



ANNUAL REPORT 2013/2014



# WORKING FOR INTEGRATION





## 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 development of 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





*The HDA continues to improve its planning, delivery and business processes, and through the dedication and commitment of its management and staff, it has established itself, in five short years, as an essential contributor to the human settlements value chain*





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# Building lives, meeting expectations

The accounting authority (Board) has completed its second year in office, during which we have seen the HDA consolidate its role as a key Agency in the delivery of sustainable human settlements.

We are particularly pleased with the growing role the HDA is playing in making land available for human settlements development, and the fact that it is doing so through growing partnerships with provincial and local government, that are at the coalface of delivery.

Almost 4 000 hectares of land was released for development during the past financial year — more than 2 000 hectares of which is state-owned land that can now be used to provide much-needed housing for the poorest of the poor. It is also noteworthy that the HDA has been able to acquire an additional 1 000 hectares of privately-owned land. Over the past five years, the HDA has facilitated the release of almost 9 000 hectares of land. This means that the HDA has surpassed the five-year target of 6 250 hectares set by the Outcome 8 agreement between the Minister of Human Settlements and the President.

Alongside this, the Agency has also done extensive work on the National Land Assembly Strategy, which will speed up the acquisition of land and its development.

Technology is playing an increasingly important role in the Agency's work, and we have watched with pride as the HDA has borrowed from global best practice in developing local solutions through its LaPsis and NaHSLI systems.



Mr SS Somyo Chairperson

Thanks to these innovative GIS-based systems, the process of assessing the housing need and finding suitable land for development is taking place at a much more efficient and effective pace, contributing to a greater pace of delivery.

Equally exciting is the growing role the HDA is playing in rolling out a much-needed sanitation programme in the Western Cape. The HDA was appointed as implementing agent by the National Department of Human Settlements and is delivering on this project along with provincial government and local government. The pilot phase is already complete, and the project has moved into its implementation phase.

We see success in this area as just one of the outcomes of the successful partnerships that have been developed across all three spheres of government. The HDA is now the partner of choice in relation to land assembly and housing services, and we are active in all nine provinces. To bed down working relationships even further, the Agency has concluded implementation protocols with the Mpumalanga Department of Human Settlements and with local governments in Buffalo City, Johannesburg and Cape Town.

Overall, the performance of the Agency, its staff and its partners has been more than satisfactory. With the exception of one performance area — the

development of an agreed sector-wide Land Assembly Strategy — the HDA has met its targets. Establishing a nationally approved strategy in the contentious area of land assembly has inevitably proved time-consuming. However, we are confident that the consultation process itself will be concluded within the second quarter of the next financial year and then move towards adoption and implementation.

Going forward, we are very upbeat about growing the role the HDA will play under the new administration that was appointed after the May 2014 elections. The Human Settlements proposals under the new Medium-Term Strategic Framework (MTSF), focus on spatial realignment and envisage a prominent role for the HDA in land identification, release and development. Of significance in this regard was the approval by the Parliamentary Human Settlements Portfolio Committee of the Priority Housing Development Area (PHDA) policy and regulations. The policy will assist in the identification of large-scale programmes to overcome apartheid spatial planning.

Underpinning all this is the on-going contribution the HDA is making, on a day-to-day basis, to meeting the targets set in Outcome 8 of the Minister of Human Settlements performance agreement with the President. The most important target is the release of 6 250

hectares of state-owned land to the sector. In addition to the land target previously mentioned the central role the HDA plays in key national government projects, such as the informal settlements upgrade support project, has also added to meeting the Outcome 8 targets of the outgoing administration. Finally, in our mega project management activity, the N2 and Zanemvula projects allocated to us in 2009, we have now facilitated the development of just under 20 000 new and refurbished units.

As a Board, we are obviously just as focused on governance and compliance as we are on performance and positioning, and are pleased to note

that the Agency has achieved five years of unqualified audits. This is a significant achievement and management must be congratulated for successfully observing the stringent financial, procurement and compliance regulations required when utilising public funds.

The HDA continues to improve its planning, delivery and business processes, and through the dedication and commitment of its management and staff, it has established itself, in five short years, as an essential contributor to the human settlements value chain. Our colleagues at the National Department of Human Settlements must be acknowledged for their solid and on-going support as must our Minister

Ms Connie September. The HDA staff, our acting CEO Taffy Adler and his Executive team, and the Board deserve special recognition for their ongoing efforts in a year that saw the Agency consolidate five years worth of effort and delivery to the sector.



**Mr SS Somyo**  
Chairperson





# OVERVIEW OF THE HDA

## What is the HDA?

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

## Objectives of the HDA

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

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

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 stakeholder
- Provide land and housing development support services to our partners to achieve key national strategic priorities relating to human settlements

## How does the HDA work?

The Agency provides project delivery services in the form of land acquisition and management, project structuring, project planning, capacity assembly, as well as the management of projects. The type of assistance provided is negotiated and expressed through an Implementation Protocol (IP).

Intergovernmental agreements are structured between the HDA and the respective organ of state with a view to ensuring that there is collaboration and intergovernmental and integrated alignment for housing development services.

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

- Programme and project portfolio planning and management support
- Informal settlement upgrading support
- Emergency housing support
- Land assembly and land acquisition/release support
- Land holding and land holding support
- Land geo-spatial services





# OVERVIEW OF THE HDA

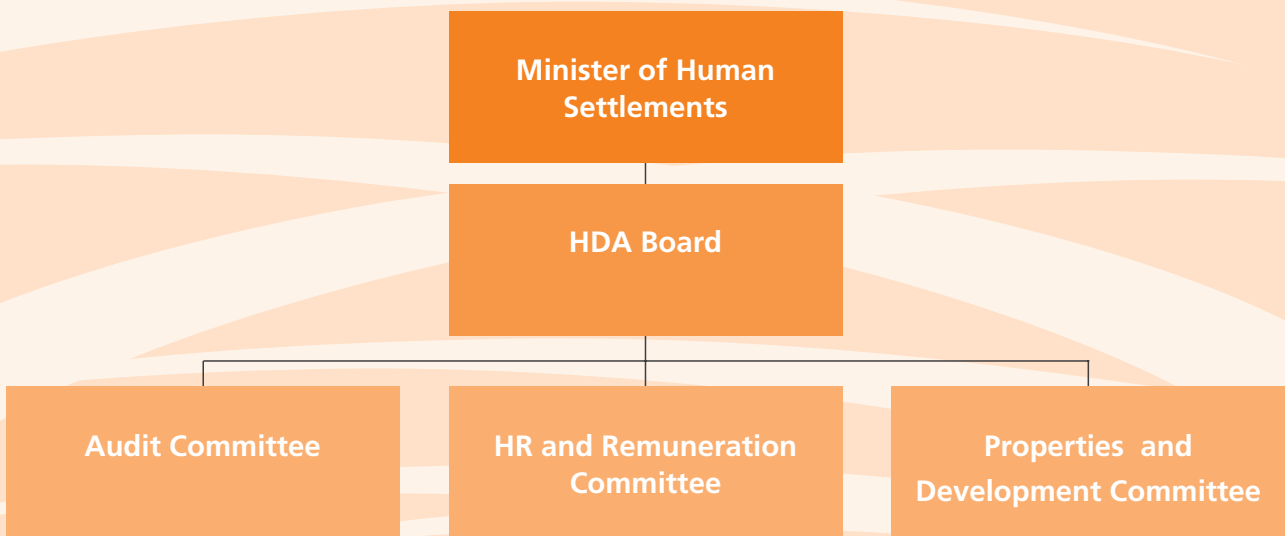
- Intergovernment Relations (IGR) support
- Section 29 mandated projects where HDA acts as an implementing agent — N2 Gateway and Zanemvula

- Project technical implementation support
- The HDA collaborates with provinces and municipalities, and supplements their capacity in the development of

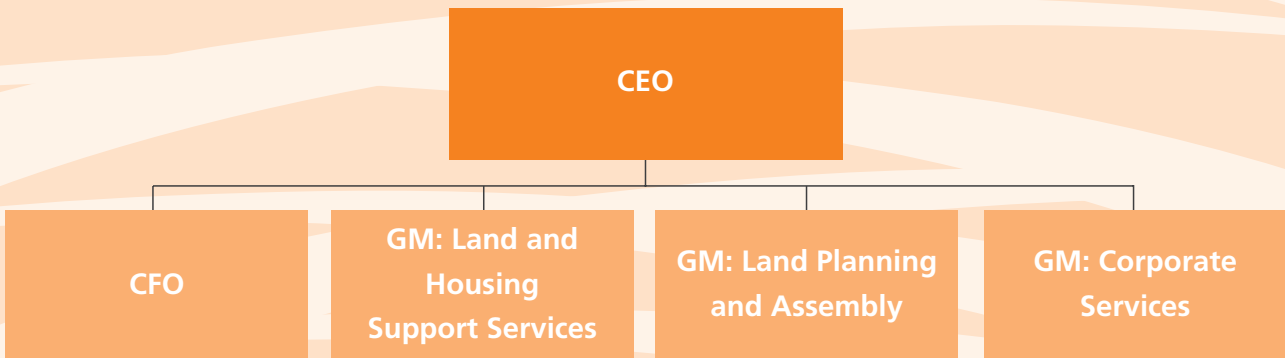
housing and human settlements. The HDA does not, and cannot, replace a province and municipality in the fulfilment of housing development functions.

## How is the HDA structured?

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



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



## How is the HDA funded?

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

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



## Central to the human settlement value chain



Taffy Adler Acting Chief Executive Officer

Five years into our existence, we are at a point where we can look back with pride on the role the Human Development Agency has played in providing shelter and accommodation for the poor and we can look forward with confidence to the continued role we will play in the development of sustainable human settlements.

Thanks to the leadership of our political principals, the guidance of our accounting authority (Board) and the commitment of our management and staff, the HDA is now firmly established as a central component of the human settlements value chain.

And, thanks to the commitment of our partners — in particular, national, provincial and local government — we have been able to make tremendous gains in carrying out our mandate.

As we have improved on the quality of our services, our responsiveness to the needs of the three spheres of government and our role in the human settlements value chain, we have increasingly focused on what is becoming our core business - land identification, land release, leading to the development of sustainable human settlements.

Proof of our success in this regard can be found in one of our key performance highlights for the financial year: a total of 3 819.0631 hectares of land has been released and acquired for human settlements development; 2 000 hectares of state land in Gauteng, Limpopo,

Eastern Cape, Western Cape and KwaZulu Natal, and more than 1 000 hectares of privately-owned properties in the North West and Free State.

To increase our ability to identify and release land, we are fine-tuning our Land Assembly Strategy — the second draft has been completed and is currently being reviewed by stakeholders in the sector — and improved the technology at our disposal. We currently have 470 registered users who access our various databases for property searches, and for land identification and assessment.

In addition to land identification and release, our staff continue to be involved in other aspects of human settlements delivery — for example, in the Informal Settlements Upgrade Programme and the National Upgrading Support Programme (NUSP), where we have developed a rapid assessment tool and methodology to support upgrades. We also co-hosted a national workshop on South African informal settlements trends resulting in the publication of updated informal settlements status reports for provinces as well as a national report. We continue to be responsible for joint coordination of the NUSP programmes, and for the roll-out of capacity-building support on informal settlements.

