

ANNUAL REPORT 2014/2015

Public Sector Development Agency
of Choice



human settlements

Department:
Human Settlements
REPUBLIC OF SOUTH AFRICA





Vision

Vibrant
communities living
on well-located
land

Mission

Building
partnerships to
create integrated
sustainable human
settlements



Objectives

The HDA was established to address the land acquisition and assembly process so as to accelerate housing delivery and the human settlements. The specific functions of the agency are set out in Section 7 of the act.

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



3698_{ha}

Facilitated
the release of
well-located
land for
human
settlement
development

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30 000
Housing
opportunities

MESSAGE FROM THE CHAIRPERSON

It has been a good year for human settlements in general but more particularly for the Housing Development Agency (HDA). Earlier in the year, Minister Lindiwe Sisulu was re-appointed Minister of Human Settlements. Her support of the Agency, which she established in 2009, has given us the impetus to fast-track our delivery, expansion and provision of services across all nine provinces. The confirmation of the new medium-term strategic framework (MTSF: 2014-2019) targets during the year under review, along with additional mandates from the Minister, meant that the Agency revised its Annual Performance Plan (APP) mid-year and introduced and prioritised new areas of work, specifically:

- Development of a master spatial plan (MSP)
- A revised budget to increase in-house capacity and open new regional offices
- Revision of HDA legislation
- Capturing lessons learnt on N2 Gateway
- Development of business plans for Mining Towns and 50 catalytic projects

It is admirable and indicative on the sound foundation that the Agency has developed that delivery on this new work took place.

We have made progress in the development of an MSP for human settlements development. A concept document is in place and was approved by MinMEC. We have consulted widely and received encouraging inputs from provinces, metros, sector departments and supporting stakeholders. The MSP concept note is complete. It is important to remember the significance of the MSP: it will provide a comprehensive spatial framework to guide investment by all state departments, state owned companies and the private sector in the human settlements environment. It includes principles for spatial development, spatial targeting, criteria for human settlement development, the identification and mapping of broad investment areas as per the criteria used to guide assessment criteria for, in particular, catalytic projects to restructure spatial patterns of apartheid settlement patterns.

It is, indeed, a game-changer, and will shape the future of human settlements development – in other words, the cities and towns that make up post-apartheid South Africa – for generations to come.

Mr MW Msimang



Land is the basic building block of our human settlements initiatives. Without land, we cannot build. Thus, the acquisition of land that is suitable for sustainable human settlements developments is a key focus of our work. In fact it was the very reason the Agency was established in the first place. We are pleased to report that for the period 2014/15, the Agency has facilitated the release of 3698.2993 hectares of well-located land for human settlement development. This land will yield approximately 30 000 housing opportunities, notably in mining towns and for informal settlement upgrading. Once again the HDA exceeded its most important target, and congratulations to management for doing so consistently in this vital area of human settlement.

The HDA is supporting the National Department of Human Settlements (NDHS) - in partnership with other government departments – and helping it deliver on the human settlements component of the Presidential initiative to revitalise distressed mining towns through a number of catalytic projects. The HDA is the programme manager for the NDHS on this work and we are focusing on 22 mining towns in six provinces.

While we are busy with this, we are also focusing on broader catalytic projects in 50 communities. The HDA is also the appointed programme manager for this NDHS programme. A human settlement catalytic project can range from mega scale inclusionary neighbourhoods to seemingly small but high impact interventions. The underlying principle of all of these is that they are all spatially targeted interventions whose main objective is to intervene to deliberately restructure settlement patterns and impact on the environment. We have identified an initial seven National Priority Projects to deliver MEGA integrated and sustainable human settlements.

“Once again the HDA exceeded its most important target, and congratulations to management for doing so consistently in this vital area of human settlement.”

The HDA continues to partner the NDHS to deliver on the National Upgrading Support Programme (NUSP). Two hundred and twenty-three informal settlements in mining towns specifically are being supported for upgrading through this programme. The Agency has produced four videos supporting incremental informal settlement upgrading. It continues to produce a regular NUSP newsletter that has been well received by the sector, and of course it provides technical feasibility work to provinces and municipalities.

The HDA continues to deliver on the two national priority housing projects – Zanemvula and N2 Gateway. We recently completed a review of the 11-year N2 Gateway project, which revealed that – despite the recorded problematic history – it is quietly becoming one of our most successful human settlement projects, both from an outcome and a lessons-learnt point of view.

Despite massive challenges, the project has delivered approximately 12 000 units to date, more than any other project, public or private sector, in the country. We would argue that the same, quiet success has been achieved at our other mega-project – Zanemvula, where more than 6 000 units have already been delivered.

We have learnt a lot of lessons along the way, and intend to build on this learning as we take on additional mega-projects as a key part of our work going forward.

Although it comes after the end of this Financial Year, it is appropriate to note that Taffy Adler, our founding CEO, resigned as at the end of May 2015. He is returning to work in the areas of inner city upgrading and rental housing, where he was active prior to joining the HDA. As a Board we thank him for bringing the HDA to its present state of development, and wish him all the best for the future. Our colleagues at the NDHS must be acknowledged for their ongoing support as must our Minister, Ms Lindiwe Sisulu. The HDA staff, our CEO Taffy Adler and the Executive team, and indeed, the Board deserve special recognition for their ongoing efforts in a year that saw a shift in focus, new targets introduced and a vision of the Agency as a developer that will see fruition in the new financial year.

Mr MW Msimang
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 communally 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 HDA

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

“Provide land and housing development support services to our partners”

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.

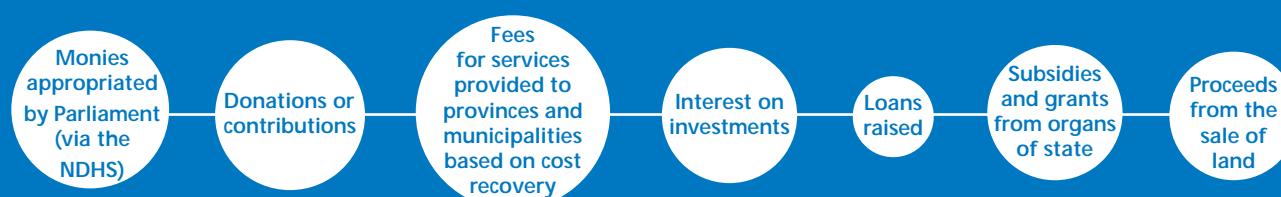
In general the agreement outlines the framework of cooperation, the areas of activity in both land and building acquisitions, management and project management, and the institutional arrangements, for example, the establishment of a steering committee. Specific project-based agreements

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
- Land assembly and land acquisition/release support
- Land holding and land holding support
- Land geo-spatial services
- 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

How is the HDA funded?

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



OVERVIEW OF THE HDA

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.



CHIEF EXECUTIVE OFFICER'S REPORT

For the past six years I have been privileged to serve the Housing Development Agency as its CEO and am proud to see how far it has come in its objectives to both release land for human settlement development and to provide project management support services to deliver on human settlement development.

I have found that growing with the HDA has been like growing a tree on rocky ground. We have had to reach for the sky without knowing the soil in which to grow our roots, or where to get the wings that would allow us to fly. We pushed through our unfunded mandate and went directly to the provinces where our services were recognised and accepted. And so through agreements with provinces (the signing of Medium Term Operational Programmes (MTOPs)) we grew both roots and sprouted branches.

This growth had three consequences. Firstly, we established a national reputation for quality delivery of technical services and project implementation. And we also grew the support services as the glue for this reputation. Secondly, the wide scope of provincial activity, as welcomed as it is, forced a very broad focus. However, we now have a wealth of experience and a set of policies and procedures that are recognised in the sector and in some instances being adopted by the sector. And finally, the branches started to become too heavy for the roots, prompting the need for a strategic and organisational review.

The HDA needed to respond to the NDHS target of 1.5 million housing opportunities as set in the current MTSF, strengthening its structure at both the root and branch level, and getting funding to carry out its mandate. And this mandate seems to be developing into three legs.

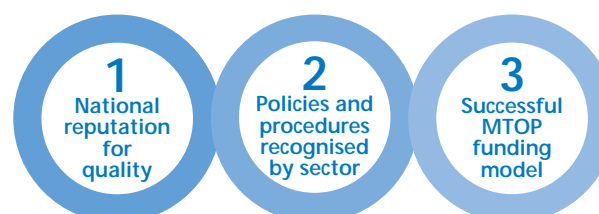
The first, and our strongest leg at the moment, is regional support. However, to relieve the branches of their burden we have expanded by adding additional regions with their management structures. Given the successful MTOP funding model, these new branches also have well-nourished roots.

The second leg is still growing. It will, in time, become the developer and will grow that role from the national programmes we are now tasked with managing. Providing we have land and capital funding in place, the HDA will be able to assume the developer role. If our past experience is anything to go by, these elements will be acquired

Mr TM Adler



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incrementally and over time. We now have political support at Ministerial, Departmental and Treasury level to help acquire these necessary elements to be a developer.

But we must never overlook the need to grow and strengthen our support programmes, Finance, Supply Chain Management, Human Resources, Information Technology, Company Secretarial and Intergovernmental Relations. These all need to adapt and change to support the growth of the organisation – and in particular we need to manage the tension between national and regional activity in all parts of the HDA.

So in conclusion, what has to become the focus of the HDA? In my view it must be guided first and foremost by the need to deliver 1.5 million housing opportunities over five years. Everything we do must be judged according to how we help, or hinder, that target. Secondly, we must learn from our history, as young as we are, that this growth is an incremental process and we must be constantly pushing to get the organisation the capital and operational funding that will allow us to grow into the developer role.

"I have found that growing with the HDA has been like growing a tree on rocky ground"

And finally, all our activity must be towards acquiring land and implementing the human settlements value chain in our national and regional programmes.

Of course none of this would have been possible without the support of, in particular, Minister Sisulu, along with her team from the National Department of Human Settlements, our Board and Executive team, as well as each and every staff member. We have worked hard and tirelessly always with our eye on the eventual impact of our work – houses for the poor on land that is well-located. Thank you everyone. I leave the Agency with a sense of achievement, knowing that the trajectory is set.

Mr TM Adler
Chief Executive Officer



Tribute to the CEO

Sadly we are losing one of most experienced housing experts. Mr Taffy Adler who has been the CEO of HDA since its creation in 2009. He is a seasoned housing activist and the winner of an international award for his work in social housing. He will fortunately still be part of the housing environment and we will count on his support when he has time for us.

Through his energy, his focus, his experience and his ability to adapt to new challenges, Taffy has shaped the Housing Development Agency into a highly effective and efficient organisation, which is an essential part of the state's human settlement efforts.

