing	4 444	2 722
Amortisation – intangible assets	50	97
Assets under R5 000	603	39
Auditors remuneration	752	606
Bad debts	3	–
Bank charges	47	35
Board costs	205	178
Catering and entertainment	686	356
Communications	857	764
Computer expenses	1 480	1 207
Consultants	2 550	2 277
Consultants – technical	1 1336	5 441
Contractors – operational	460	401
Deficit on disposal of fixed assets	35	89
Depreciation – tangible assets	2 429	2 268
Development planning and feasibility studies	1 857	2 797
Finance costs	268	424
Insurance	226	165
Land and related costs	6 200	4 350
Legal fees	2 125	1 033
Office rentals	5 648	7 488
Printing publications and stationery	1 048	931
Repairs and maintenance	206	157
Repairs refurbishment – offices	510	710
Salaries	68 139	51 916
Section 29 contribution	380	982
Staff recruitment	1 607	3 908
Staff welfare	205	112
Sundry office expenses	183	304
Training and staff development	634	504
Travel and accommodation	5 745	5 515
	122 638	100 431
Surplus for the year	7 704	17 832

ABBREVIATIONS

CFO	Chief Financial Officer
COGHSTA	Cooperative Governance, Human Settlement and Traditional Affairs
CSIR	Council for Scientific and Industrial Research
EXCO	Executive Committee
FY	Financial Year
GIS	Geographical Information Systems
GM	General Manager
GRAP	Generally Recognised Accounting Practice
HDA	Housing Development Agency
HR	Human Resources
IGR	Intergovernmental Relations
IGR&SA	Intergovernmental Relations and Strategy Alignment
IP	Implementation Protocol
ISA	International Standard on Auditing
ISSAI	International Standards of Supreme Audit Institutions
ISU	Informal Settlement Upgrade
IT	Information Technology
LAM	Land Assembly Management
LaPSIS	Land and Property Spatial Information System
LGS	Land Geospatial Services
MEC	Member of the Executive Council
MOA	Memorandum of Agreement
MTEF	Medium-term Expenditure Framework
MTOP	Medium term Operational Plan
NaHSLI	National Human Settlements Land Inventory
NDHS	National Department of Human Settlements
NUSP	National Upgrading Support Programme
P&P	Projects and Programmes
P&TSS	Projects and Technical Services Support
PAA	Productive Asset Allowance
PFMA	Public Finance Management Act
PHDA	Priority Housing Development Areas
PPT	Project Preparation Trust
RGTL	Rapidly Growing Towns and Locations
S29	Section 29
SHEQ	Safety, Health, Environment and Quality
TRA	Temporary Residential Areas
VAT	Value-added Tax

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human settlements

Department:
Human Settlements
REPUBLIC OF SOUTH AFRICA



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