The HDA is also involved in the National Sanitation Programme where the first phase of the project is underway in targeted Cape Town townships. A fully-fledged business plan has been developed for the next phase of work,

which will make an important contribution to removing the 250 000 bucket toilets that are still being used around the country.

The HDA has been involved in the President's Mining Towns Intervention Plan to address the social and economic needs of communities affected by the decline in several mining areas. Twelve municipal profiles have already been developed and a fully-fledged intervention plan has been submitted to the Department of Human Settlements (NDHS) for consideration. In addition, the Agency also provided technical input and preparation work to support the donation of 50.1 hectares of Lonmin mine-owned land in Marikana for human settlements development, as well as facilitating the acquisition of 207.0832 hectares of privately-owned land in Marikana that were acquired to address settlements pressures within the greater Marikana area.

As part of its mandated functions, the HDA is now involved in all nine provinces and a wide spread of municipalities. The range of services provided includes land identification, assembly, acquisition and holding, mapping, project pipeline development, project management, informal settlements upgrading and emergency housing support.

Inter-Governmental Relations (IGR) are proving to be increasingly important in ensuring an integrated approach to human settlements development, and we have strengthened relations with all nine provincial governments and with

a large number of municipalities. Some of the relationships have been formalised in Implementation Protocols (IPs) — for example, we now have IPs in place with the Mpumalanga Department of Human Settlements, Buffalo City Municipality, the City of Cape Town and the City of Johannesburg.

Whilst all this has been happening, we have also completed an organisational redesign process to ensure that the HDA's structure is in line to address sector needs as captured in the revised Strategic Plan. This was a major exercise and was achieved with minimal disruption to the work of the organisation and staff. The redesign focused our efforts on delivery at regional level, and the HDA has now

grown to 111 staff members, operating from five offices.

Thanks to the Finance and Corporate Services departments, the HDA operates an efficient and financially sustainable government agency. Our legal, IT, procurement and HR services and management combine to provide the corporate glue and performance orientation so necessary for a public agency. Five years of unqualified audits is an achievement that we as an Agency are justifiably proud of.

I have no doubt that this process leaves us even better placed to deliver on the expectations of our shareholder, the National Department of Human Settlements, and to work in continued

partnerships with our colleagues in provincial and local government.

In helping us to achieve these results, I wish to thank the Board for its support, the Executive Management and all HDA staff for their efforts, our colleagues at the National Department of Human Settlements led by the Director General, Mr Thabane Zulu, our colleagues in the various provincial and local authorities, and of course, the communities with whom and for whom, we work.



**Taffy Adler**  
Acting Chief Executive Officer





## BOARD MEMBERS



**Mr SS Somyo**  
Chairperson  
Resigned May 2014



**CF Platt**  
Deputy Chairperson  
Acting Chairperson



**TM Adler**  
Acting Chief Executive Officer



**APG Moola**  
Acting Chief Financial Officer



**TE Nwedamutswu**



**LC Archary**



**M Malunga**



**KL Sebege**



**MJL Lephallo**

*Inter-governmental relations are proving to be increasingly important in ensuring an integrated approach to human settlements development, and we have strengthened relations with all nine provincial governments and with a large number of municipalities*





## Performance highlights for 2013/14



- 3 819.0631 hectares of land was released and acquired for human settlements in this financial year
- Two HDA-owned buildings located within the inner city of Johannesburg are in the process of being released for social housing
- A total of 16 properties are currently held by the Agency and 27 leases are in place
- The second draft of the National Land Assembly Strategy is complete and under review
- The HDA's GIS tool, known as LaPsis (land and property spatial information system), has 470 registered users on LaPsis and is being widely used in various provinces and municipalities
- Municipal profiles of the 12 prioritised mining towns were completed and published to the HDA's website ([www.thehda.co.za](http://www.thehda.co.za))
- The HDA has been requested by the Department of Performance and Monitoring Evaluation in the Presidency (DPME) to serve on the Spatial Task Team for mining towns
- The HDA's other GIS tool, the NaHSLI (National Human Settlements Land Indices) Intelligent Dashboard, has been fully aligned to the Land Identification and Assessment Criteria and is being used to analyse and assess properties (295) for land suitability
- The PHDA Policy was approved by the Board. The PHDA Regulations were adopted by the Parliamentary Portfolio Committee
- 15 Implementation protocols (IP) with provinces and local authorities are in place with four new protocols signed with the Mpumalanga Department of Human Settlements, Buffalo City Municipality, City of Cape Town and City of Johannesburg
- Three medium-term operational plans are in place with Limpopo, Free State and Northern Cape
- The HDA now has five regional offices in Cape Town, Port Elizabeth, Bloemfontein, Polokwane and Kimberley
- 22 Sustainable human settlements projects and programmes are supported
- Delivery continues on N2 Gateway and Zanemvula projects
- A business plan for the Western Cape Bucket Eradication Programme was approved by the NDHS and a pilot project for the programme commenced
- Capacity building workshops were held jointly with the NDHS NUSP team in Johannesburg, North West Province, Northern Cape, Limpopo and Free State
- A proposed Mining Towns Intervention Plan was completed and submitted to the NDHS
- Various materials and publications were produced to capture best practice and learning relating to informal settlements upgrading and project management
- Redesign process completed to ensure structure is in line with the Board and Ministerial approved Strategic Plan



*Mega project management remains an HDA strength as illustrated by on-going delivery on N2 Gateway and Zanemvula projects*



# Visionary goals and strategic objectives 2013/14

The HDA's strategic objectives for the year under review were set down in the 2013/14 Annual 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

## Visionary goals and strategic objectives

Goals	Strategic Objectives
<p><b>Goal 1:</b> <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></p> <p><b>Programme:</b> <i>Land Planning and Assembly</i></p>	<ol style="list-style-type: none"> <li>1. National sector-wide Land Assembly Strategy is developed and agreed with all stakeholders and its implementation monitored</li> <li>2. Information and data analysis tools about land and housing are accessible</li> <li>3. Knowledge and innovation capacity for Land and Housing Support Services, e.g. PHDA is established</li> <li>4. Monitoring and Evaluating programmes set to continually improve sector support</li> </ol>
<p><b>Goal 2:</b> <i>Provide Land and Housing Development Support Services to our partners to achieve key national strategic priorities relating to human settlements</i></p> <p><b>Programme:</b> <i>Land and Housing Support services</i></p>	<ol style="list-style-type: none"> <li>1. Well-located land is acquired and released for development in line with the national sector-wide Land Assembly Strategy and in collaboration with partners</li> <li>2. Implement Land Assembly and Housing Support Services programmes as agreed with partners aligned within the national sector-wide Land Assembly Strategy to key national strategic priorities at regional level</li> <li>3. Develop and share with the sector a clear suite of services that differentiate the HDA including services that support: <ul style="list-style-type: none"> <li>• Land Assembly</li> <li>• Informal settlements upgrading</li> <li>• Emergency housing</li> <li>• Blocked projects</li> </ul> </li> </ol>
<p><b>Enabling Goal 3:</b> <i>Financial sustainability</i></p> <p><b>Programme:</b> <i>Financial sustainability</i></p>	<ol style="list-style-type: none"> <li>1. Effective internal control systems</li> <li>2. Develop and implement business and financial models</li> </ol>
<p><b>Enabling Goal 4:</b> <i>Organisational effectiveness</i></p> <p><b>Programme:</b> <i>Organisational</i></p>	<ol style="list-style-type: none"> <li>1. The organisational structure is aligned to the HDA strategy</li> <li>2. HDA is an internally cohesive and effective organisation with systems that are stable and accessible</li> <li>3. Congruent operational policies and processes effectiveness</li> </ol>

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. Four programmes were put in place to deliver on these objectives:

- Programme 1: Land Planning and Assembly
- Programme 2: Land and Housing Support Services
- Programme 3: Finance
- Programme 4: Corporate Governance





# Macro indicators

## Rating Key:

A = Target Achieved  
N = Target Not Achieved

Macro Indicators	Description of Indicator	Programme (most closely linked to achievement indicator)	2013/14 Target	Actual Performance and Comments	Rating
1) Agreed national sector-wide Land Assembly Strategy	A sector-wide Land Assembly Strategy is developed in consultation with national, provincial and municipal partners in support of targets on integrated human settlements and spatial transformation	Land Planning and Assembly	National sector-wide Land Assembly Strategy formulated in collaboration with provinces and other stakeholders and approved internally	Draft Land Assembly Strategy to be submitted to Board for approval in 2014/15	N
2) Hectares of well-located land released for human settlements	Support provided to provinces and municipalities on land assembly resulting in the release of specific land aimed at meeting the human settlements needs/strategy of the province/municipality	Land and Housing Support Services	2'000 ha	3 819.0631 hectares of land released for human settlements	A
3) Number of programmes and projects supported with HDA services	Support for programmes and projects as agreed with the National Department of Human Settlements or provinces and municipalities in relation to land assembly, LGS, informal settlements upgrading, pipeline and programme support; project technical support, blocked project support, emergency housing support and IGR support	Land and Housing Support Services	20	Total for the year = <b>22</b> Comprising: Provinces supported = <b>9</b> Municipalities supported = <b>7</b> Projects supported = <b>6</b>	A
4) Number of IGR protocols established, implemented and maintained	Facilitate the process of concluding and maintaining implementation protocols that will enable ¥ Joint operational and/or project planning ¥ Joint funding prioritisation and recognition of HDA service	Land and Housing Support Services	15	Total for the year = <b>15</b> Being: 1. North West IP 2. Limpopo IP 3. Free State IP 4. Western Cape IP 5. City of Tshwane IP 6. Nelson Mandela Bay IP 7. Northern Cape IP 8. eThekweni IP 9. Rustenburg IP 10. KwaZulu-Natal IP 11. Council for Geosciences MOA 12. Mpumalanga IP 13. City of Cape Town IP 14. City of Johannesburg IP 15. Buffalo City IP	A
5) Number of Priority Housing Development Areas (PHDAs) determined	This indicator tracks the process for pre-declaration and declaration of PHDAs with provinces and/or municipalities	Land Planning and Assembly (Goal and Programme 1)	2 identified	<b>2 PHDAs</b> identified but yet to be submitted to NDHS  Policy approved by the HDA Board and regulations approved by Parliament and waiting promulgation by Minister	N/A



## HDA staff statistics

Categories	AF	AM	CF	CM	IF	IM	WF	WM	D*	TOTAL
Top management (%)	0.9	0.0	0.9	0.0	0.9	0.0	0.9	0.9	0	4.50
No. of employees (FL-EU)	1	0	1	0	1	0	1	1	0	5
Senior management (%)	0.9	4.5	0.0	0.9	0.9	0.0	0.0	0.9	0.0	8.1
No. of employees (EL)	1	5	0	1	1	0	0	1	0	9
Professionals, specialists & mid-management (%)	5.4	16.2	0.9	2.7	0.0	0.9	2.7	0.9	0.9	29.7
No. of employees (DU-DL)	6	18	1	3	0	1	3	1	1*	33
Skilled, qualified workers, supervisors (%)	16.2	11.7	0.0	8.1	3.6	0.90	6.3	0	0	46.8
No. of employees (CU-CL)	18	13	0	9	4	1	7	0	0	52
Semi-skilled workers (%)	4.5	0.9	1.8	0.9	0	0	0	0	0	8.1
No. of employees (BU-BL)	5	1	2	1	0	2	0	0	0	9
Unskilled workers (%)	1.80	0.90	0	0	0	0	0	0	0	2.70
No. of employees (A)	2	1	0	0	0	0	0	0	0	3
<b>Total Percentage</b>	<b>29.7</b>	<b>34.2</b>	<b>3.6</b>	<b>12.6</b>	<b>5.4</b>	<b>1.8</b>	<b>9.9</b>	<b>2.7</b>	<b>0.9</b>	<b>100%</b>
<b>Total Staff No.</b>	<b>33</b>	<b>38</b>	<b>4</b>	<b>14</b>	<b>6</b>	<b>2</b>	<b>11</b>	<b>3</b>	<b>1</b>	<b>111</b>

\* D= Disability

### Staff movement April 2013 — March 2014

Recruited	Resigned	Dismissed	Total Staff
21	12	3	111



# Programme performance

The HDA underwent a comprehensive strategic planning process to revise, update and produce its five-year strategic plan and annual performance plan for the year under review. The four programmes being reported on are Land Planning and Assembly; Land and Housing Support Services; Finance; and Corporate Governance.