As we bid farewell to Taffy, we do knowing that he has played a pivotal role not only in shaping and leading the HDA since its formation, but in broader area such as the turnaround of N2 Gateway, the informal settlement upgrade plan and the development of the Master Spatial Plan. He has had a direct and indirect impact across the entire human settlements value chain, and we are sure this will continue to be the case in his new role. We are very grateful for all he has done during his time with us and wish him well.

Lindiwe Sisulu
Minister of Human Settlements



HDA BOARD MEMBERS

MW Msimang - Chairperson



CF Platt - Deputy Chairperson



TM Adler - Chief Executive Officer



APG Moola - Chief Financial Officer



LC Archary



MJL Lephallo



M Malunga



KL Sebegu



N Vilakazi



6 Offices

Regional
offices in:
Eastern Cape
Free State
KwaZulu-Natal
Limpopo
Northern Cape
Western Cape

AGENCY PERFORMANCE

Performance Highlights for 2014/2015

- Out of 24 targets, the HDA achieved a total of 22 or 92%
- 3698.2993 hectares of land was released for human settlement development
- A Master Spatial Plan was developed by the HDA and fast-tracked by the Ministry
- A total of 16 properties are currently held by the Agency and 27 leases are in place
- The two Johannesburg inner city buildings have been released for social housing and transfer is in progress
- The HDA's GIS tool, known as LaPsis (land and property spatial information system) has 470 registered users (284 new users for the year under review) and is widely used in various provinces and municipalities
- Municipal profiles were completed including the prioritised mining towns were completed and published
- The HDA's other Geographic Information System (GIS) tool, the NaHSLI (The National Human Settlements Land Indices) Intelligent dashboard, has been fully aligned to land Identification and Assessment Criteria and is being used to analyse and assess properties (295) for land suitability
- The Priority Housing Development Area (PDHA) framework was adopted by the Parliamentary Portfolio Committee
- 18 agreements with provinces and local authorities are in place, including a recently signed Implementation Protocols (IP) with Gauteng
- The HDA now has six regional offices in Western Cape, Eastern Cape, Free State, Limpopo and Northern Cape and KwaZulu-Natal
- 19 sustainable human settlements projects and programmes are supported in all nine provinces
- Delivery continues on two national priority projects on N2 Gateway and Zanemvula projects
- Various materials and publications were produced to capture best practice and learning, in particular for videos related to the incremental approach to informal settlements upgrading
- A draft work programme has been compiled to support the mining towns intervention
- Criteria for the identification of catalytic projects has been developed and communicated to the provinces and municipalities through consultative processes
- Limpopo's MTOP has been renewed for a further three years; Free State for a further five years and a new MTOP for three years with KwaZulu-Natal



VISIONARY GOALS AND STRATEGIC OBJECTIVES 2014/15

The HDA's strategic objectives for the year under review were set down in the 2014/15 Performance Plan, approved by the Board and submitted to the NDHS. The Agency's visionary goals and strategic objectives 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

Table 1: Visionary goals and strategic objectives

Goals	Strategic Objectives
Goal 1: <i>Develop and lead a national sector-wide Land Assembly Strategy for sustainable human settlements in partnership with organs of State and other key sector stakeholders</i> Programme: <i>Land Planning and Assembly</i>	1. National sector-wide Land Assembly Strategy is developed and agreed with all stakeholders and its implementation monitored
Goal 2: <i>Provide Land and Housing Development Support Services to our partners to achieve key national strategic priorities relating to human settlements</i> Programme: <i>Land and Housing Support Services</i>	1. Suitable land is acquired and released for human settlement development 2. Implement agreed project, Land Assembly and Housing Development Support Services
Enabling Goal 3: <i>Financial sustainability</i> Programme: <i>Administration</i>	1. Effective internal control systems 2. Implement business and financial model
Enabling Goal 4: <i>Organisational effectiveness</i> Programme: <i>Administration</i>	1. HDA is an internally cohesive and effective organisation with systems that are stable and accessible

The Agency's goals and strategic objectives are linked to its programmes and related indicators and targets. The budget is in turn linked to each programme and the targets to be achieved. Three programmes were put in place to deliver on these objectives:

Programme 1: Administration
 Programme 2: Land Planning and Assembly
 Programme 3: Land and Housing Support Services

2014/15 MACRO INDICATORS

Table 2: Macro indicators

Macro Indicators	Description of Indicator	Goal and Programme (most closely linked to achievement indicator)	Annual Target 2014/15	Achieved/ not achieved	Notes
1) A master spatial plan agreed and endorsed by the Board and submitted to NDHS	A master spatial plan is developed in collaboration with partners in support of integrated human settlements and spatial transformation	Land Planning and Assembly (Goal 1 and Programme 2)	Master Spatial Plan MSP/SPF completed	Achieved	MSP concept document developed
2) Number of Hectares of well located land released for human settlement development (targeting poor and middle income households)	Support provided to provinces/ and municipalities on land assembly resulting in the release of specific land aimed at meeting the human settlement needs/strategy of the province/municipality	Land and Housing Support Services (Goal 2 and Programme 3)	2'500 ha	Achieved	3698.2993ha
3) Number of projects supported with HDA services	Support provided with projects covering planning, preparation and/ or technical implementation including Section 29 mandated projects as agreed with the NDHS and/ or provinces and/ or municipalities	Land and Housing Support Services (Goal 2 and Programme 3)	10	Achieved	19
4) Number of provinces/ municipalities supported with HDA services (technical support programmes)	Land assembly, geo-spatial info, informal settlement upgrading, pipeline & programme support; emergency housing support; IGR support or other support in line with the HDA functions captured in section 7 of the HDA Act agreed with the NDHS and/ or provinces and/ or municipalities	Land and Housing Support Services (Goal 2 and Programme 3)	13	Achieved	Provinces = 9 Municipalities = 18 Total = 27
5) Number of IGR protocols concluded and maintained	Facilitate the process of concluding and maintaining implementation protocols with organs of state that will enable the provision of HDA services and support	Administration (Goal 4 and Programme 1)	18	Achieved	14 IPs maintained 1 IP concluded 3 MTOPs maintained
6) PHDA operational framework approved	Operational framework for the implementation of PHDA linked to MSP/SPF and lead catalytic projects	Land Planning and Assembly (Goal 1 and Programme 2)	PHDA operational framework approved by Exco	Achieved	

HDA STAFF STATISTICS

Table 3: Staff statistics 2014/15

CATEGORIES	AF	AM	CF	CM	IF	IM	WF	WM	D*	TOTAL
Top management (%)	0.0	0.0	0.9	0.0	0.9	0.0	0.9	0.9	0	3.54
No. of employees (FL-EU)	0	0	1	0	1	0	1	1	0	4
Senior management (%)	0.9	4.4	0.0	0.0	0.9	0.0	0.9	0.9	0.0	7.96
No. of employees (EL)	1	5	0	0	1	0	1	1	0	9
Professionals, specialists & mid-management (%)	6.2	15.9	0.9	2.7	0.0	0.9	2.7	0.9	0.9	30.09
No. of employees (DU-DL)	7	17	1	2	0	1	3	1	1	33
Skilled, qualified workers, supervisors (%)	18.6	9.7	1.8	8.0	3.5	0.88	6.2	0	0	48.67
No. of employees (CU-CL)	20	9	2	9	4	1	7	0	0	52
Semi-skilled workers (%)	4.4	0.0	1.8	0.9	0	0	0	0	0	7.08
No. of employees (B)	5	0	2	1	0	0	0	0	0	8
Unskilled workers (%)	1.77	0.88	0	0	0	0	0	0	0	2.65
No. of employees (A)	2	1	0	0	0	0	0	0	0	3
Total Percentage	31.9	31.0	5.3	11.5	5.3	1.8	10.6	2.7	0.9	100%
Total Staff	35	32	6	12	6	2	12	3	1	109

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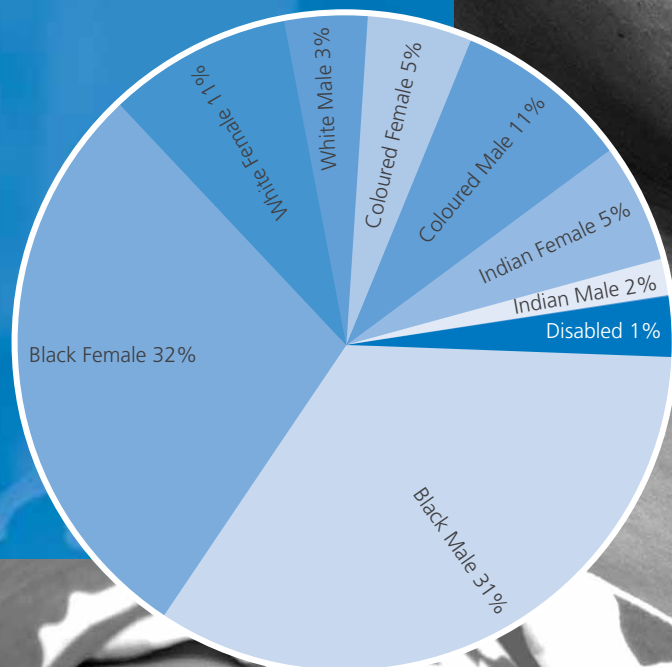
Table 4: Staff movement 2014/15

	Recruited	Resigned	Dismissed	Total Staff
YTD	17	19	1	109

109

Total HDA staff complement

Staff employment equity as
at March 2015



PROGRAMME PERFORMANCE

During the past financial year the HDA fast tracked and implemented its regionalisation approach. We now have six provincial offices as well as our head office in Gauteng. Our implementing or core programmes are land planning and assembly, and land and housing support service. Our support services, finance and corporate governance, provides the platform to facilitate delivery at head office and the provinces.

The HDA achieved 22 out of 24 targets. In terms of programme performance: Programme 1: Administration achieved five out of six targets; Programme 2: Land Planning and Assembly achieved all targets; and Programme 3: Land and Housing Support Service achieved eight out of nine targets but it should be noted that this programme excelled in two of its targets, in particular land released and projects supported.

Programme 1: Administration

Administration incorporates the work of strategic management, finance and corporate governance. The focus of strategic management, finance and administration has been to develop the HDA as a credible and responsive organisation that applies effective and compliant systems. The programmes dealing with this area are finance and corporate services. The CEO's office, although not a designated programme provides the strategic direction for the organisation, including reporting, stakeholder relationships, and communications.

Finance

The purpose of the Finance Programme is to ensure that the HDA is financially sustainable and maintains a good reputation through unqualified annual financial statements and an annual report. The Finance Department is structured to deliver on financial management, supply chain management, risk management and financial and compliance reporting. 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 from time to time. 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 and the Supply Chain Manager ensures that the systems and procedures run according to these policies. The risk management system keeps the strategic and operational risk register up to date.