## 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 two programmes dealing with this area are finance and corporate governance. 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 annual report. The Finance Department is structured to deliver on financial management, supply chain management, risk management, and financial and compliance reporting.

The financial 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 Manager manages the risk management system and keeps the strategic and operational risk register up to date. The Finance Programme undertook the development of a Business Model in this financial year, and this will be finalised in the new financial year.

The HDA subscribes to good corporate governance and recognises the need to conduct the Agency with integrity in accordance with the King Code of Corporate Governance. To this end, the Corporate Governance 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, training and development, legal services, document and record management, facilities management and information technology — with a particular focus on improving human resources and IT.

## Human resources

The HDA successfully concluded the redesign programme in April and May 2013. HR supported and implemented the necessary transformational procedures to ensure a smooth transition. The key areas to support the redesign were job profiling, recruitment and consultation. We recruited 29 staff members and completed 95% of the HDA job profiling.

This year, Human Resources prioritised and focused on the following projects;

- Review and revision of the Human Resources Policy and Procedure Manual (approved by the HDA Board)
- Staff development and training — more than 60% of staff were supported with skills development and training
- On-going recruitment supporting the HDA needs
- Implementation of the online ESS leave system
- HR governance, processes and compliance
- Performance management

## Information technology

In line with the current HDA strategic plan, IT focused on improving and enhancing the IT environment. The following was achieved;

- Fully virtualised IT systems (97% uptime achieved)
- IT Policy and Procedure Manual approved by the Board
- Training staff on the IT Policy and Procedure Manual
- IT Governance
- Compliance

The CEO's office is responsible for strategic planning, coordination and performance; communications; stakeholder relationships; internal audit; and company secretary services. Marketing and Communications continue to be active and productive. Best-practice videos, best-practice and research publications, marketing materials, and especially the HDA stakeholder and NUSP newsletters provide information to the sector. The two-monthly community newsletters on



N2 Gateway and Zanemvula have entered their third year of production and are an important communication tool to keep communities informed about project progress. All publications and materials are available on our website .

With regard to stakeholder relations, the HDA is currently involved in all nine provinces and many municipalities. In addition to regular interaction with the

National Department of Human Settlements, there are on-going discussions with the National Departments of Public Works, Public Enterprises and Rural Development, as well as Transnet. Many of these engagements are at a programme or project level. There are also on-going discussions with the various sister housing entities, in particular Nurcha, Social Housing Regulatory Administrator (SHRA) and the Estate Agency Affairs

Board (EAAB). The total number of IPs signed and maintained stands at 15 and negotiations are currently taking place with Gauteng and the tripartite IP with Free State, Mangaung and the HDA. Negotiations for a Medium-Term Operational Plan (MTO) are taking place with the City of Johannesburg and the City of Cape Town. A North West MTO has been drafted. Discussions on an MTO with Mpumalanga Province have commenced.





*The HDA is currently involved in all nine provinces and many municipalities*



## LAND PLANNING AND ASSEMBLY

The function of the Land Planning and Assembly Programme is primarily to design and coordinate strategies and support programmes that facilitate the release of integrated land and landed property for sustainable human settlements development. The programme also offers Land Information Services through GIS mapping and innovative land tools solutions to national, regional and local partners. The programme is gearing to provide a monitoring and evaluation function for the human settlements sector with respect to land and housing programmes as requested, and will consider due-diligence reports in the recommendations in this regard. The Land Planning and Assembly Programme is structured into four areas of operation:

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

### Performance in 2013/14

#### Land Development Planning and Area Design

The main focus of work for the financial year under review was the development of a National Land Assembly Strategy (NLAS). The second draft of the NLAS is under revision and should be concluded within the first quarter of 2014/15, once the Department has reviewed the proposal and final submission has been made to the Board for approval.

The compensation framework for state-owned companies (SOC) land and property for human settlements is also receiving priority attention. The framework seeks to address the current policy which has required market value to be paid for land owned by SOCs. In HDA's view, this has inhibited the provision of land for developments catering for lower-income families, and an alternative mechanism based on social value is currently being discussed at the Joint Coordinating Committee comprising all the state land-owning departments.

The National Land Assembly Strategy was presented at a session dedicated to land at the Spatial Transformation of Cities Conference and a background paper titled: An approach to spatial targeting in human settlements development was also presented. The Spatial Transformation of Cities Conference was hosted by the City of Johannesburg in partnership with South African Cities Network (SACN), the Housing Development Agency (HDA), National Treasury, the Department of Cooperative Governance and Traditional Affairs (COGTA) and the European Commission, amongst others. A documentary video was also developed for presentation at the conference with support from HDA that compliments the HDA Land Assembly Strategy as a response to spatial transformation.

The Agency was invited as panel member to the Built Environment Performance Plans (BEPP), currently coordinated by a team from National Treasury.

Specific work carried out by the Land Planning Assembly team extended to finalising the PHDA policy, regulations and the drafting of rationale and criteria for PHDA identification. This document identifies a number of potential PHDA precincts across a range of municipalities using the rationale and policy provisions; and it has distinguished between different development contexts.

The Conceptual Development Plan for Swartland District Municipality is concluded and has given the Agency a workable perspective for integrated human settlements development approaches for rural communities in the Western Cape.

#### Land Information Services

The Land Information Services Framework was concluded and approved by the Board. This sets the foundation for delivery services to clients and stakeholders, both internally and externally. The implementation of the framework should enhance consistency and accuracy of reports.

LaPsis has 470 registered users. During the period under review, 45 358 deeds searches and 115 000 property searches were conducted.

A number of successful trend analyses were undertaken on mining municipalities, such as Rustenburg, as well as community-based spatial analyses focusing on Mooinooi, Marikana and Wonderkoppies. These analyses were used by the DPME to assist them in their monitoring processes of national projects.



## Knowledge Management and Research

The HDA Knowledge Management and Innovation Capacity Framework has been developed and approved by the HDA Board.

A series of workshops and consultation processes were conducted with SALGA structures, NDHS and the Parliamentary Portfolio Committee during a review process of the PHDA policy and HDA regulations of the PHDA. The PHDA Policy has been updated and approved by the Board. The HDA Regulations on PHDA were adopted by the Parliamentary

Portfolio Committee and have been submitted to the Department for gazetting by the Minister. The Land Identification and Assessment Criteria based on the Well-Located Land Continuum have been developed and now form part of the content of the PHDA Policy and the Land Assembly Strategy.

The NaHSLI Intelligent Dashboard has been fully aligned to the Land Identification and Assessment Criteria. 295 properties, totalling 27 325 hectares, were analysed and assessed as pilot sites on Context, Suitable, Integrated and

Aligned dimensions of the Land Identification and Assessment Criteria.

## Monitoring and Evaluation

A draft Monitoring and Evaluation Framework was developed and further work is required to formulate and gain consensus on key indicators for desired land outcomes in the Land Assembly Strategy and housing strategies by partners in the sector. A due-diligence template and supporting verification sheets have also been developed. The template has been tested on a selected HDA-owned land parcel.





## LAND AND HOUSING SUPPORT SERVICES

The purpose of this 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 (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 areas agreed with partners. Programme support areas comprise a package of services and project support agreed with a partner. These programmes are then broken down into detailed plans and activities over a period

of time to ensure the agreed outcomes are realised. Land and Housing programme support areas may include but are not limited to:

- Programme and project portfolio planning and management support
- Informal settlements upgrading 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 - N2 Gateway and Zanemvula

### Performance in 2013/14

#### Land release and acquisition

During the year under review, a cumulative figure of 3 819.0631 hectares

of land was released and acquired for human settlements. The Agency directly facilitated the release of over 2 000 hectares of state-owned land required for human settlements development located in Gauteng, Limpopo, Eastern Cape and KZN provinces. In excess of 1 000 hectares of privately-owned properties required for human settlements have been acquired in the North West and Free State provinces. The acquired and state-owned released properties respond to both urban and rural housing needs in the respective provinces. A land release highlight was the donation of 50.1 hectares of Lonmin mine-owned land in Marikana for human settlements development. Also the acquisition of 207.0832 hectares of privately-owned land in Marikana that were acquired to address settlements pressures within the greater Marikana area.

The HDA is responsible for reporting on the Outcome 8 state-owned land release target of 6 250 hectares. This target has been surpassed as indicated below:

#### State-owned land released for human settlements 2009-2014

Province	Municipality	Total Extent	Indicative yield Low density (20 units /ha)
Eastern Cape	Buffalo City Metropolitan Municipality	271.9114	2991
	Intsika Yethu Local Municipality	800.5541	8806
Free State	Maluti a Phofung Local Municipality	855.2526	9408
	Mangaung Metropolitan Municipality	318.6374	3505
Gauteng	City of Johannesburg Metropolitan Municipality	752.8900	8282
KwaZulu-Natal	Abaqulusi Local Municipality	307.2450	3380
	Hibiscus Coast Local Municipality	2.0351	22
	uMngeni Local Municipality	9.1000	100
Limpopo	Greater Tzaneen Local Municipality	27.4624	302
	Mutale Local Municipality	189.8665	2 089
North West	Madibeng Local Municipality	1 069.9437	769
	Rustenburg Local Municipality	4 665.2835	51 318
<b>Grand Total</b>		<b>9 272.2168</b>	<b>101 994</b>





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



### Land holding

The property portfolio consists of seven HDA-owned and nine properties held in trust on behalf of provinces and carries 27 leases nationally. Internal audits were conducted on the Agency's leasing management system in order to determine which, if any, require improvement and identify whether there are any processes and procedures that

need to be included. Inspections and reports were done on 14 properties on the HDA assets register. The release of two HDA-owned buildings located within the CBD of the City of Johannesburg is in progress. The land holding unit continues to provide technical support on acquisitions and release of properties in various provinces.

### Current property portfolio

Area Description	Size (+_Ha)	Status
<b>FREE STATE</b>		
Bethlehem	4.886	Land & buildings
Bethlehem	0.39	Land & buildings
Bloemfontein	40.91	Vacant land
Bloemfontein	5.028	Vacant land
Kroonstad	48.61	Vacant land
Kroonstad	2.065	Land & buildings
Kroonstad	1.228	Land & buildings
Welkom	2.42	Land & buildings
<b>LIMPOPO</b>		
Bela Bela	72	Vacant land partly invaded
<b>GAUTENG</b>		
Johannesburg Inner City	0.2476	Highrise building
Johannesburg Inner City	0.1488	Highrise building
<b>EASTERN CAPE</b>		
Lukhanji Local Municipality	5.1924	Vacant land
<b>WESTERN CAPE</b>		
City of Cape Town	2.4814	Vacant land
Swartland	700.7813	Vacant land & small scale farming
<b>TOTAL</b>	<b>924.496</b>	



## Land assembly support

Pre-feasibility assessments were undertaken in Mpumalanga, North West and KwaZulu-Natal relating to the acquisition of privately and publicly-owned properties. In addition, overall land assembly support work in KwaZulu-Natal, Mpumalanga, Gauteng, Free State, Eastern Cape, Limpopo and North West is progressing well with the active involvement of provinces and targeted municipalities. In particular, development planning support and formalisation support of informal settlements in Limpopo and the Free State are increasing and progressing well.

## Pipeline and planning support

The HDA continues to provide programme and project pipeline planning support to the Northern Cape, Limpopo and Free State provinces (the service is currently provided in the MTOP provinces only). This work is used as a basis to inform provincial planning and budgeting processes.

## IGR support

IGR outreach continues to be focused on the KwaZulu-Natal, Gauteng, North West and Mpumalanga provinces, while support is on-going in the Limpopo, Free State, Northern Cape, Eastern Cape and Western Cape provinces.

The HDA has completed its task of assisting the Mpumalanga province to compile land assembly plans for the province's four high growth municipalities and to this end, a report has been submitted to the province and affected municipalities.

The tabling of draft terms of reference for the establishment of a Free State Human Settlements Forum will also go a long way towards initiating dialogue towards a vibrant forum that would provide a solid platform for human settlements dialogue in the province.

The success in bringing together the Ladysmith municipality and their local DRDLR regional offices has been appreciated by the municipality, even though in the same town, the municipality had difficulty eliciting a response from the department until the Agency opened the door.

A successful road-show on HDA's work progress to-date and service offerings was held in Limpopo in four districts. Workshops were attended by local municipalities.

## Project and programme support

In Limpopo, the Bela Bela Site Development Plan has been completed and submitted to the Limpopo Department of Cooperative Governance, Human Settlements, and Traditional Affairs (LCOGHSTA) for approval. Phase one of Bendor Extension 100 is complete and all services have been installed. Construction of houses will commence once a developer has been procured.

Mega project management remains an HDA strength as illustrated by on-going delivery on N2 Gateway and Zanemvula projects. Regarding the N2 Gateway, a total of 11 261 units have been developed since inception. Development on Boystown remains halted due to community opposition. In the Zanemvula project, a total of 6 496 units have been completed since inception as well as 1 988 rectifications.

The Bucket Eradication Programme has commenced in the Western Cape with the pilot project and the Agency appointed by the National Department of Human Settlements as implementing agent. The implementation of the next phase is currently at tender stage for the Principal Agent and Contractors.

The HDA has provided a proposal to the Department for support on the National Mining Town intervention.



## Informal settlements upgrading support

The HDA continues to provide technical support for implementation of informal settlements work in various provinces. Work with sector partners also continues and we have developed a Rapid Assessment tool/user guide, desktop research on Early Childhood Development and Guidelines for incorporating sustainable livelihoods in informal settlements. A Guidelines on Neighbourhood Planning and Development within informal settlements was also concluded. The guidelines were modelled on two pilot

projects from Mahikeng and Mbombela municipalities, respectively.

A successful national workshop on South African informal settlements trends and definition was hosted jointly with HDA partners and resulted in the publication of updated informal settlements status reports for the provinces as well as a national report.

Various capacity-building workshops took place in various provinces and municipalities, including the Free State, Limpopo, City of Johannesburg, North West and Northern Cape. These

workshops were held jointly with the NUSP technical team from the NDHS. In the North West province, support was provided to Rustenburg local municipality. Together with this municipality, the HDA is developing a joint ISU support programme with NDHS for the remaining NUSP municipalities in North West Province. Status quo reports based on rapid assessments and audits on informal settlements were produced for the Free State and Limpopo provinces. This work will lead to strategies and upgrading plans to address the challenge of informal settlements.





*The HDA continues to provide technical support for implementation of informal settlements work in various provinces*



# ANNUAL FINANCIAL STATEMENTS

## For the year ended 31 March 2014

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 2014

### LEGAL FORM OF ENTITY

Schedule 3A entity listed in terms of the PFMA

### NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

human settlements through land assembly,  
management support services

Accelerating the development of sustainable  
building and property acquisitions, and project

### 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

SS Somyo (Chairperson) (Resigned May 2014)  
CF Platt (Deputy Chairperson) (Acting Chairperson)  
MJL Lephallo  
TE Nwedamutswu  
LS Archary  
MP Malunga  
KL Sebegu  
TM Adler (Acting Executive)  
APG Moola (Acting 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



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

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

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2015 and in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 36 to 63 which have been prepared on the going concern basis, were approved by the Accounting Authority on 30 July 2014 and were signed on its behalf by:

**CF Platt**

Acting Chairperson of the Accounting Authority





# Report of the Audit Committee

For the year ended 31 March 2014

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 2013/2014 financial year:

- The effectiveness of the internal control systems;
- The activities of the internal audit function, including its annual work programme, co-ordination with the external auditors, the reports of significant findings and the responses of management to specific recommendations;
- The adequacy, reliability and accuracy of financial information provided by management;
- Any accounting or auditing concern identified as a result of an internal or external audit;
- Where relevant, the independence 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 2014, 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 17 July 2014 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



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

For the year ended 31 March 2014

## Report on the Financial Statements

### Introduction

We have audited the financial statements of the Housing Development Agency set out on pages 36 to 63, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, statement of cash flows 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 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 Africa, (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 the Public Audit Act of South Africa (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

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

### Emphasis of matter

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

### Restatement of corresponding figures

As disclosed in note 28 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of an error discovered during the year ended 31 March 2014 in the financial statements of the Housing Development Agency at, and for the year ended, 31 March 2013.

### Additional matter

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

### Unaudited supplementary schedules

The supplementary information set out on pages 64 and 65 does not form part of the financial statements and are presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion thereon.



### Report on other Legal and Regulatory Requirements

In accordance with the PAA and the general notice issued in terms thereof, we report the following findings on the reported performance information against predetermined objectives for the selected programmes presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of our test was 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 objectives presented in the annual performance report of the public entity for the year ended 31 March 2014:

- Objective 1: Land planning and assembly on page 13
- Objective 2: Land and housing support services on page 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 objectives. 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 (FMPPPI).

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 objectives.

#### Additional matter

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

#### Achievement of planned targets

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

#### Compliance with legislation

We performed procedures to obtain evidence that the public entity had complied with applicable 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 control.

*PricewaterhouseCoopers Inc*

**PricewaterhouseCoopers Inc.**

**P Persad**

Director

Registered auditor

31 July 2014



The members of the Accounting Authority present their report for the year ended 31 March 2014.

### 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 Ms TE Nwedamutswu, who is an independent non-executive member. The other independent non-executive member of this committee is Dr KL Sebegu.

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 Lephallo and Ms LC Archary. The committee has an approved terms of reference.

### 1.2 Internal audit

The HDA's internal auditors are KPMG Services (Pty) Ltd who were appointed on 1 June 2012, to perform the internal audit at the HDA in accordance with the requirements of the PFMA, Treasury Regulations and the Standards of the Institute of Internal Auditors.

### 1.3 Compliance with legislation

The Board complies with the mandatory legislation applicable to it such as the Public Finance Management Act 1 of 1999 and the HDA Act 23 of 2008.

## 2. Going concern

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

## 3. Events after reporting date

The HDA has reported fruitless expenditure that occurred in November 2013. A letter was received on 28 May 2014 indicating that the full amount will be paid out from the Directors and Officers Liability policy. A debtor has been raised in this regard, and the money has since been received. The insurance company has requested that the HDA refund an amount of R80 112, which was received from a third party in payment for scrap metal, as part of the insurance company's cost recovery. There are no more obligations relating to this matter.

As agreement for the transfer of the two buildings in the Johannesburg CBD was signed on the 23 June 2014. The purchase price offered is R30m. The buildings are carried as non current assets held for sale in the financial statements.

## 4. Members of the Accounting Authority interest in contracts

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

## 5. Financial Results

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

The HDA is reporting a deficit of R19m due to having had to return the surpluses for the 2011 and 2012 financial year ends.

Further to this, the HDA had to raise a provision for surplus to be returned to National Treasury of R6,4m which would have been the HDA surplus for the 2014 year end.

The Surplus of R6,4m would have been made up as follows:

Accounting surplus	R1,8m
Cash surplus	R4,6m



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

Mr SS Somyo and Ms TE Nwedamutswu resigned as members of the Accounting Authority in May 2014.

Ms CF Platt has been appointed as acting Chairperson in May 2014.