Corporate Services

The HDA subscribes to good corporate governance and recognises the need to conduct the Agency with integrity in accordance with the King Code on Corporate Governance.

To this end the Corporate Services Programme provides operational efficiency and service excellence, providing organisational support services to operate and function as an organisation with a track record of quality, effective delivery and professional services. The Corporate Services Department includes:

- Human resources (HR)
- Legal services
- Facilities management
- Information technology (IT)
- Company secretariat
- Document and records management

The year under review ended with the HDA having 109 staff on its payroll with 86% being black and over 50% being women.

Staff development and training is ongoing, as is employee wellness and support. The annual wellness day was a great success this year and activities were well attended. The Employee Representative and Employment Equity Committees were implemented and are running effectively. The department also successfully implemented the annual training and development skills plan with 71 training initiatives being attended, by a total of 74 staff members. HR successfully implemented the HDA recognition programme for top staff performance. A record 17 new employees were recruited this year, with the performance management programme being successfully completed for all existing staff.

In line with the current HDA strategic plan, IT focused on improving and enhancing the IT environment, achieving a stable, innovative and responsive IT environment, which is crucial to HDA's efficiency.

During the year under review an intranet for Head Office was designed and implemented, and enhanced IT policies were approved and implemented together with the roll out of the training on the IT Policies and Procedures Manual.

AGENCY PERFORMANCE continued

One of the most useful applications introduced was an automated help desk for Finance, HR and IT. The tracking of queries has resulted in faster and more reliable turn-around times. IT has also introduced a system whereby any computer can be accessed remotely and this has greatly enhanced IT support to the regional offices.

The implementation of a Microsoft System Centre to monitor the server environment in real-time means that an alert is received in the event of there being any problems. This has resulted in the HDA becoming more proactive rather than reactive leading to less downtime. We achieved 97.8% uptime for the year.

CEO's office

The CEO's office is responsible for strategic planning, coordination and performance as well as communications, stakeholder relationship, internal audit and company secretary services.

Marketing and Communications continue to be active and productive with best-practice videos, research publication, marketing materials as well as the HDA stakeholder and NUSP newsletters to show for their prolific output. The HDA stakeholder and NUSP newsletters are vitally important as they provide information to the sector. The two monthly community newsletters on N2 Gateway and Zanemvula have entered their third year of production and are a tool to keep communities informed about project progress. All these publications and other materials are available on our website (www.thehda.co.za).

In terms of the HDA's stakeholder relations, we are actively involved in all nine provinces and in many municipalities. In addition to interactions with the NDHS, there is ongoing dialogue with the National Departments of Public Works, Public Enterprises and Rural Development, as well as Transnet. A fair amount of these discussions are at a programme or project level. The HDA also interacts with the various sister-housing entities, in particular NURCHA, Social Housing Regulatory Administrator (SHRA) and the Estate Agency Affairs Board (EAAB). A total number of 17 IPs were maintained and one new IP signed with Gauteng. An IP with Mpumalanga is at final negotiation stage. MTOPs, as already mentioned in the report, have been renewed with Free State and Limpopo, and a new MTOP was concluded KwaZulu-Natal.

Programme 2: Land Planning and Assembly

The function of the Land Planning and Assembly Programme is to design and coordinate strategies and support programmes that facilitate the release of integrated land and landed property for sustainable human settlement development. The programme also provides Land Information Services through GIS mapping and innovative land tools to national, regional and local partners. Additionally, the aim is to provide a monitoring and evaluation function for the human settlement sector with respect to land and housing programmes as noted in the HDA Act. The Land Planning and Assembly Programme is structured into four areas of operation:

- Land Development, Planning and Design
- Land Information Services
- Knowledge Management and Research
- Monitoring and Evaluation

During the year under review the development of a Draft National Land Assembly Strategy (NLAS) was finalised. Also finalised was the compensation framework for state-owned companies (SOC) land and property and human settlements. The framework addressed deficiencies in the previous policy that required market value to be paid for land owned by SOCs. In the HDA's view this inhibited the provision of land for developments for lower income families.

The key achievement for the programme was the development of the MSP. This was a specific request from the Minister in July 2014 and the significance of this is that it will provide a comprehensive spatial framework to guide investment by all state departments, state-owned companies and the private sector in the human settlement environment. The HDA consulted widely during the development of the plan and received encouraging inputs from provinces, metros, sector departments and supporting stakeholders.

AGENCY PERFORMANCE continued

Development Planning and Area Design

The activities of this unit focused on the *development* of the MSP and on providing specialist spatial technical input to the mining towns. In the process, Human Settlements Spatial Transformation Plans were initiated for selected mining towns in November 2014. PHDA work has been aligned to the Master Spatial Plan that was done for the National Department of Human Settlements.

Various stakeholder engagements took place including participation on an advisory panel for social housing supporting local municipalities, NASHO and the Presidential project on mining towns.

Land Information Services

The HDA is delighted with the endorsement of the LaPsis by the Technical Capacity Development Chief Directorate of the NDHS. LaPsis is a spatially-based land and housing information system that provides information on land and landed properties in the sector.

During the period under review 12 training sessions were conducted whereby 150 users were trained; 284 new users registered on LaPsis; and 281 207 properties, address and deeds searches were completed. The HDA Land Dashboard was completed and is aimed at providing complete land and property information at an executive level.

LIS also provides spatial analysis, profiling and strategic mapping services in support of the MSP. During 2014/15 spatial trends analyses were conducted in support of the development of the national MSP, as well as for all nine provincial MSPs.

Municipal profiles were completed for 10 municipalities in the Free State, Limpopo and Northern Cape.

Other spatial trends analyses were conducted in support of Mining Towns, Labour Sending Areas, blocked or slow moving projects and spatially prioritised municipalities.

Apart from the above, mapping and support services were provided to various departments of the HDA as well as in response to requests by the NDHS.

Knowledge Management and Research

Following the development of the HDA Knowledge Management and Innovation Capacity Framework in the previous financial year, the HDA has kept busy developing the capacity of the programme. At least nine workshops/platforms on policy and research areas were held to promote the systems of applied learning and knowledge sharing within the HDA for sustainable human settlements. Another highlight was that the HDA provided comments on the Densification Strategy that were developed and submitted to the DHS.

The 'Guidelines on the identification of well-located land' was published and the agency developed a position and provided comments on the SPLUMA Regulations and submitted to the Department of Rural Development and Land Reform (DRDLR).

Three Policy Briefs viz., the Spatial Economic Zone (SEZ) and the PHDA, The Restitution of Land Rights Amendment Act and its impact on HDA, as well as the Property Valuation Act (PVA) and its impact on the HDA, were developed.

Research was also undertaken in terms of proposing a Capital Land Fund and developing a Land Costs and Land Monitor tool specifically focussing on land that has been acquired by the HDA since 2010. In addition, research was conducted on 'How do we create Sustainable Human Settlements in mining towns in South Africa drawing experiences locally and internationally?

Further, intensive research and property market analyses have been conducted on the 23 mining towns. The 23 reports considers market conditions, existing market size and activity, average prices and values, market growth and lending activity in the mining towns to support a better understanding of the opportunity and impact of various housing policy interventions. In terms of tool development, the HDA developed the *MSP tool* to identify and assess 50 catalytic projects as per the MTSF targets. NaHSLI assessments were also conducted for 151 properties in Northern Cape, North West, Gauteng and KwaZulu-Natal totalling 6782.8477 hectares.

The Knowledge Management and Research unit also successfully promoted and facilitated the culture and systems of applied learning and knowledge sharing within the HDA, engagement around knowledge dissemination and policy position with its stakeholders in the sector, and generation of innovative tools for sustainable human settlements.

Monitoring and Evaluation

The Monitoring and Evaluation Framework was adopted by our Board on 29 January 2015 and will be implemented in the new financial year.

Programme 3: Land and Housing Support Services

The purpose of the programme is to ensure that there is appropriate management capacity and technical support for the acquisition and release of well-located land for the human settlements' sector, and the implementation of support programmes and projects that promote sustainable human settlements as agreed with sector partners such as provinces and municipalities in line with the national sector-wide Land Assembly Strategy.

The Land and Housing Support Services programme is structured into the regional offices, given that implementation support will be provided there, and in terms of the programme support agreed with a partner. These programmes are then broken down into detailed plans and activities over a period of time to ensure that the agreed outcomes are realised. Land and Housing support area may include but are not limited to:

- Programme and project portfolio planning and management support
- Informal settlements upgrading support
- Informal settlements downgrading support
- Emergency Housing support
- Land assembly and land acquisition/release support
- Land holding support
- Land geo-spatial services
- IGR support
- Project technical implementation support
- Section 29 mandated projects where HDA acts as an implementing agent, such as N2 Gateway and Zanemvula

Land assembly

The HDA is responsible for reporting on the Outcome 8 state-owned land release target of 10 000 hectares. During the year under review the most remarkable has been the release of 3698.2993 hectares for human settlements, exceeding the annual target by over 1000 hectares. The following are the land release/acquisition highlights for human settlement developments over the year under review:

- 2635.0778 hectares of public land located in Amahlathi Local Municipality and Buffalo City Metro in the Eastern Cape Province, Maluti-A-Phofung Local Municipality in the Free State Province and Mahikeng Local Municipality in the North West Province were released
- 39.3841 hectares of state-owned companies (SOC) land located in Buffalo City Metro in the Eastern Cape Province, Setsoto Local Municipality in the Free State Province and //Khara Hais Local Municipality in the Northern Cape Province were acquired
- 1023.8354 hectares of privately-owned land located in Metsimaholo Local Municipality in the Free State Province, City of Matlosana and Madibeng Local Municipalities in the North West Province, Hibiscus Coast and Abaqulusi Local Municipalities in the KwaZulu-Natal Province were acquired
- Released public land measuring approximately 290.5009 hectares was transferred and registered to Maluti-A-Phofung Local Municipality in Free State Province and Mutale Local Municipality in Limpopo Province
- The Agency transferred and registered acquired State Owned Company Land measuring approximately 710.9848 hectares in Matjabeng Local Municipality in Free State Province, Swartland Local Municipality in Western Cape in the names of the HDA and in Buffalo City Metropolitan Municipality in the Eastern Cape in the names of the Metro
- The Agency furthermore transferred and registered acquired privately owned land measuring approximately 1270.1257 hectares in the names of Ditsobotla, Rustenburg, Tlokwe, and Madibeng Local Municipalities in North West Province and Maluti-A-Phofung, Letsemeng, Mangaung and Metsimaholo Municipalities

AGENCY PERFORMANCE continued

Table 5: State-owned land released for human settlements

State-owned land released for human settlements 2010-2015

Province	Municipality	Total Extent	Indicative yield Low density (20 units /ha)
Eastern Cape	Amahlathi Local Municipality	838.6651	922
	Buffalo City Metropolitan Municipality	1237.5879	13613
	Intsika Yethu Local Municipality	800.55	8806
Free State	Maluti a Phofung Local Municipality	1361.9631	14982
	Mangaung Metropolitan Municipality	318.65	3505
Gauteng	Mogale City Local Municipality	754.93	8304
KwaZulu-Natal	Abaqulusi Local Municipality	307.24	3380
	Hibiscus Coast Local Municipality	2.04	22
	uMngeni Local Municipality	9.1	100
Limpopo	Greater Tzaneen Local Municipality	27.46	302
	Mutale Local Municipality	189.87	2089
North West	Madibeng Local Municipality	1069.94	11769
	Mahikeng Local Municipality	324.0117	3564
	Rustenburg Local Municipality	4 665.28	51318
Grand Total		11 907.2878	130980

State-owned land released for human settlements 2014-2015

Province	Municipality	Total Extent	Indicative yield Low density (20 units /ha)
Eastern Cape	Amahlathi Local Municipality	838.6651	9225
	Buffalo City Metropolitan Municipality	965.6779	10622
Free State	Maluti a Phofung Local Municipality	506.7231	5574
North West	Mahikeng Local Municipality	324.0117	3564
Grand Total		2635.0778	28986

Land Holding

While the HDA recognises the risks and costs of land holding, in some instances it is unavoidable. The property portfolio consists of seven HDA-owned and nine properties held in trust on behalf of the provinces and carries 27 leases nationally. Inspection reports were conducted on six properties on the HDA assets register. Two HDA buildings in the City of Johannesburg were sold.