The Board has met five 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	5	4	1
CF Platt	5	5	-
MJL Lephallo	5	5	-
T Nwedamutswu	5	2	3
LS Archary	5	3	2
MP Malunga	3	2	1
KL Sebegu	5	3	2
TM Adler (Acting Executive)	5	5	-
APG Moola (Acting Executive)	5	5	-

### Audit Committee

Name	Meetings	Attended	Apologies
CF Platt	3	3	-
G Leissner	3	3	-
SAH Kajee	3	2	1
TM Adler (Acting Executive)	3	2	1
APG Moola (Acting Executive)	3	3	-

### HR & Remuneration Committee

Name	Meetings	Attended	Apologies
T Nwedamutswu	2	2	-
KL Sebegu	2	1	-
TM Adler (Acting Executive)	2	1	1

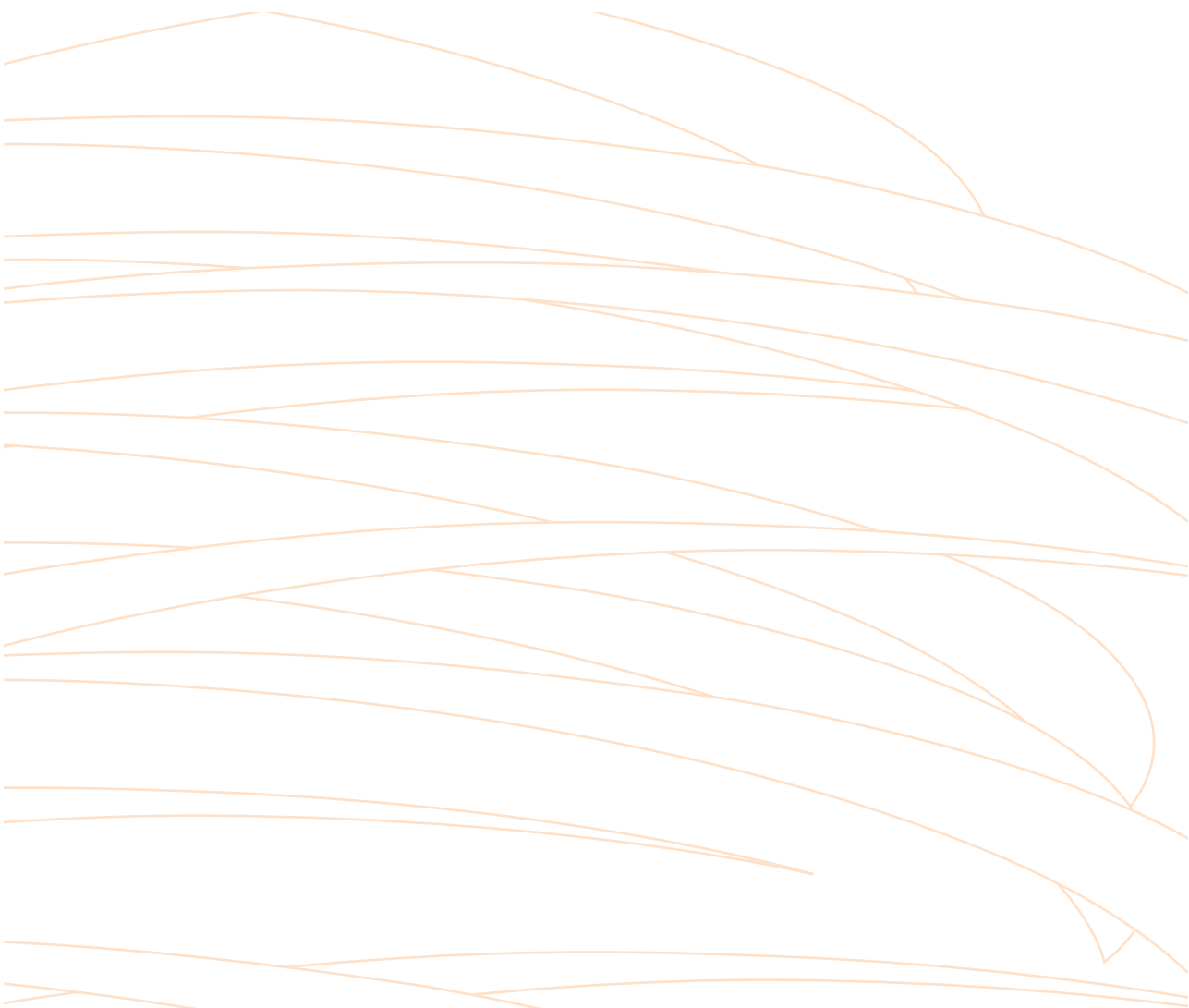


**Properties and Development Committee**

Name	Meetings	Attended	Apologies
C Platt	5	5	-
MJL Lephallo	5	4	1
LS Archary	5	2	3
TM Adler (Acting Executive)	5	5	-
APG Moola (Acting Executive)	5	4	1
O Crofton (Senior management team)	5	5	-
N Lester (Senior management team)	5	5	-

**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 2013/14, on 18 July 2012. The appointment is granted for one financial year as contemplated in terms of section 25(4) of the Public Audit Act, Act No. 25 of 2004.



# ANNUAL FINANCIAL STATEMENTS



## Statement of Financial Position

For the year ended 31 March 2014

Figures in R 000	Note(s)	2014 R '000	2013 R 000	2012 R 000
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	3	3,628	20,654	22,237
Intangible assets	4	3	19	63
Land prepayment		-	-	1,800
Long-term land inventory	5	27,905	27,905	-
<b>Total Non-Current Assets</b>		<b>31,536</b>	<b>48,578</b>	<b>24,100</b>
<b>Current Assets</b>				
Land inventory	6	77,171	73,100	65,400
Receivables from exchange transactions	7	5,270	8,680	20,628
Non current assets held for sale	8	17,167	-	-
Cash and cash equivalents	9	177,701	308,413	99,420
<b>Total Current Assets</b>		<b>277,309</b>	<b>390,193</b>	<b>185,448</b>
<b>Total Assets</b>		<b>308,845</b>	<b>438,771</b>	<b>209,548</b>
<b>Net Assets and Liabilities</b>				
Revaluation reserve		57	-	-
Accumulated surplus		38,193	57,756	55,986
		<b>38,250</b>	<b>57,756</b>	<b>55,986</b>
<b>Non-Current Liabilities</b>				
Finance lease obligations	10	203	3	65
<b>Current Liabilities</b>				
Payables from exchange transactions	12	32,144	24,984	28,619
Provisions	13	8,998	7,858	5,626
Provision for surplus refundable to National Treasury	14	6,402	5,934	-
Current portion of finance leases	10	159	62	732
Projects obligations	15	145,518	269,074	53,120
Land inventory funding	16	77,171	73,100	65,400
<b>Total Current Liabilities</b>		<b>270,392</b>	<b>381,012</b>	<b>153,497</b>
<b>Total Net Assets and Liabilities</b>		<b>308,845</b>	<b>438,771</b>	<b>209,548</b>



## ANNUAL FINANCIAL STATEMENTS



# Statement of Financial Performance

For the year ended 31 March 2014

Figures in R 000	Note(s)	2014 R '000	2013 R 000
<b>Operating revenue</b>			
Operational grants	17	113,977	114,745
Project management fee (Sect.29)		8,834	5,515
Interest income		1,834	2,036
<b>Total operating revenue</b>		<b>124,645</b>	<b>122,296</b>
<b>Expenditure</b>			
Land and related costs	18	15,175	8,058
Operating expenses	19	38,321	34,422
Project services	20	21,199	11,716
Finance costs		245	268
Employee costs	21	73,867	68,139
Deficit on disposal of property, plant and equipment		27	35
<b>Total expenditure</b>		<b>148,834</b>	<b>122,638</b>
<b>Other income</b>			
Sundry income		3,187	2,112
Insurance claim received		1,439	-
<b>Total other income</b>		<b>4,626</b>	<b>2,112</b>
<b>(Deficit) / Surplus for the year</b>	14	<b>(19,563)</b>	<b>1,770</b>

## ANNUAL FINANCIAL STATEMENTS



# Statement of Changes in Net Assets

For the year ended 31 March 2014

Figures in R 000	Non-distributable reserves	Accumulated surplus	Total
<b>Balance at 1 April 2012</b>	-	55,986	55,986
Surplus for the year		7,704	7,704
<b>Previously stated balance at 31 March 2013</b>	-	<b>63,690</b>	<b>63,690</b>
Surplus returned to National Treasury	-	(5,934)	(5,934)
<b>Restated balance at 31 March 2013</b>	-	<b>57,756</b>	<b>57,756</b>
<b>Restated balance at 1 April 2013</b>	-	<b>57,756</b>	<b>57,756</b>
Deficit for the year due to surplus returned to National Treasury	-	(19,563)	(19,563)
Revaluation of paintings	57		57
<b>Balance at 31 March 2014</b>	<b>57</b>	<b>38,193</b>	<b>38,250</b>

# ANNUAL FINANCIAL STATEMENTS



## Statement of Cash Flow

For the year ended 31 March 2014

Figures in R 000	Note(s) R '000	2014 R 000	2013
<b>Cash flows from operating activities</b>			
Receipts		151,576	128,246
Grants		139,942	120,679
Management fees		8,834	5,515
Other receipts		2,800	2,052
Payments		(152,487)	(109,548)
Employee costs		(73,867)	(68,139)
Other payments		(78,620)	(41,409)
<b>Cash (utilised) / generated from operations</b>	23	<b>(911)</b>	<b>18,698</b>
Interest received		1,834	2,036
Interest paid - finance charges on finance leases		(145)	(171)
<b>Net cash flows from operating activities</b>		<b>778</b>	<b>20,563</b>
<b>Cash flows from investing activities</b>			
Property, plant and equipment acquired		(2,296)	(881)
Intangible assets acquired		-	(6)
Decrease in land repayment		-	1,800
Long-term land inventory acquired		-	(27,905)
<b>Net cash flows from investing activities</b>		<b>(2,296)</b>	<b>(26,992)</b>
<b>Cash flows from financing activities</b>			
(Decrease) / Increase in projects obligations		(123,557)	216,094
Increase / (Decrease) in lease liability		297	(672)
Surplus refund to National Treasury		(5,934)	-
<b>Cash flows from financing activities</b>		<b>(129,194)</b>	<b>215,422</b>
(Decrease) / Increase in cash and cash equivalents		(130,712)	208,993
Cash and cash equivalents at beginning of the year		308,413	99,420
<b>Cash and cash equivalents at end of the year</b>	9	<b>177,701</b>	<b>308,413</b>

## ANNUAL FINANCIAL STATEMENTS



# Statement of Comparison of Budget Information with Actual Information

For the year ended 31 March 2014

Figures in R 000		Note(s)	2014 R '000			Approved annual budget	
			Actual	Budget	Variance	% Variance	
<b>Operating revenue</b>							
Operational grants			113,977	157,840	43,863	28 %	<b>157,840</b>
Sect.29 project management fee	1		8,834	10,753	1,919	18 %	<b>10,753</b>
Interest income			1,834	2,236	402	18 %	<b>2,236</b>
<b>Total operating revenue</b>			<b>124,645</b>	<b>170,829</b>	<b>46,184</b>	<b>27%</b>	<b>170,829</b>
<b>Expenditure</b>							
Land and related costs	2		15,175	10,671	(4,504)	(42%)	<b>10,671</b>
Operating expenses			38,321	43,736	5,415	12 %	<b>43,736</b>
Technical and project services	3		21,199	39,619	18,420	46 %	<b>39,619</b>
Finance costs			245	248	3	1 %	<b>248</b>
Employee costs			73,867	78,973	5,106	6 %	<b>78,973</b>
Deficit-disposal of property, plant and equipment			27	98	71	72 %	<b>98</b>
<b>Total expenditure</b>			<b>148,834</b>	<b>173,345</b>	<b>24,511</b>	<b>14 %</b>	<b>173,345</b>
<b>Other income</b>							
Sundry income	4		3,187	2,516	(671)	(27%)	<b>2,516</b>
Insurance claim received			1,439	-	(1,439)	0 %	<b>-</b>
<b>Total other income</b>			<b>4,626</b>	<b>2,516</b>	<b>(2,110)</b>	<b>(29%)</b>	<b>2,516</b>
<b>Deficit for the year</b>	5		<b>(19,563)</b>	<b>-</b>	<b>19,563</b>	<b>-</b>	<b>-</b>

### Variiances explanation

- 1 Eastern Cape Management Fees - recovered on "value created" basis
- 2 More work generated in this financial year
- 3 Timing- Technical consultants will commence work later
- 4 Additional properties acquired which resulted in an increase in rentals received
- 5 The HDA had a surplus of R6,4m. However due to refunds to National Treasury of the surplus for years ended 2011 and 2012 as well as a provision to return the 2014 surplus, the HDA has a deficit of R19m.



## 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 7, 11 and 12 of the GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

### Use of estimates and judgements

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

### Standards and pronouncements comprising the GRAP Financial Reporting Framework

The following standards have been approved but are not yet effective as at 31 March 2014. 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 18	Segment reporting	Disclosure will be affected as the HDA has operations in different geographic regions. Geographic regions will qualify as segments and will need to be separately disclosed.	No effective date.
GRAP 20	Related party disclosures	Disclosure will be affected as the HDA has transactions with related parties.	No effective date.
GRAP 105	Transfer of functions between entities under common control	Disclosure will be affected as the HDA may have transactions with other entities.	No effective date.
GRAP 106	Transfer of functions between entities not under common control	Disclosure will be affected as the HDA may have transactions with other entities.	No effective date.
GRAP 107	Mergers	No impact.	No effective date.
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.



## 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 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.



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.



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 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 Non-current assets held for sale

A non-current asset held for sale is classified as such when the carrying amount will be recovered principally through a sale transaction 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





### 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.

### 2.6 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.

### 2.7 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.

### 2.8 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.

### 2.9 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.

### 2.10 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.

### 2.11 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



- 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.

### 2.12 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.

### 2.13 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.

### 2.14 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.

### 2.15 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.

### 2.16 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.

## **2.17 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.



### 2.18 Fruitless and wasteful expenditure

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

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

### 2.19 Irregular expenditure

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

- (a) 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.

### 2.20 Comparative figures

Comparative figures for the HDA have been restated to account for changes in the accumulated surplus.

# ANNUAL FINANCIAL STATEMENTS



## Notes to the Annual Financial Statements

For the year ended 31 March 2014

Figures in R 000		2014 R '000			2013 R 000		
<b>3. Property, plant and equipment</b>							
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value	
<i>Assets</i>							
Furniture and fittings	957	190	<b>767</b>	810	120	<b>690</b>	
Electronic hardware	2,414	1,016	<b>1,398</b>	1,600	938	<b>662</b>	
Office equipment	98	57	<b>41</b>	90	64	<b>26</b>	
Computer equipment	1,951	1,143	<b>808</b>	2,069	1,193	<b>876</b>	
Property	-	-	<b>-</b>	20,000	1,833	<b>18,167</b>	
	<b>5,420</b>	<b>2,406</b>	<b>3,014</b>	<b>24,569</b>	<b>4,148</b>	<b>20,421</b>	
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value	
Capitalised leased assets	546	197	349	1,173	1,148	25	
	Fair Value	Revaluation	Carrying Value	Fair Value	Revaluation	Carrying Value	
Paintings	208	57	<b>265</b>	208	-	<b>208</b>	
	<b>6,174</b>	<b>2,660</b>	<b>3,628</b>	<b>25,950</b>	<b>5,296</b>	<b>20,654</b>	

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

	Carrying value at beginning of year	Additions	Disposals	Depreciation	Reclassification to current assets	Carrying value at end of year
<i>Assets</i>						
Furniture and fittings	690	148	-	(71)	-	<b>767</b>
Electronic hardware	662	1,252	(3)	(513)	-	<b>1,398</b>
Office equipment	26	39	-	(24)	-	<b>41</b>
Computer equipment	876	438	(23)	(483)	-	<b>808</b>
Property	18,167	-	-	(1,000)	(17,167)	<b>-</b>
	<b>20,421</b>	<b>1,877</b>	<b>(26)</b>	<b>(2,091)</b>	<b>(17,167)</b>	<b>3,014</b>
	Carrying value at beginning of year	Revaluation	Disposals	Depreciation	Reclassification to current assets	Carrying value at end of year
Paintings	208	57	-	-	-	<b>265</b>
	Carrying value at beginning of year	Additions	Disposals	Depreciation	Reclassification to current assets	Carrying value at end of year
Capitalised leased assets	25	476	-	(152)	-	<b>349</b>
	<b>20,654</b>	<b>2,296</b>	<b>(26)</b>	<b>(2,243)</b>	<b>(17,167)</b>	<b>3,628</b>



Figures in R 000	2014 R '000	2013 R 000
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**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.

**4. Intangible assets**

	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	13	(10)	3	302	(283)	19
	13	(10)	3	302	(283)	19

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

	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	27,905	27,905
	<b>27,905</b>	<b>27,905</b>

**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 10509 Cape Town	2,257
Erf farm 755/2 Michael Heyns-Swartland Cape Town	5,036
	<b>27,905</b>



Figures in R 000		2014	2013
		R '000	R 000
<b>6. Land inventories</b>			
Land inventory - Bela Bela		65,400	65,400
Property inventory-various		11,771	7,700
		<b>77,171</b>	<b>73,100</b>

**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 16)

**Property inventory-various**

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

**Acquisition value**

**Description**

Erf 1816 Bethlehem township	4,400
Erf 4919 Kroonstad Ext 30 township	3,300
Erf 5246 Kroonstad	1,733
Erf 229 Kroonstad	2,338
	<b>11,771</b>

The properties were acquired by the HDA at no cost and 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 16.

<b>7. Receivables from exchange transactions</b>		
Receivables	4,057	7,409
Sundry receivables	340	401
Deposits	873	870
	<b>5,270</b>	<b>8,680</b>

The carrying amount of receivables approximates fair value.

<b>8. Non-current assets held for sale</b>		
Properties reclassified as current assets held for sale	17,167	-
<b>Non-current assets held for sale</b>	<b>17,167</b>	<b>-</b>

The board has approved the sale of the two properties comprising two buildings situated in Johannesburg, addresses are: Union Square Building, 74 Plein Street, Johannesburg and Hoek Street Building, 27 Hoek Street, Braamfontein.

<b>9. Cash and cash equivalents</b>		
Petty cash	20	16
Bank balances	177,681	308,397
	<b>177,701</b>	<b>308,413</b>



# ANNUAL FINANCIAL STATEMENTS



## Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2014

Figures in R 000	2014 R '000	2013 R 000
<b>10. Finance lease obligations</b>		
Lease of photocopiers and faxes with Nashua	203	3
	<b>203</b>	<b>3</b>
Repayable within one year, transferred to current liabilities	159	62
	<b>362</b>	<b>65</b>
Reconciliation between the total of the minimum lease payments and the present value:		
Minimum lease payments	396	70
- No later than 1 year	183	67
- Later than 1 year and no later than 5 years	213	3
Future finance charges on finance leases	(34)	(5)
	<b>362</b>	<b>65</b>
<b>Present value of finance charges</b>		
Capital	148	732
Minimum lease payments	(181)	(873)
Finance charges on finance leases	<b>(33)</b>	<b>(141)</b>
<b>11. Obligations under operating leases</b>		
The future minimum office lease payments, which escalate at 8% p.a. are as follows:		
<b>Johannesburg</b>	<b>3,075</b>	6,460
- Not later than one year	<b>3,075</b>	3,385
- Greater than one year, less than five	-	3,075
The future minimum office lease payments, which escalate at 10% p.a. are as follows:		
<b>Port Elizabeth</b>	<b>1,099</b>	2,098
- Not later than one year	<b>1,099</b>	999
- Greater than one year, less than five	-	1,099
The future minimum office lease payments, which escalate at 10% p.a. are as follows:		
<b>Cape Town</b>	<b>489</b>	1,626
- Not later than one year	<b>489</b>	1,137
- Greater than one year, less than five	-	489
The future minimum office lease payments, which escalate at 10% p.a. are as follows:		
<b>Bloemfontein</b>	<b>940</b>	1,410
- Not later than one year	<b>519</b>	471
- Greater than one year, less than five	<b>421</b>	939
	<b>5,603</b>	<b>11,594</b>
<b>Lease terms and conditions</b>	<b>Expiry date</b>	<b>Lease term</b>
Johannesburg office	31-Jan-15	3 years
Port Elizabeth office	31-Mar-15	3 years
Cape Town office	31-Aug-14	3 years
Bloemfontein office	31-Dec-15	3 years



Figures in R 000	2014 R '000	2013 R 000
<b>12. Payables from exchange transactions</b>		
Payables	32,122	24,962
Board fees donated	22	22
	<b>32,144</b>	<b>24,984</b>

Trade and other payables include retentions amounting to R4.6m, 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.

**13. Provisions**

Provisions are reported as follows:

	Leave	Bonus	Total	Total
Carrying amount at the beginning of the year	2,380	5,479	7,859	5,627
Increase in provision	1,816	5,364	7,180	4,739
Amounts incurred and charged against the provision	(1,053)	(4,988)	(6,041)	(2,507)
Carrying amount at end of the year	<b>3,143</b>	<b>5,855</b>	<b>8,998</b>	<b>7,859</b>

The provision for leave is expected to realise during the 2015 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 2015 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.

**14. Provisions for surplus refundable to National Treasury**

Cash surplus	3,120	5,934
Insurance claim payout	1,439	-
Accounting surplus - smoothing of operating leases	1,843	1,770
Surplus before provision and prior year adjustments	6,402	7,704
Provision for surplus refundable to National Treasury	(6,402)	(5,934)
	-	1,770
Surplus returned to National Treasury for years 2011 and 2012	(19,563)	-
<b>(Deficit) / surplus for the year</b>	<b>(19,563)</b>	<b>1,770</b>

The HDA has a deficit of R19m, because it had to return the surpluses for the years ending 2011 and 2012. The amounts were paid back to National Treasury in the current financial year.