Land holding task team meetings were held with the objective of assisting with the development of a land holding policy and raising and rectifying any challenges with land holding.

AGENCY PERFORMANCE continued

Table 6: Current property portfolio

Area Description	Size (+-Ha)	Development Status
FREE STATE PROVINCE		
Bethlehem	4.9	Land & buildings
Kroonstad	2.1	Land & buildings
Kroonstad	1.2	Land & buildings
Kroonstad	48.6	Vacant land
Bloemfontein	40.9	Vacant land
Bloemfontein	5.0	Vacant land
Welkom	2.4	Land & buildings
Bethlehem	0.4	Land & buildings
GAUTENG PROVINCE		
Johannesburg	0.3	Building
Johannesburg	0.2	Building
Pretoria	19.4	Vacant land
Pretoria	18.8	Vacant land
LIMPOPO PROVINCE		
Bela Bela	72.6	Vacant land
WESTERN CAPE PROVINCE		
Philippi	2.5	Vacant land
Malmesbury	700.6	Vacant land
EASTERN CAPE PROVINCE		
Queenstown	5.2	Land & buildings
TOTAL	924.496	Land & buildings

Land Assembly support

Land Assembly support services were provided to all nine provinces, during the year under review, to support the delivery of various human settlement development programmes.

Pipeline and planning support

The HDA human settlements project planning and pipeline framework was approved by the Board during the last quarter of the year. The HDA continues to provide project pipeline and programme planning support to Northern Cape, Limpopo and Free State provinces.

IGR support

IGR outreach continues to be focused on KwaZulu-Natal, North West, Gauteng and Mpumalanga provinces.

Project and programme support

In the provision of technical support to municipalities and provinces, the HDA equally undertakes additional support services, capturing best practice and information/learning within the sector as well as to conduct capacity building workshops for municipalities and provinces. The HDA has embarked on a process to frame and package a document and a series of financial workshops on the various forms of incremental tenure that can be applied in the upgrading of peri-urban to semi-rural informal settlements.

The Agency provided a proposal to the NDHS to provide programme and project management support to the department and identified mining towns on the human settlement component of the national mining town intervention. The proposal was adopted and the HDA has prioritised land assembly and release for human settlements in the identified mining towns.

AGENCY PERFORMANCE continued

The HDA is also supporting the NDHS in the identification of lead catalytic projects. These projects must clearly demonstrate spatial, social and economic integration.

Criteria for the identification of catalytic projects have been developed and communicated to provinces and municipalities through consultative processes. Submissions of projects from five provinces covering 28 projects were received.

Informal settlements upgrading support

The provision of technical support for the implementation of informal settlement upgrading work in various MTOP provinces and municipalities is ongoing. The HDA, at the

request of the Minister is continuing to provide programme and technical support to the NDHS, as well as various provinces and municipalities in respect of the NUSP and 'Mining Towns in Distress' national intervention. As a result of the additional responsibilities, seven additional municipalities, namely Randfontein, Merafong, Westonaria, Moses Kotane, Matlosana, Kgatelopele and Thaba Chewu, which form part of the municipalities targeted for the programme, are currently getting NUSP support.





Success

Implementing
Agent
on Bendor
Ext 100
Flagship
Project,
Limpopo

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2015

The reports and statements set out below comprise the financial statements presented to the Minister:

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ANNUAL FINANCIAL STATEMENTS

General Information

For the year ended 31 March 2015

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

CONTROLLING ENTITY

National Department of Human Settlements

MEMBERS OF THE ACCOUNTING AUTHORITY

MW Msimang (Chairperson)
CF Platt (Deputy Chairperson)
LS Archary
MP Malunga
KL Sebego
NN Vilakazi
T Zulu (Acting CEO)
APG Moola (Executive)

BUSINESS ADDRESS

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

BANKERS

First National Bank Ltd

AUDITORS

PricewaterhouseCoopers Inc

BUSINESS ADDRESS

P.O. Box 3209
Houghton
2041

ANNUAL FINANCIAL STATEMENTS

Accounting Authority's Responsibilities and Approval

For the year ended 31 March 2015

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 Standards of 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 controls 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 controls 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 controls 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 2016 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 32.

The annual financial statements set out on pages 24 to 64 which have been prepared on the going concern basis, were approved by the Accounting Authority on 27 July 2015 and were signed on its behalf by:



MW Msimang
Chairperson of the Accounting Authority

ANNUAL FINANCIAL STATEMENTS

Report of the Audit Committee

For the year ended 31 March 2015

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

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 Audit Committee Charter. The Committee has, amongst other things, reviewed the following during the 2014/2015 financial year:

- The effectiveness of the internal control systems;
- The activities of the internal audit function, including its annual work programme, co-ordination with 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; and
- Where relevant, the independence and objectivity of the external auditors.

The internal controls implemented by the 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 year 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 2015, 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 27 July 2015 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

ANNUAL FINANCIAL STATEMENTS

Accounting Authority's Report

For the year ended 31 March 2015

The members of the Accounting Authority present their report for the year ended 31 March 2015.

1. 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.

1.1 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 the 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 Dr KL Sebego, who is an independent non-executive member. The other independent non-executive member of this committee is Mr MP Malunga.

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, as well as independent members, Mr GL Leissner and Mr SAH Kajee.

The Audit Committee operates under an approved Audit Committee 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 non-executive members are Ms MJL Lephhallo and Ms LC Archary.

The committee has an approved terms of reference.

1.2 Internal audit

The HDA's internal auditors are Rakoma and Associates who were appointed on 1 June 2015, 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 23 of 2008.

ANNUAL FINANCIAL STATEMENTS

Accounting Authority's Report CONTINUED

For the year ended 31 March 2015

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

The term of office for all non-executive Accounting Authority members terminates on 31 July 2015, however the Minister has extended their term of office until a new board has been appointed.

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.

ANNUAL FINANCIAL STATEMENTS

Accounting Authority's Report CONTINUED

For the year ended 31 March 2015

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
MW Msimang (Chairperson)	01.09.2014	
Mr SS Somyo	01.06.2012	31.05.2014
CF Platt (Deputy Chairperson)	01.06.2012	
MJL Lephallo	01.06.2012	
TE Nwedamutswu	01.03.2009	31.05.2014
SL Archary	10.10.2012	
MP Malunga	23.08.2013	
KL Sebegu	07.04.2013	
TM Adler	01.02.2009	
APG Moola (Executive)	01.03.2009	

Mr TM Adler resigned as executive of the HDA effective from 31 May 2015.

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

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	1	1	-
MW Msimang	4	4	-
CF Platt	6	6	-
MJL Lephallo	5	3	2
KL Sebegu	6	1	5
LS Archary	6	3	3
MP Malunga	6	6	-
NN Vilakazi	5	4	1
TM Adler*	6	6	-
APG Moola*	6	6	-

Audit Committee

Name	Meetings	Attended	Apologies
CF Platt	3	3	-
G Leissner	3	1	2
SAH Kajee	3	3	-
TM Adler*	3	3	-
APG Moola*	3	3	-

ANNUAL FINANCIAL STATEMENTS

Accounting Authority's Report CONTINUED

For the year ended 31 March 2015

HR & Remuneration Committee

Name	Meetings	Attended	Apologies
MP Malunga	2	2	-
KL Sebegu	2	1	1
<i>TM Adler*</i>	2	2	-
<i>R Issel^</i>	2	2	-

Properties and Development Committee

Name	Meetings	Attended	Apologies
C Platt	3	3	-
MJL Lephahlo	2	2	-
LS Archary	3	1	2
<i>TM Adler*</i>	3	-	-
<i>APG Moola*</i>	3	-	-
<i>O Crofton^</i>	3	3	-
<i>N Lester^</i>	2	2	-

* Executive

^Senior management team

7. Auditors

The Auditor-General has given the HDA permission to appoint external auditors on their behalf. The HDA has re-appointed PricewaterhouseCoopers Inc for the financial year 2014/15, on 10 October 2014. 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.

ANNUAL FINANCIAL STATEMENTS

Independent Auditor's Report to Parliament on the Housing Development Agency

For the year ended 31 March 2015

Report on the financial statements

Introduction

We have audited the financial statements of the Housing Development Agency set out on pages 34 to 63, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

The board of directors which constitute the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South African (Act No. 1 of 1999)(PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of the 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 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 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the Public Finance Management Act of South Africa.

Other 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 pages 64 and 65 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion thereon.

ANNUAL FINANCIAL STATEMENTS

Independent Auditor's Report to Parliament on the Housing Development Agency CONTINUED

For the year ended 31 March 2015

Report on other legal and regulatory requirements

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

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2015:

- Programme 1.4: Maintain existing agreements and contracts and facilitate the conclusion of new agreements on pages 12 to 13;
- Programme 2: Land Planning and Assembly on pages 12 to 13; and
- Programme 3: Land & Housing Support Services on pages 12 to 13.

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPi).

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the selected programmes.

Additional matter

Although we identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, we draw attention to the following matter:

Achievement of planned targets

Refer to the annual performance report on pages 11 to 22 for information on the achievement of the planned targets for the year.

Compliance with legislation

We performed procedures to obtain evidence that the public entity had complied with legislation regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key legislation, 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 legislation. We did not identify any significant deficiencies in internal controls.