## ANNUAL FINANCIAL STATEMENTS



# Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2014

Figures in R 000		2014	2013
		R '000	R 000
<b>15. Projects obligations</b>			
Eastern Cape Provincial Government		16,257	138,813
Free State Provincial Government		101,653	104,579
Limpopo Provincial Government		4,084	5,094
North West Provincial Government		652	626
Cape Town Joe Slovo Rectification		-	18,988
Northern Cape Provincial Government		6,743	-
Thubelisha ring fenced		416	1,114
Mpumalanga Provincial Government		13,736	-
Western Cape Provincial Government		1,977	(140)*
		<b>145,518</b>	<b>269,074</b>

\* Reclassification from prepaid income to projects

# ANNUAL FINANCIAL STATEMENTS



## Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2014

Figures in R 000	2014 R '000	2013 R 000
<b><i>Below is a reconciliation of each project obligation:</i></b>		
<b>Eastern Cape Provincial Government</b>		
Opening balance	138,813	8,226
Income	59,624	301,243
Expenditure	182,180	170,656
Closing balance	<b>16,257</b>	<b>138,813</b>
<b>Free State Provincial Government</b>		
Opening balance	104,579	5,269
Income	73,994	102,156
Expenditure	76,921	2,846
Closing balance	<b>101,652</b>	<b>104,579</b>
<b>Limpopo Provincial Government</b>		
Opening balance	5,094	4,285
Income	10,609	9,300
Expenditure	11,619	8,491
Closing balance	<b>4,084</b>	<b>5,094</b>
<b>North West Provincial Government</b>		
Opening balance	626	14,441
Income	26	2,487
Expenditure	-	16,302
Closing balance	<b>652</b>	<b>626</b>
<b>Cape Town Joe Slovo Rectification</b>		
Opening balance	18,988	19,824
Income	-	1,010
Expenditure	18,988	1,846
Closing balance	-	<b>18,988</b>
<b>Northern Cape Provincial Government</b>		
Opening balance	-	-
Income	7,183	-
Expenditure	440	-
Closing balance	<b>6,743</b>	-
<b>Mpumalanga Provincial Government</b>		
Opening balance	-	-
Income	13,736	-
Expenditure	-	-
Closing balance	<b>13,736</b>	-



Figures in R 000	2014 R '000	2013 R 000
<b>Thubelisha transfer</b>		
Opening balance	1,114	1,075
Income	33	39
Expenditure	731	-
Closing balance	<b>416</b>	<b>1,114</b>
<b>Western Cape Provincial Government</b>		
Opening balance	(140)	-
Income	16,483	15,198
Expenditure	(14,366)	(15,338)
Closing balance	<b>1,977</b>	<b>(140) *</b>
* Reclassification from prepaid income to projects		
<b>16. Land inventory funding</b>		
Funding for land acquisition Bela-Bela	65,400	65,400
Properties held in trust	11,771	7,700
	<b>77,171</b>	<b>73,100</b>
<b>Funding for land acquisition Bela-Bela</b>		
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.		
<b>17. Revenue from non-exchange transactions</b>		
Revenue from non-exchange transactions is made up as follows:		
Operational grant - Department of Human Settlements	71,531	86,402
Grant received from the National Department of Human Settlements	97,496	92,336
Grant returned to National Treasury for the 2011 - 2012 year ends	(19,563)	-
Provision to return grant to National Treasury for the year end	(6402)	(5,934)
Operational grant -Section 29 projects	14,366	15,198
Operational grant - Limpopo	11,619	8,489
Operational grant - Free State	15,758	2,846
Operational grant - Joe Slovo Rectification	263	1,810
Operational grant - Northern Cape	440	-
	<b>113,977</b>	<b>114,745</b>
<b>18. Land and related costs</b>		
Insurance	198	331
Maintenance costs	6,946	1,954
Conveyancing and valuation costs	1,522	1,183
Projects operational contractors	1,614	2,733
Development planning and feasibility studies	4,895	1,857
	<b>15,175</b>	<b>8,058</b>

# ANNUAL FINANCIAL STATEMENTS



## Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2014

Figures in R 000	2014 R '000	2013 R 000
<b>19. Operational expenses</b>		
Accounting other services	718	472
Advertising and marketing	2,055	1,248
Agency support - outsourcing	5,172	4,444
Amortisation	16	50
Assets below R5 000 expenses	409	603
Auditors remuneration	922	752
Bad debts	-	3
Bank charges	54	47
Board costs	466	205
Catering and meetings	754	686
Communications	663	857
Computer expenses	2,771	1,480
Consultants	2,212	2,550
Contractors - operational	717	460
Depreciation	2,243	2,429
Insurance	183	225
Legal fees	1,062	2,125
Office rentals	5,956	5,648
Penalties	1,359	-
Printing, publications and stationery	1,267	1,048
Repairs and maintenance	125	206
Repairs - office refurbishment	298	510
Staff recruitment	2,827	1,607
Staff welfare	31	205
Sundry office expenses	177	183
Training and staff development	534	634
Travel and accommodation	5,330	5,745
	<b>38,321</b>	<b>34,422</b>
<b>20. Project services</b>		
Technical services	21,064	11,336
Project support services	135	380
	<b>21,199</b>	<b>11,716</b>
<b>21. Employee costs</b>		
Basic salaries	60,762	60,285
Performance awards	8,437	4,287
Temporary staff	328	1,704
Leave payment	1,054	474
Employer's contributions	3,153	1,191
Other payroll expenses - COID	133	198
	<b>73,867</b>	<b>68,139</b>

# ANNUAL FINANCIAL STATEMENTS



## Notes to the Annual Financial Statements CONTINUED

For the year ended 31 March 2014

Figures in R 000	2014 R '000	2013 R 000
<b>22. Executive and non- executive members remuneration (incl Senior Management)</b>		
<b>Executive members</b>	<b>4,706</b>	<b>4,221</b>
TM Adler - Acting Chief Executive Officer	2,665	2,391
Basic salary	2,205	2,027
Bonus	212	111
Pension fund	187	196
Risk benefits	40	36
Allowances	21	21
APG Moola - Acting Chief Financial Officer	2,041	1,830
Basic salary	1,684	1,543
Bonus	163	88
Pension fund	142	149
Risk benefits	31	29
Allowances	21	21
<b>Senior management team</b>	<b>5,596</b>	<b>6,141</b>
JM Leshabane - GM: Intergovernmental Relations	-	1,093
Basic salary	-	350
Lump sum	-	-
Bonus	-	699
Pension fund	-	30
Risk benefits	-	6
Allowances	-	8
OJ Crofton - GM: Land and Housing Support Services	1,977	1,778
Basic salary	1,623	1,487
Bonus	157	89
Pension fund	137	145
Risk benefits	30	27
Allowances	30	30
R Issel - GM: Corporate services	1,805	1,560
Basic salary	1,488	1,360
Bonus	143	45
Pension fund	126	114
Risk benefits	27	25
Allowances	21	16
N Lester - GM: Land Planning and Assembly	1,814	1,710
Basic salary	1,488	1,368
Bonus	143	5
Pension fund	126	282
Risk benefits	27	25
Allowances	30	30
<b>Total executive and SMT remuneration</b>	<b>10,302</b>	<b>10,362</b>

This represents the total cost to company, the choice of salary structure is that of the employee.



Figures in R 000	2014 R '000	2013 R 000
<b>23. Executive and non-executive members remuneration (incl Senior Management)</b>		
Continued		
<b>Non-executive members of accounting authority</b>	<b>285</b>	<b>115</b>
SS Somyo (Chairperson)	118	39
CF Platt	88	41
GGL Leissner	15	15
MJL Lephallo	44	20
SAH Kajee	10	-
M Malunga	10	-
<b>Total remuneration</b>	<b>10,587</b>	<b>10,477</b>
<b>24. Cash (utilised) / generated from operations</b>		
Net (deficit) / surplus	(19,563)	1,770
Adjustment for:		
Depreciation	2,243	2,429
Amortisation	16	50
Revaluation of paintings	(57)	-
Interest received	(1,834)	(2,036)
Deficit on disposal of property, plant and equipment	27	35
Gains from cancellation of lease liability	-	(60)
Interest paid	145	171
Provision for surplus refundable to National Treasury	6,402	-
Prior period error - surplus returned to National Treasury	-	5,934
	<b>(12,621)</b>	<b>8,293</b>
<b>Movements in working capital</b>	<b>11,710</b>	<b>10,405</b>
Increase / (Decrease) in payables	7,160	(3,636)
Increase in provisions	1,140	2,233
Decrease in receivables	3,410	11,808
<b>Cash (utilised) / generated from operations</b>	<b>(911)</b>	<b>18,698</b>

**25. Comparative figures**

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

**26. 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	
	2014	2013	2014	2013
National Department of Human Settlements	97,497	92,336	-	-

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.





Figures in R 000	2014 R '000	2013 R 000
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**27. Irregular, fruitless and wasteful expenditure**

**Fruitless and Wasteful expenditure**

Transnet SOC Ltd, acting through its operating division Transnet Freight Rail	1,439	-
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The above fruitless and wasteful expenditure was incurred due to unauthorised removal of Transnet railway line without permission. The full amount has been received by HDA from the insurance company due to a payment from the Directors and Officers Liability policy claim. The amount was subsequently paid to Transnet.

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

**Irregular expenditure**

Opening balance	-	-
Irregular expenditure - current year	-	51
Less amounts condoned	-	(51)
<b>Irregular expenditure awaiting condonation</b>	<b>-</b>	<b>-</b>

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

**28. Prior period error**

In July 2013, the National Treasury (NT) requested that the HDA return the surplus pertaining to the 2013 financial year. An amount of R5,9m was paid back to National Treasury on 18 July 2013, the financial statements for 2013 were not adjusted to that effect.

The following adjustments have been made:

**Statement of financial position**

Provisions increased	-	5,934
Accumulated surplus decreased	-	5,934

**Statement of financial performance**

Operational grant decreased	-	5,934
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**29. Events after statement of financial position date**

The insurance company has requested that the HDA refund an amount of R80 112, which was received from VO Metals in payment for the railway scrap metal, as part of the insurance company's cost recovery. There are no further obligations relating to this matter.

An agreement for the transfer of the two buildings in Johannesburg CBD was signed on 23 June 2014. The purchase price offered was R30m. The buildings are carried as non current assets held for sale in the financial statements.



Figures in R 000	2014 R '000	2013 R 000
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**30. 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**

Not past due	32,144	10,108
Past due 0-30 days	-	-
Past due 31-120 days	-	-
	<b>32,144</b>	<b>10,108</b>

**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 2014

Figures in R 000

2014

2013

R '000

R 000

### 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

Not past due	-	7,290
Past due 0 - 30 days	65	2
Past due 31 - 120 days	640	-
	<b>705</b>	<b>7,292</b>

### 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 2014
First National Bank	Current HDA	2.5	399
First National Bank	Current EC	2.5	17,725
First National Bank	Current rentals	2.5	2,002
First National Bank	Corporate cheque account	2.5	417
First National Bank	Commercial Nstd Call	2.5	13,736
First National Bank	Call account	2.5	86,932
First National Bank	Fixed maturity account	4.9	2,233
First National Bank	Fixed maturity account	4.85	20,000
Nedbank	Current account	4.5	3,243
Nedbank	Fixed maturity account	4.5	577
Nedbank	Fixed maturity account	4.5	18,489
Nedbank	Fixed maturity account	5.03	30
Nedbank	Fixed maturity account	5.03	11,750
Standard bank	Fixed maturity account	4	144
Standard bank	Current account	-	4
Cash	Cash	-	20
			<b>177,701</b>

### Financial assets by category

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

Receivables and sundry receivables	5,066	8,439
Bursaries paid in advance	204	241

### Financial liabilities by category

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

Payables and other payables	32,144	24,984
Designated income received in advance	145,518	269,074

## ANNUAL FINANCIAL STATEMENTS



# Detailed Statement of Financial Performance

For the year ended 31 March 2014

Figures in R 000	2014 R '000	2013 R 000
<b>Revenue</b>		
Grants received	71,531	86,402
Grants received from the National Department of Human Settlements	97,496	92,336
Grants returned to National Treasury for the 2011 - 2012 year end	(19,563)	-
Provision to return grant to National Treasury for the year end	(6,402)	(5,934)
Operational grant - Section 29 projects	14,366	15,198
Operational grant - Limpopo	11,619	8,489
Operational grant - Free State	15,758	2,846
Operational grant - Joe Slovo Rectification	263	1,810
Operational grant - Northern Cape	440	-
Insurance claim received	1,439	-
Section 29 - project management fee	8,834	5,515
Sundry income	3,187	2,112
<b>Gross revenue</b>	<b>127,437</b>	<b>122,372</b>
<b>Other Income</b>		
Investment income	1,834	2,036
	1,834	2,036
	<b>129,271</b>	<b>124,408</b>