Investigations

The entity is currently investigating a case of alleged housing irregularity.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Pravitha Persad
Director
Registered auditor
31 July 2015

ANNUAL FINANCIAL STATEMENTS

Statement of Financial Position

For the year ended 31 March 2015

Figures in R 000	Note(s)	2015 R '000	2014 R'000
Assets			
Non-Current Assets			
Property, plant and equipment	3	19,465	20,795
Intangible assets	4	-	3
Long-term land inventory	5	25,648	27,905
Total Non-Current Assets		45,113	48,703
Current Assets			
Land inventory	6	83,793	77,171
Receivables from exchange transactions	7	21,931	5,270
Cash and cash equivalents	8	55,393	177,701
Total Current Assets		161,117	260,142
Total Assets		206,230	308,845
Net Assets and Liabilities			
Revaluation reserve		57	57
Accumulated surplus		30,325	38,193
		30,382	38,250
Non-Current Liabilities			
Finance lease obligations	9	42	203
Current Liabilities			
Payables from exchange transactions	11	26,833	32,144
Provisions	12	9,844	8,998
Provision for surplus refundable to National Treasury		-	6,402
Current portion of finance leases	9	230	159
Projects obligations	13	57,363	145,518
Land inventory funding	14	81,536	77,171
Total Current Liabilities		175,806	270,392
Total Net Assets and Liabilities		206,230	308,845

ANNUAL FINANCIAL STATEMENTS

Statement of Financial Performance

For the year ended 31 March 2015

Figures in R 000	Note(s)	2015 R '000	2014 R'000
Operating revenue			
Operational grants	15	150,730	113,977
Project management fee (Sect.29)		1,278	8,834
Interest income		2,215	1,834
Total operating revenue		154,223	124,645
Expenditure			
Land and related costs	16	12,767	15,175
Operating expenses	17	43,739	38,321
Project services	18	25,490	21,199
Finance costs		217	245
Employee costs	19	81,565	73,867
Deficit on disposal of property, plant and equipment		38	27
Total expenditure		163,816	148,834
Other income			
Sundry income		3,597	3,187
Insurance claim received		-	1,439
Total other income		3,597	4,626
Deficit for the year	21	(5,996)	(19,563)

ANNUAL FINANCIAL STATEMENTS

Statement of Changes in Net Assets

For the year ended 31 March 2015

Figures in R 000	Non-distributable reserves	Accumulated surplus	Total
Balance at 1 April 2013	57	57,756	57,813
Deficit for the year due to surplus returned to National Treasury		(19,563)	(19,563)
Balance at 31 March 2014	57	38,193	38,250
Balance at 1 April 2014	57	38,193	38,250
Adjustment on operating lease straight lining		(1,872)	(1,872)
Deficit for the year	-	(5,996)	(5,996)
Balance at 31 March 2015	57	30,325	30,382

ANNUAL FINANCIAL STATEMENTS

Statement of Cash Flow

For the year ended 31 March 2015

Figures in R '000	Note(s) R '000	2015 R'000	2014
Cash flows from operating activities			
Receipts		155,605	151,576
Grants		150,730	139,942
Management fees		1,278	8,834
Other receipts		3,597	2,800
Payments		(184,472)	(152,487)
Employee costs		(81,565)	(73,867)
Other payments		(102,907)	(78,620)
Cash utilised in operations	22	(28,867)	(911)
Interest received		2,215	1,834
Interest paid - finance charges on finance leases		(25)	(145)
Net cash flows from operating activities		(26,677)	778
Cash flows from investing activities			
Property, plant and equipment acquired		(983)	(2,296)
Net cash flows from investing activities		(983)	(2,296)
Cash flows from financing activities			
Decrease in projects obligations		(88,155)	(123,557)
(Decrease)/increase in lease liability		(91)	297
Surplus refund to National Treasury		(6,402)	(5,934)
Cash flows from financing activities		(94,648)	(129,194)
Decrease in cash and cash equivalents		(122,308)	(130,712)
Cash and cash equivalents at beginning of the year		177,701	308,413
Cash and cash equivalents at end of the year	8	55,393	177,701

ANNUAL FINANCIAL STATEMENTS

Statement of Comparison of Budget Information with Actual Information

For the year ended 31 March 2015

Figures in R 000		Note(s)	2015 R '000					
			Actual	Budget	Variance	% Variance	Adjustment	Approved annual budget
Operating revenue								
Operational grants	1		150,730	183,600	32,702	18 %	-	183,600
Sect.29 project management fee	2		1,278	13,878	12,600	91 %	-	13,878
Recovery on disposal of asset	3		-	12,945	(12,945)	(100 %)	-	12,945
Interest income			2,215	-	-	0 %	-	-
Total operating revenue			154,223	210,423	56,200	27%		210,423
Expenditure								
Land and related costs	4		12,767	10,797	(1,970)	(18%)	-	10,797
Operating expenses	5		43,739	24,338	(19,401)	(80 %)	-	24,338
Technical and project services	6		25,490	90,273	64,783	72 %	-	90,273
Finance costs			217	217	-	0 %	-	217
Employee costs	7		81,565	91,298	9,733	11 %	-	91,298
Deficit-disposal of property, plant and equipment			38	-	(38)	0 %	-	-
Total expenditure			163,816	216,923	53,107	24 %	-	216,923
Other income								
Sundry income			3,597	6,500	2,903	45%	-	6,500
Total other income			3,597	6,500	2,903	45%	-	6,500
Deficit for the year			(5,996)	-	5,996	-	-	-

Variances explanation

- 1 Delayed signing of MTOPs resulting in slow recovery of revenue
- 2 Eastern Cape Management Fees recovered on "value created" basis
- 3 Surplus on sale of buildings reversed as transfer took place post year-end
- 4 Clearance rates paid to the municipality as part of the process for the sale of the two properties
- 5 Costs on consulting fee incurred on restructuring and workshops
- 6 Timing- Technical consultants commenced work later due to delayed signing of MTOPs
- 7 Saving on vacant posts

ANNUAL FINANCIAL STATEMENTS

Accounting Policies

For the year ended 31 March 2015

1. 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 South African Standards of Generally Recognised Accounting Practice (SA Standards of 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 8, 10 and 11 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 2015. 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 20	Related party disclosures	Disclosure will be affected as the HDA has transactions with related parties	No effective date
GRAP 108	Statutory Receivables	Disclosure may be affected	No effective date

The following are interpretations issued but not yet effective:

Interpretations	Effective Date
Preface to the interpretations of the SA Standards of GRAP	No effective date

ANNUAL FINANCIAL STATEMENTS

Accounting Policies CONTINUED

For the year ended 31 March 2015

2.

2.1 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 is recognised based on cost recovery.

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.

2.2 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.

2.3 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.

Property, plant and equipment is initially measured at cost.

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 the date of acquisition.

ANNUAL FINANCIAL STATEMENTS

Accounting Policies CONTINUED

For the year ended 31 March 2015

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Plant and equipment is carried at cost less accumulated depreciation and impairment losses. Recognition of costs in the carrying amounts of an item of property, plant and equipment ceases when an item is in location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is depreciated on a straight-line basis over their expected useful lives to their estimated residual value. Depreciation commences when the asset is ready for its intended use.

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

Item	Average useful life
Computer equipment	3 - 4 years
Office equipment	4 - 5 years
Furniture & fittings	10 - 12 years
Electronic hardware	4 - 5 years
Property	20 - 25 years

The residual value, 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.

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.

Paintings

Paintings are carried at fair value and not depreciated. The revaluation method is used.

Revaluations are made regularly, every three (3) years by an independent valuator.

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

2.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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.

ANNUAL FINANCIAL STATEMENTS

Accounting Policies CONTINUED

For the year ended 31 March 2015

Intangible assets are purchased computer software that is stated at cost less accumulated amortisation and any accumulated impairment losses. It is amortised over its estimated life of three (3) 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 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-assessed 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 statement of financial position date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that those assets may have been impaired. If the fair value less costs to sell off 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.

2.5 Land held as current assets

Land held as current assets is classified as such when the carrying amount will be recovered principally through a sale transaction or disposal rather than through continuing use.

2.6 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:

Item	Average useful life
Office equipment	2 - 3 years

ANNUAL FINANCIAL STATEMENTS

Accounting Policies CONTINUED

For the year ended 31 March 2015

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.

2.7 Provisions

Provisions are recognised when:

- The entity has a present legal or constructive obligation as a result of a past event;
- 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.

2.8 Leave pay provision

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

2.9 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.

2.10 Land inventory

Initial recognition and measurement

Land inventory is a tangible asset 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.

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.

Long-term land inventory

Land purchased by the HDA for the purpose of release for human settlements and where there is uncertainty regarding date of release is classified as long-term land inventory.

Short-term inventory

Land registered in the HDA name and where there are conditions attached is classified under current assets as short-term land inventory.

2.11 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 the family of persons related to the entity may influence, or be influenced by them in their transactions with the entity.

2.12 Financial instruments

Initial recognition and measurement

Financial instruments are initially recognised at fair value. Transaction costs on financial instruments, measured at fair value through surplus or deficit, are recognised in surplus or deficit.

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 assets 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, 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. These are initially and subsequently recorded at fair value.

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.

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

ANNUAL FINANCIAL STATEMENTS

Accounting Policies CONTINUED

For the year ended 31 March 2015

- * 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.

2.13 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.

2.14 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.

2.15 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.

2.16 Projects in progress (conditional grants)

Projects in progress represent grants received from the Department of Human Settlements for funding programme 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.

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

The preparation of annual financial statements in conformity with SA 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:

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.

Impairment testing

Initial recognition

An asset is impaired when the carrying amount exceeds the recoverable service amount. At each reporting date, the HDA assesses whether there is an indication that an asset may be impaired.

In assessing whether an asset may be impaired, HDA considers the following minimum requirements:

- **External source information**
 - * Cessation or near cessation of need for services provided by an asset
 - * Significant long term changes in technology, legal or government policy environment
- **Internal source information**
 - * Physical damage of an asset

Application of approaches

The approach used by the HDA will depend on whether, after assessment, enough information is available and the nature of impairment:

- * Cessation or near cessation of need for services provided by an asset
The depreciated replacement cost method will be used
- * Significant long-term changes in technology, legal or government policy environment
The depreciated replacement cost method will be used
- * Physical damage of an asset
The restoration cost method will be used

Recognition and measurement

The impairment loss is not applicable if the asset is classified as paintings which uses the revaluation model.

If the recoverable amount is less than the carrying amount, the carrying amount will be reduced to the recoverable service amount. That reduction is the impairment loss.

An impairment loss will be recognised immediately in the surplus or deficit.

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.

2.18 Budget information

The HDA is typically subject to budgetary limits in a form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are prepared on the same basis of accounting. Therefore a reconciliation between the statement of financial performance and the budget is not required.

ANNUAL FINANCIAL STATEMENTS

Accounting Policies CONTINUED

For the year ended 31 March 2015

2.19 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.

2.20 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) the PFMA;
- (b) the Treasury Regulations;
- (c) a National Treasury Instruction, issued in terms of section 76 of the PFMA; and
- (d) a Provincial Treasury Instruction issued in terms of section 18(2)(a) of PFMA.

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.

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Notes to the Annual Financial Statements

For the year ended 31 March 2015

Figures in R 000			2015 R '000	2014 R'000		
3. Property, plant and equipment	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
<i>Assets</i>						
Furniture and fittings	1,273	253	1,020	957	190	767
Electronic hardware	2,419	1,534	885	2,414	1,016	1,398
Office equipment	155	76	79	98	57	41
Computer equipment	2,308	1,513	795	1,951	1,143	808
Property	20,000	3,833	16,167	20,000	2,833	17,167
	26,155	7,209	18,946	25,420	5,239	20,181
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Capitalised leased assets	595	341	254	546	197	349
	Fair Value	Revaluation	Carrying Value	Fair Value	Revaluation	Carrying Value
Paintings	265	-	265	208	57	208
	27,015	7,550	19,465	26,174	5,493	20,795

The carrying amounts of property, plant and equipment can be reconciled as follows for 2015:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
<i>Assets</i>					
Furniture and fittings	767	316	-	(63)	1,020
Electronic hardware	1,398	34	(16)	(531)	885
Office equipment	41	58	-	(20)	79
Computer equipment	808	455	(18)	(450)	795
Property	17,167	-	-	(1,000)	16,167
	20,181	863	(34)	(2,064)	18,946

	Carrying value at beginning of year	Additions	Disposals	Revaluation	Carrying value at end of year
Paintings	265	-	-	-	265

	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
Capitalised leased assets	349	119	-	(214)	254
	20,795	982	(34)	(2,278)	19,465

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R 000	2015 R '000	2014 R'000
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3. Property, plant and equipment Continued

The carrying amounts of property, plant and equipment can be reconciled as follows for 2014:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
<i>Assets</i>					
Furniture and fittings	690	148	-	(71)	767
Electronic hardware	662	1,252	(3)	(513)	1,398
Office equipment	26	39	-	(24)	41
Computer equipment	876	438	(23)	(483)	808
Property	18,167	-	-	(1,000)	17,167
	20,421	1,877	(26)	(2,091)	20,181

	Carrying value at beginning of year	Revaluation	Disposals	Depreciation	Carrying value at end of year
Paintings	208	57	-	-	265

	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
Capitalised leased assets	25	476	-	(152)	349
	20,654	2,296	(26)	(2,243)	20,795

Property held for disposal

The two buildings in Johannesburg CBD with the carrying amount of R16m will be disposed of during the course of 2015/16 financial year. The agreement for the sale of the two buildings was signed on 23 June 2014 at a purchase price of R30m. The disposal was to make property available for Human Settlement purposes.

Pledged as security

Except for leased assets, none of the assets above have been pledged as security or have restrictions on title.

The paintings are shown at fair value. These were evaluated in February 2014 by an independent valuer, Crouse Art. The valuation was done using market values. The next valuation is due in February 2017.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R 000	2015 R '000	2014 R'000
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4. Intangible assets

	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	13	(13)	-	13	(10)	3
	13	(13)	-	13	(10)	3

The carrying amounts of intangible assets can be reconciled as follows for 2015:

	Carrying value at beginning of year	Additions	Amortisation	Disposals	Carrying value at end of year
Computer software	3	-	(3)	-	-
	3	-	(3)	-	-

The carrying amounts of intangible assets can be reconciled as follows for 2014:

	Carrying value at beginning of year	Additions	Amortisation	Disposals	Carrying value at end of year
Computer software	19	-	(16)	-	3
	19	-	(16)	-	3

5. Long-term land inventory

Land inventory - various	25,648	27,905
	25,648	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:

Description	Acquisition value
Erf 13120 Queenstown	3,540
Portion 237 of 78 farm Hartbeestpoort No.328JR	9,914
Portions 78, 89, 90, 151 Daspoort 319JR	7,158
Erf farm 755/2 Michael Heyns-Swartland Cape Town	5,036
	25,648

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R 000	2015 R '000	2014 R'000
6. Land inventories		
Land inventory - Bela Bela	65,400	65,400
Property inventory-various	16,136	11,771
Land held for disposal	2,257	-
	83,793	77,171

Land held for disposal

The board has approved a disposal of Erf 10509 Cape Town at no cost. The disposal is awaiting National Treasury's approval.

Bela-Bela land

The HDA acquired portion 170 portion and portion of the current portion 5 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

Property inventory, registered in the name of HDA, comprises:

Description	Acquisition value
Erf 1816 Bethlehem township	4,400
Erf 4919 Kroonstad Ext 30 township	3,300
Erf 5246 Kroonstad	1,733
Erf 229 Kroonstad	2,338
Ptn 37 of farm Welkom 41	4,365
	16,136

The properties were acquired by the HDA at no cost and were evaluated after the transfer occurred.

The assets were acquired on behalf of the Department of Human Settlements based on an agreed protocol and carry a corresponding liability disclosed in Note 14.

7. Receivables from exchange transactions

Receivables	17,859	4,057
Sundry receivables	289	340
Deposits	872	873
Projects	4,939	-
Provision for bad debts	(2,028)	-
	21,931	5,270

The carrying amount of receivables approximates fair value.

Provision for bad debts is as a result of Eastern Cape capital expenditure incurred and funding has not been approved by province.

8. Cash and cash equivalents

Petty cash	51	20
Bank balances	55,342	177,681
	55,393	177,701

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R '000	2015 R '000	2014 R '000
9. Finance lease obligations		
Lease of photocopiers and faxes with Konica Minolta	42	203
	42	203
Repayable within one year, transferred to current liabilities	230	159
	272	362
Reconciliation between the total of the minimum lease payments and the present value:		
Minimum lease payments	284	396
- No later than 1 year	242	183
- Later than 1 year and no later than 5 years	42	213
Future finance charges on finance leases	(12)	(34)
	272	362
10. Obligations under operating leases		
The future minimum office lease payments, which escalate at 8% p.a. are as follows:		
Johannesburg	9,344	3,075
- Not later than one year	3,022	3,075
- Greater than one year, less than five	6,322	-
The future minimum office lease payments, which escalate at 10% p.a. are as follows:		
Port Elizabeth	-	1,099
- Not later than one year	-	1,099
- Greater than one year, less than five	-	-
The future minimum office lease payments, which escalate at 10% p.a. are as follows:		
Cape Town	3,234	489
- Not later than one year	1,284	489
- Greater than one year, less than five	1,950	-
The future minimum office lease payments, which escalate at 10% p.a. are as follows:		
Bloemfontein	421	940
- Not later than one year	421	519
- Greater than one year, less than five	-	421
	14,643	5,603
Lease terms and conditions	Expiry date	Lease term
Johannesburg office	31-Jan-18	3 years
Port Elizabeth office	31-Mar-15	3 years
Cape Town office	31-Aug-17	3 years
Bloemfontein office	31-Dec-15	3 years

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R 000	2015 R '000	2014 R'000
11. Payables from exchange transactions		
Payables	26,811	32,122
Board fees donated	22	22
	26,833	32,144

Trade and other payables include retentions amounting to R3.7m, 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.

12. Provisions

Provisions are reported as follows:	Leave	Bonus	Total	Total
Carrying amount at the beginning of the year	3,143	5,855	8,998	7,859
Increase in provision	813	4,787	5,600	7,180
Amounts incurred and charged against the provision	(696)	(4,058)	(4,754)	(6,041)
Carrying amount at end of the year	3,260	6,584	9,844	8,998

The provision for leave is expected to realise during the 2016 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 2016 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 employee's performance. This is payable in September of each year.

13. Projects obligations

Eastern Cape Provincial Government	12,274	16,257
Free State Provincial Government	6,981	101,653
Limpopo Provincial Government	203	4,084
North West Provincial Government	377	652
NUSP	16,038	-
Northern Cape Provincial Government	10,201	6,743
Thubelisha ring fenced	435	416
Mpumalanga Provincial Government	-	13,736
Western Cape Provincial Government	771	1,977
Lwandle	10,083	-
	57,363	145,518

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R 000	2015 R '000	2014 R'000
<i>Below is a reconciliation of each project obligation:</i>		
Eastern Cape Provincial Government		
Opening balance	16,257	138,813
Income	23,697	59,624
Expenditure	27,680	182,180
Closing balance	12,274	16,257
Free State Provincial Government		
Opening balance	101,652	104,579
Income	33,183	73,994
Expenditure	127,854	76,921
Closing balance	6,981	101,652
Limpopo Provincial Government		
Opening balance	4,084	5,094
Income	110	10,609
Expenditure	3,991	11,619
Closing balance	203	4,084
North West Provincial Government		
Opening balance	652	626
Income	32	26
Expenditure	307	-
Closing balance	377	652
NUSP		
Opening balance	-	-
Income	19,987	-
Expenditure	3,949	-
Closing balance	16,038	-
Northern Cape Provincial Government		
Opening balance	6,743	-
Income	14,766	7,183
Expenditure	11,308	440
Closing balance	10,201	6,743
Mpumalanga Provincial Government		
Opening balance	13,736	-
Income	159	13,736
Expenditure	13,895	-
Closing balance	-	13,736

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R '000	2015 R '000	2014 R'000
Thubelisha transfer		
Opening balance	416	1,114
Income	20	33
Expenditure	1	731
Closing balance	435	416
Western Cape Provincial Government		
Opening balance	1,977	(140)
Income	14,803	16,483
Expenditure	16,009	(14,366)
Closing balance	771	1,977
Lwandle		
Opening balance	-	-
Income	20,084	-
Expenditure	10,001	-
Closing balance	10,083	-
14. Land inventory funding		
Funding for land acquisition Bela-Bela	65,400	65,400
Properties held in trust	16,136	11,171
	81,536	77,171

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.

15. Revenue from non-exchange transactions

Revenue from non-exchange transactions is made up as follows:

Operational grant - Department of Human Settlements	101,047	71,532
Grant received from the National Department of Human Settlements	101,047	97,496
Grant returned to National Treasury for the 2013 - 2014 year ends	-	(19,563)
Provision to return grant to National Treasury for the year end	-	(6402)
Operational grant -Section 29 projects	16,009	14,366
Operational grant - Limpopo	5,336	11,619
Operational grant - Free State	7,040	15,758
Operational grant - Joe Slovo Rectification	-	263
Operational grant - Northern Cape	7,349	440
Operational grant - Lwandle -LHSS	10,001	-
Operational grant - NUSP	3,948	-
	150,730	113,978

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R 000	2015 R '000	2014 R'000
16. Land and related costs		
Insurance	179	198
Maintenance costs	7,545	6,946
Conveyancing and valuation costs	1,714	1,522
Projects operational contractors	1,415	1,614
Development planning and feasibility studies	1,914	4,895
	12,767	15,175
17. Operational expenses		
Accounting other services	436	718
Advertising and marketing	2,178	2,055
Agency support - outsourcing	3,632	5,172
Amortisation	3	16
Assets below R5 000 expenses	139	409
Auditors remuneration	1,239	922
Bad debts	2,028	-
Bank charges	61	54
Board costs	506	466
Catering and entertainment	668	754
Communications	553	663
Computer expenses	3,118	2,771
Consultants	6,358	2,212
Contractors - operational	1,007	717
Depreciation	2,277	2,243
Insurance	344	183
Legal fees	1,395	1,062
Office rentals	7,658	5,956
Penalties	-	1,359
Printing, publications and stationery	819	1,267
Repairs and maintenance	166	125
Repairs - office refurbishment	253	298
Research and publication	126	-
Staff recruitment	2,491	2,827
Staff welfare	212	31
Sundry office expenses	199	177
Training and staff development	545	534
Travel and accommodation	5,328	5,330
	43,739	38,321

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R 000		2015 R '000	2014 R'000
18. Project services			
Technical services	25,252	21,064	
Project support services	238	135	
	25,490	21,199	
19. Employee costs			
Basic salaries	66,083	60,762	
Performance awards	8,162	8,437	
Temporary staff	455	328	
Leave payment	631	1,054	
Employer's contributions	6,088	3,153	
Other payroll expenses - COID	146	133	
	81,565	73,867	
20. Executive and non- executive members remuneration (incl Senior Management)			
Executive members	4,970	4,706	
TM Adler - Chief Executive Officer	2,816	2,665	
Basic salary	2,317	2,205	
Bonus	175	212	
Pension fund	259	187	
Risk benefits	44	40	
Allowances	21	21	
APG Moola - Chief Financial Officer	2,154	2,041	
Basic salary	1,808	1,684	
Bonus	133	163	
Pension fund	159	142	
Risk benefits	33	31	
Allowances	21	21	

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R '000	2015 R '000	2014 R '000
20. Executive and non-executive members remuneration (incl Senior Management)		
Continued		
Senior management team	6,378	5,596
OJ Crofton - GM: Land and Housing Support Services	2,100	1,977
Basic salary	1,749	1,623
Bonus	134	157
Pension fund	155	137
Risk benefits	32	30
Allowances	30	30
R Issel - GM: Corporate services	1,916	1,805
Basic salary	1,602	1,488
Bonus	122	143
Pension fund	141	126
Risk benefits	30	27
Allowances	21	21
N Lester - GM: Land Planning and Assembly (Resigned 31 August 2014)	1,420	1,814
Basic salary	661	1,488
Bonus	111	143
Pension fund	60	126
Lump sum	577	-
Unpaid leave	(13)	-
Risk benefits	11	27
Allowances	13	30
J Minnie - Acting GM: Land Planning and Assembly (Effective 1 September 2014)	942	-
Basic salary	733	-
Bonus	119	-
Pension fund	62	-
Risk benefits	14	-
Allowances	14	-
Total executive and SMT remuneration	11,348	10,302
This represents the total cost to company, the choice of salary structure is that of the employee.		
Non-executive members of Accounting Authority	327	285
M Msimang (Chairperson)	52	-
SS Somyo	27	118
CF Platt	111	88
GGL Leissner	5	15
MJL Lephallo	48	44
SAH Kajee	15	10
M Malunga	69	10
Total remuneration	11,675	10,587

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R 000		2015	2014
		R '000	R'000
21.	Deficit for the year		
The HDA has a deficit of R5.9m. This is due to shortfall realised by the HDA Eastern Cape (EC) office on operational costs. The HDA, in agreement with the EC Provincial Government is recover costs on a value created basis, which has resulted in the HDA EC office incurring losses of R8.4m in the current financial year. Capital expenditure relates to amounts owing to Eastern Cape service providers. Province has not approved funding.			
Deficit for the year can reconciled as follows:			
HDA surplus from funds appropriated from grant funding		4,432	-
Deficit from EC office		(8,400)	-
EC capital expenditure - provision for bad debts		(2,028)	-
Reported deficit		(5,996)	-
22.	Cash (utilised) / generated from operations		
Net (deficit) / surplus		(5,996)	(19,563)
Adjustment for:			
Depreciation		2,278	2,243
Amortisation		3	16
Revaluation of paintings		-	(57)
Interest received		(2,215)	(1,834)
Deficit on disposal of property, plant and equipment		38	27
Straightining of finance leases		(1,873)	-
Interest paid		25	145
Provision for surplus refundable to National Treasury		-	6,402
		(7,740)	(12,621)
Movements in working capital		(21,127)	11,710
(Decrease)/increase in payables		(5,312)	7,160
Increase in provisions		846	1,140
(Decrease)/increase in receivables		(16,661)	3,410
Cash utilised in operations		(28,867)	(911)

23. Comparative figures

No comparative amounts have been reclassified.

24. Related party transactions

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

	Operational grant received		Amounts owed by the related party at year-end	
	2015	2014	2015	2014
National Department of Human Settlements	101,047	97,497	-	-

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.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R 000		2015 R '000	2014 R'000
25. Irregular, fruitless and wasteful expenditure			
Fruitless and Wasteful expenditure			
Transnet SOC Ltd, acting through its operating division Transnet Freight Rail		-	1,439
Irregular expenditure			
Opening balance		-	-
Irregular expenditure - current year		969	51
Less amounts amounts condoned		(969)	(51)
Irregular expenditure awaiting condonation		-	-
Details of irregular expenditure			
Claizen Ltd		519	-
Path Coaching		450	-
		969	-

The suppliers were procured without following proper approval and supply chain processes.

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

26. Events after statement of financial position date

There are no events after reporting date.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R '000	2015 R '000	2014 R'000
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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.

The maturity analysis of payables at reporting date were as follows:

Payables

Projected repayment - 30 days	26,833	32,144
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Finance lease obligations

Projected repayment - less than 1 year	230	159
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Projected repayment - 31 March 2017	42	203
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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.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R '000	2015 R '000	2014 R'000
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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.

Receivables

Projected recoverability - 30 days	21,931	705
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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 31 March 2015
First National Bank	Current HDA	2.5	521
First National Bank	Current rentals	2.5	614
First National Bank	Call account	2.5	20
First National Bank	Fixed maturity account	4.9	843
First National Bank	Corporate cheque account	2.5	436
First National Bank	Commercial Nstd Call	2.5	2,477
First National Bank	Commercial Nstd Call	2.5	115
First National Bank	Commercial Nstd Call	2.5	92
First National Bank	Commercial Nstd Call	2.5	2,057
First National Bank	Commercial Nstd Call	2.5	1,093
First National Bank	Commercial Nstd Call	2.5	1,933
First National Bank	Commercial Nstd Call	2.5	2,719
First National Bank	Commercial Nstd Call	2.5	1,004
First National Bank	Commercial Nstd Call	2.5	6,856
Nedbank	Current account	4.5	272
Nedbank	Fixed maturity account	5	300
Nedbank	Fixed maturity account	5	8,870
Nedbank	Fixed maturity account	5.03	3,368
Stanlib	Extra Income ABIL Retention Fund	4	851
Stanlib	Extra Income ABIL Retention Fund	4	13
Standard bank	Current account	2.5	4
Cash	Cash	-	51
			55,393

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2015

Figures in R 000	2015 R '000	2014 R'000
Financial assets by category		
The accounting policies for financial instruments have been applied to the line items below:		
Receivables and sundry receivables	21,648	5,066
Bursaries paid in advance	283	204
Financial liabilities by category		
The accounting policies for financial instruments have been applied to the line items below:		
Payables and other payables	26,833	32,144
Designated income received in advance	57,363	145,520

ANNUAL FINANCIAL STATEMENTS

Detailed Statement of Financial Performance

For the year ended 31 March 2015

Figures in R 000	2015 R '000	2014 R'000
Revenue		
Grants received	150,730	115,416
Grant received from the National Department of Human Settlements	101,047	97,496
Grant returned to National Treasury for the 2011 - 2012 year ends	-	(19,563)
Insurance claim received	-	1,439
Lwandle	10,001	-
NUSP	3,948	-
Operational grant - Free State	7,040	15,758
Operational grant - Joe Slovo Rectification	-	263
Operational grant - Limpopo	5,336	11,619
Operational grant - Northern Cape	7,349	440
Operational grant - Section 29 projects	16,009	14,366
Provision to return grant to National Treasury for the year end	-	(6,402)
Section 29 - project management fee	1,278	8,834
Sundry income	3,597	3,187
Gross revenue	155,605	127,437
Other Income		
Investment income	2,215	1,834
	2,215	1,834
	157,820	129,271

ANNUAL FINANCIAL STATEMENTS

Detailed Statement of Financial Performance CONTINUED

For the year ended 31 March 2015

Figures in R 000	2015 R '000	2014 R'000
Expenditure		
Accounting other services	436	718
Advertising and marketing	2,178	2,055
Agency Support- Outsourcing	3,632	5,172
Amortisation - Intangible assets	3	16
Assets under R5 000	139	409
Auditors remuneration	1,239	922
Bank charges	61	54
Board costs	506	466
Catering and meetings	668	754
Communications	553	663
Computer expenses	3,118	2,771
Consultants	6,358	2,212
Consultants - Technical	25,252	21,064
Contractors- Operational	1,007	717
Deficit on disposal of property, plant and equipment	38	27
Depreciation - property, plant and equipment	2,277	2,243
Finance costs	217	245
Insurance	344	183
Land & related costs	12,767	15,175
Legal fees	1,395	1,062
Office rentals	7,658	5,956
Penalty	-	1,359
Printing, publications and stationery	819	1,267
Project services	238	135
Provision for bad debts	2,028	-
Repairs and maintenance	166	125
Repairs refurbishment - offices	253	298
Research and publications	126	-
Salaries	81,565	73,867
Staff recruitment	2,491	2,827
Staff welfare	212	31
Sundry office expenses	199	177
Training and staff development	545	534
Travel and accommodation	5,328	5,330
	163,816	148,834
(Deficit) / surplus for the year	(5,996)	(19,563)

ANNEXURE - ANNUAL PERFORMANCE PLAN

Performance plan — 2014 to 2015

PROGRAMME 1: Admin		Programme Enabling Goal:			
Sub-Programme: Financial management and Area Design		Financial sustainability			
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2014/15 Target	Actual achievement	Achieved/ not achieved
Effective internal control systems	Implement effective systems to manage: Finance, Budgets and Performance Management, SCM, Risk Management and compliance	Obtain unqualified audit opinion on the 2013/14 financial statements from external auditors	Unqualified audit report for 2013/14 published by 30 August 2014	Unqualified audit report for 2013/14 published by 30 August 2014	A
Implement business and financial model	Enable cost recovery and revenue generation to achieve HDA strategy	% of business plan milestones/activities completed	100% of business plan milestones/activities implemented	Not achieved	N - Priorities of the Agency changed
Sub-Programme: Corporate Services		Programming Enabling Goal:			
		Organisational effectiveness			
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2014/15 Target	Actual achievement	Achieved/ not achieved
The HDA is an internally cohesive and effective organisation with systems that are stable and accessible	Implement policies to ensure operational effectiveness according to HDA policy register	% of individual performance assessments completed	100% of individual performance assessments completed by 31 March 2015	100% of individual performance assessments completed by 31 March 2015	A
		Annual programme pertaining to embedding HDA values approved by Exco and % implemented	Annual programme to enhance organisational values by Exco and 100% implemented	Annual programme to enhance organisational values approved by Exco and 100% implemented	A
Sub-Programme: CEO's office					
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2014/15 Target	Actual achievement	Achieved/ not achieved
Maintain existing agreements and contracts and facilitate the conclusion of new agreements	Maintain Intergovernmental Relations (IGR) protocols	Number of IGR protocols maintained	17	14 IPs and 3 MTOPs maintained	A
	Conclude Intergovernmental Relations (IGR) protocols	Number of IGR protocols concluded	1	IP signed with Gauteng	A

ANNEXURE - ANNUAL PERFORMANCE PLAN CONTINUED

Performance plan — 2014 to 2015

PROGRAMME 2: Land Planning and Assembly		Programme Strategic Goal: 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 stakeholder			
Sub-Programme: Development Planning and Design		Area			
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2014/15 Target	Actual achievement	Achieved/not achieved
Develop a coherent and inclusive approach to land for human settlements	Framework to ensure spatial, social and economic integration (spatial targeting) of human settlement developed	Master Spatial Plan (MSP)/ Spatial Planning Framework (SPF) completed	National Master Spatial Plan (MSP)/ SPF completed	National Master Spatial Plan (MSP)/ SPF completed	A
		Operational framework for the implementation of PHDA linked to MSP/SPF and lead catalytic projects	PHDA operational framework approved	PHDA operational framework approved	A
	Develop a coherent and inclusive approach to land for human settlements in line with MSP/SPF	Draft policy completed	Draft policy completed	Draft policy completed	A
PROGRAMME 2: Land Planning and Assembly		Programme Strategic Goal: 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 stakeholder			
Sub-Programme: Land Information Services		Area			
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2014/15 Target	Actual achievement	Achieved/not achieved
Spacially-based land and housing information system for the sector	Spatially-based land and housing information system and database in place for the sector	Porvincial and municipal spatial based land and housing technical support services	Training provided to users of the Land and Housing Information System	Training provided to the Land and Housing Information System - 150 users trained	A
			Provide mapping and support services to the HDA and the sector as and when required	Provide mapping and support services to the HDA and the sector as and when requested - 295 requests supported	A
	Spatial analysis, profiling and strategic mapping services in line with MSP/SPF	Number of periodic spatial reports on Land and Housing Information	4	4	A

ANNEXURE - ANNUAL PERFORMANCE PLAN CONTINUED

Performance plan — 2014 to 2015

PROGRAMME 2: Land Planning and Assembly		Programme Strategic Goal: 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 stakeholder			
Sub-Programme: Knowledge Management and Research					
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2014/15 Target	Actual achievement	Achieved/ not achieved
Land and property trends and knowledge programmes as management for the sector	Prepare and develop innovative research, analysis and support tools to enable the implementation of the MSP	Number of policy instruments researched	2	2	A
		Number of support tools developed	1	2	An additional support tool was developed because our mandate was extended mid-year to include the mining towns and there was a need to a better understanding of where to invest in the mining towns
PROGRAMME 2: Land Planning and Assembly		Programme Strategic Goal: 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 stakeholder			
Sub-Programme: Monitoring and Evaluation					
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2014/15 Target	Actual achievement	Achieved/ not achieved
Monitoring and evaluating land development to measure effectiveness of spatial targeting in human settlements	Develop a monitoring and evaluation programme to measure and track effectiveness of spatial targeting in human settlements in line with MSP/SPF	Monitoring and evaluation framework complete	Monitoring and evaluation framework approved	Monitoring and evaluation framework approved	A

ANNEXURE - ANNUAL PERFORMANCE PLAN CONTINUED

Performance plan — 2014 to 2015

PROGRAMME 3: Land and Housing Support Services		Programme Strategic Goal: Provide Land & Housing Development Support Services to our partners to achieve key national strategic priorities relating to human settlements			
Sub-Programme: Implementation Support					
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2014/15 Target	Actual achievement	Achieved/ not achieved
Well-located land is released for human settlement development	Assist partners with the release of well located land for human settlement development	Number of hectares of well located land released for human settlement (targeting poor and middle income households)	2500ha	3698.2993ha	A - Releasing land takes time - the steps to release land in previous years was unexpectedly realised in this financial year and hence more land was released than planned for
PROGRAMME 3: Land and Housing Support Services		Programme Strategic Goal: Provide Land & Housing Development Support Services to our partners to achieve key national strategic priorities relating to human settlements			
Sub-Programme: Implementation Support					
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2014/15 Target	Actual achievement	Achieved/ not achieved
Implement agreed project, land assembly and housing development support services	Institutional capacity support to provinces and municipalities with land assembly and housing development support services	Number of provinces supported with HDA services (technical support services)	7	9	A - More provinces came on board than anticipated due to HDA delivery and IGR work of previous years
		Number of municipalities supported with HDA services (technical support services)	6	18	A - More provinces came on board than anticipated due to HDA delivery and IGR work of previous years
	Assist with specific agreed human settlement projects/ project development	Number of projects supported with HDA services	10	19	A - Projects commenced that were expected to come on board in the following financial year
	Support in Identification of lead catalytic projects that clearly demonstrate spatial, and economic integration	Criteria developed for the identification of lead catalytic projects	Criteria developed	Criteria developed	A
		Support NDHS in the identification of lead catalytic projects	50 projects	Submission of projects from 5 provinces received covering 28 projects	N - Provinces only submitted 28 projects for the assessment - this will be concluded in the new financial year with project proposals from the private sector
	Support the National Department of Human Settlements with the management & implementation of the National Mining Towns intervention (human settlements component)	Programme plan for human settlements mining towns intervention	1 programme plan developed	1 programme plan developed	A
		Monthly reporting on implementation of intervention in provinces	3 reports	3 reports	A
	Provision of sector support services as a means to promote the specific HDA service offering	Number of sector support engagements conducted	2	2	A

ABBREVIATIONS

APP	Annual Performance Plan
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COGHSTA	Cooperative Governance, Human Settlement and Traditional Affairs
CSIR	Council for Scientific and Industrial Research
DRDLR	Department of Rural Development and Land Reform
EAAB	Estate Agency Affairs Board
EXCO	Executive Committee
FY	Financial Year
GIS	Geographical Information Systems
GM	General Manager
FMPPI	Framework for Managing Programme Performance Information
HDA	Housing Development Agency
HR	Human Resources
IGR	Intergovernmental Relations
IP	Implementation Protocol
ISA	International Standard on Auditing
ISSAI	International Standards of Supreme Audit Institutions
ISU	Informal Settlement Upgrade
IT	Information Technology
LPA	Land Planning and Assembly
LaPSIS	Land and Property Spatial Information System
L&HSS	Land and Housing Support Services
LGS	Land Geospatial Services
MEC	Member of the Executive Council
Min Mec	Ministers and Members of Executive Councils Meeting
MOA	Memorandum of Agreement
MSP	Master Spatial Plan
MTEF	Medium-term Expenditure Framework
MTSF	Medium-term Strategic Framework
MTOP	Medium-term Operational Plan
NASHO	National Association of Social Housing Organisations
NDHS	National Department of Human Settlements
NLAS	National Land Seem Strategy
NUSP	National Upgrading Support Programme
NURCHA	Construction Finance and Programme Management
PAA	Public Auditors Act No. 25 of 2004
PFMA	Public Finance Management Act No. 1 of 1999
PHDA	Priority Housing Development Areas
PPT	Project Preparation Trust
PVA	Property Valuation Act
RGTL	Rapidly Growing Towns and Locations
SA GRAP	South African Standards of Generally Recognised Accounting Practice
S29	Section 29 of the HDA Act No. 23 of 2008
SEZ	Spatial Economic Zone
SHEQ	Safety, Health, Environment and Quality
SHRA	Social Housing Regulations Authority
SOC	State-owned Company
SPF	Spatial Planning Framework
SPLUMA	Spatial Planning and Land-use Management Act
TRA	Temporary Residential Areas
VAT	Value-added Tax

HEAD OFFICE

Gauteng

6-10 Riviera Road
Riviera Office Park, Block A
Killarney
Johannesburg, 2193
PO Box 3209
Houghton
South Africa, 2041

Phone: +27 11 544 1000

Fax: +27 11 544 1006/7

REGIONAL OFFICES

Free State

97 Henry Street
Westdene
Bloemfontein, 9300
PO Box 3220
Bloemfontein
South Africa, 9300

Phone: +27 51 409 0220

Fax: +27 51 409 0233

Western Cape

129 Bree Street
Cape Town, 8001
PO Box 15402
Vlaeberg, Cape Town
South Africa, 8018

Phone: +27 21 481 2900

Fax: +27 21 481 2913

Northern Cape

9 Cecil Sussman Road
Department of COGHSTA
Kimberley, 8301
c/o PO Box 3209
Houghton
South Africa, 2041

Phone: +27 53 830 9531/9516

Fax: +27 86 244 9015

KwaZulu-Natal

199 Anton Lembede Street
Embassy Building
25th Floor
Durban, 4000
(see website for updated contact details)

Limpopo

20 Rabe Street
Limpopo Provincial Government
Department of COGHSTA
Polokwane, 0699
Private Bag X9485
Polokwane
South Africa, 0700

Phone: +27 15 284 5000

Fax: +27 15 293 1520

Eastern Cape

66 Ring Road
Fairview Office Park
Fairview House, 5th Floor
Greenacres
Port Elizabeth, 6501

Phone: +27 41 393 2600

Fax: +27 41 393 2614

Fraud hotline: 0800 205 307

Website: www.thehda.co.za



human settlements

Department:
Human Settlements
REPUBLIC OF SOUTH AFRICA



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