## ANNUAL FINANCIAL STATEMENTS



# Detailed Statement of Financial Performance

For the year ended 31 March 2014

Figures in R 000	2014 R '000	2013 R 000
<b>Expenditure</b>		
Accounting other services	718	472
Advertising and marketing	2,055	1,248
Agency Support- Outsourcing	5,172	4,444
Amortisation - Intangible assets	16	50
Assets under R5 000	409	603
Auditors remuneration	922	752
Bad debts	-	3
Bank charges	54	47
Board costs	466	205
Catering and meetings	754	686
Communications	663	857
Computer expenses	2,771	1,480
Consultants	2,212	2,550
Consultants - Technical	21,064	11,336
Contractors- Operational	717	460
Deficit on disposal of property, plant and equipment	27	35
Depreciation - property, plant and equipment	2,243	2,429
Development planning and feasibility studies	4,895	1,857
Finance costs	245	268
Insurance	183	225
Land & related costs	10,280	6,201
Legal fees	1,062	2,125
Office rentals	5,956	5,648
Penalty	1,359	-
Printing, publications and stationery	1,267	1,048
Project services	135	380
Repairs and maintenance	125	206
Repairs refurbishment - offices	298	510
Salaries	73,867	68,139
Staff recruitment	2,827	1,607
Staff welfare	31	205
Sundry office expenses	177	183
Training and staff development	534	634
Travel and accommodation	5,330	5,745
	148,834	122,638
<b>(Deficit) / surplus for the year</b>	<b>(19,563)</b>	<b>1,770</b>



# ANNEXURE - ANNUAL PERFORMANCE PLAN

## Performance plan — 2013 to 2014

PROGRAMME 1: Land Planning and Assembly		Programme Strategic Goal:			
Sub-Programme: Land Development Planning and Area Design		To develop and lead a sector-wide land assembly strategy and programmes for sustainable human settlements in partnership with organs of state and other key sector stakeholders			
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2013/14 Target	Achieved/Not Achieved	Notes
<b>National sector-wide land assembly strategy is developed and agreed with all stakeholders and its implementation monitored</b>	A national sector-wide Land Assembly Strategy (including funding) is formulated and communicated	Strategy approved by HDA Board and submitted to the NDHS for consideration	National sector-wide Land Assembly Strategy formulated and submitted to the Board for approval	Not achieved	Draft national sector-wide land assembly strategy produced but yet to be approved
	National sector-wide Land Assembly Strategy is expressed in sector-wide programmes	Number of national programmes with land requirement	1 x provincial land plan and 1 x national programme plan submitted to Board for approval	Achieved	
	Identify and prepare Priority Housing Development Area (PHDA) plans for approval by the Minister in consultation with the relevant authorities in the provinces and municipalities	Number of PHDAs identified and/or declared	2 x PHDAs identified and submitted to the NDHS for consideration	Not Achieved	7 Prospective PHDAs identified and reports completed but still to be submitted to NDHS
Sub-Programme: Land Information Services					
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2013/14 Target	Achieved/Not Achieved	Notes
<b>Information and data analysis tools about land and housing is accessible</b>	Establish a spatially-based land and housing information database	Land and housing information database is accessible	Accessible land and housing information database	Achieved	
	Identify, analyze and prioritize well-located suitable land that can be released for integrated development based on local demand	Land analysis criteria implemented	Land identification criteria applied	Achieved	
Sub-Programme: Knowledge Management and Research					
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2013/14 Target	Achieved/Not Achieved	Notes
<b>Knowledge and innovation capacity for land and housing support services e.g. PHDA is established</b>	Develop and implement a framework for knowledge and innovation capacity	Capacity Framework approved	Innovation Capacity Framework developed and approved	Achieved	
	Prepare and develop innovation research, analysis and support tools to enable the implementation of the land assembly strategy	Number of analytical tools developed in support of the national sector-wide land assembly strategy	1 analysis tool in support of the national sector-wide land assembly strategy developed	Achieved	
	Best practice on land and housing support services	Number of research and best practice reports on land and housing delivery	2 x research and/or best practice reports	Achieved	



## Performance plan — 2013 to 2014

PROGRAMME 1: Land Planning and Assembly		Programme Strategic Goal:			
Sub-Programme: Development Monitoring and Evaluation		To develop and manage a Monitoring and Evaluation function for land and housing development targets and indicators of the Agency to demonstrate impact within the sector			
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2013/14 Target	Achieved/Not Achieved	Notes
<b>Monitoring and evaluating programmes continually to improve sector support</b>	Develop a monitoring and evaluation programme	Develop and implement, report and communicate outcome of monitoring and evaluation programme	Develop a monitoring and evaluation framework	Not achieved	Draft framework developed and will be finalised with an M&E plan and supporting indicators before being submitted to Board for approval.
PROGRAMME 2: Land and Housing Support Services		Programme Strategic Goal:			
Sub-Programme: Implementation Support		Provide Land and Housing Development Support Services to our partners to achieve key national strategic priorities relating to human settlements			
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2013/14 Target	Achieved/Not Achieved	Notes
<b>Well-located land is acquired and released for development in line with the land assembly strategy and in collaboration with partners</b>	Assist partners with the acquisition and release of land for human settlements in line with national land strategy and national priorities	Hectares of well-located land released for human settlements	2000 ha of Land released	Achieved	Refer to performance report for more detail
<b>Implement land assembly and housing support programmes as agreed with partners aligned within the national land assembly strategy to key national strategic priorities at regional level</b>	Assist partners with land and housing development support services	Agreed support provided to partners	Support to 6 provinces 5 municipalities At least 4 other partners	Achieved	Refer to performance report for more detail
	Assist partners with specific projects/project development where possible on land released by HDA	Agreed support provided to projects	Support to 5 projects	Achieved	Refer to performance report for more detail



## Performance plan — 2013 to 2014

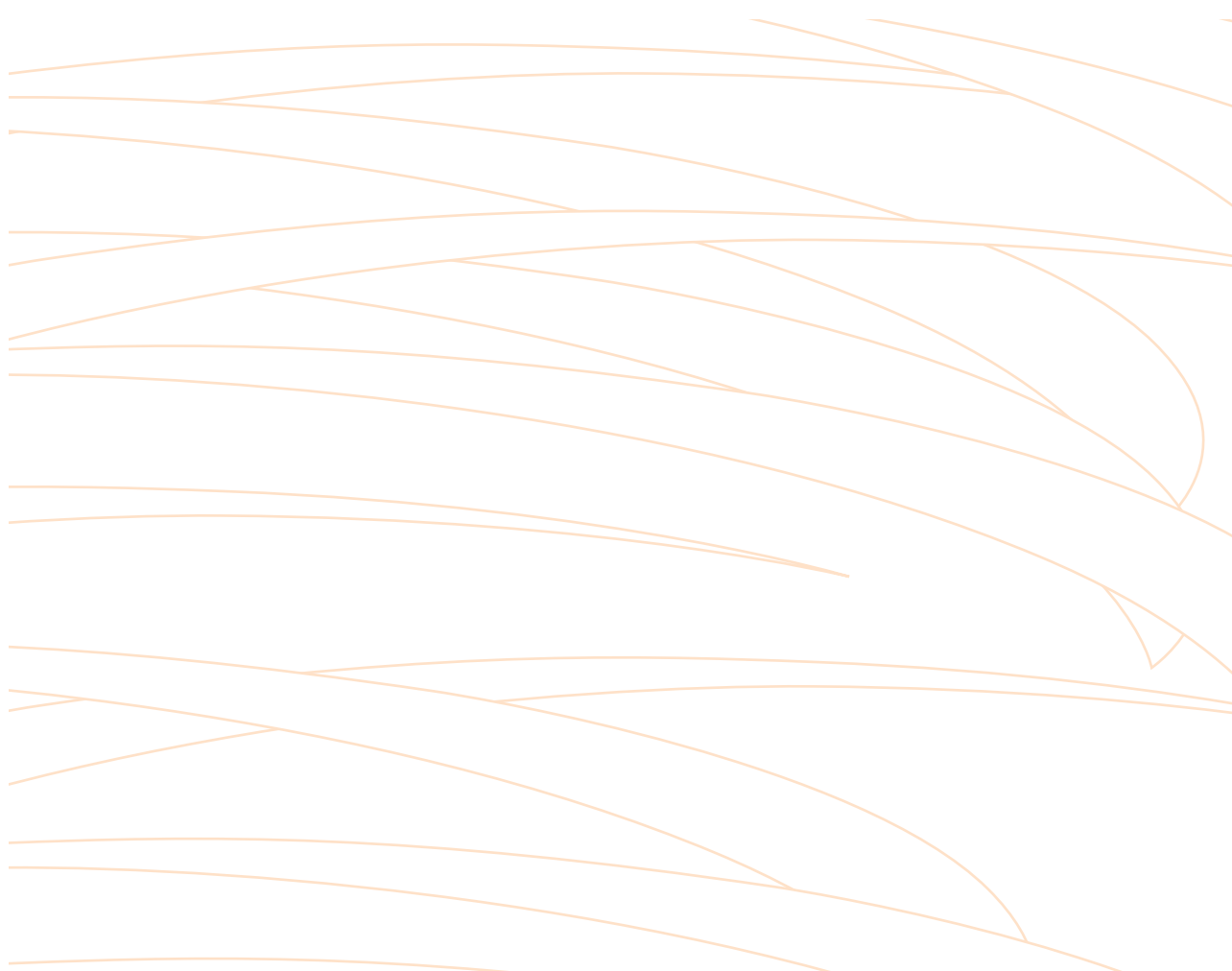
PROGRAMME 2: Land and Housing Support Services		Programme Strategic Goal: Provide Land and Housing Development Support Services to our partners to achieve key national strategic priorities relating to human settlements			
Sub-Programme: Implementation Support					
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2013/14 Target	Achieved/Not Achieved	Notes
<b>Develop and share with the sector a clear suite of services that differentiate the HDA including services that support:</b> *Land assembly *Informal settlement upgrading *Emergency housing *Blocked projects	Define the suite of Land and Housing support services and ensure that the sector is aware of the support services that are available from the HDA	Agreed Land and housing support services framework	Land and housing support services developed and agreed	Not achieved	Framework still to be finalised
		Communication of the support services to the sector utilising appropriate support materials	2 x Communication materials on support services developed	Achieved	Refer to performance report for more detail
			Communication of the support services to the sector	Achieved	Refer to performance report for more detail
PROGRAMME 3: Finance		Programme Enabling Goal Financial sustainability			
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2013/14 Target	Achieved/Not Achieved	Notes
<b>Effective internal control systems</b>	Implement effective systems to manage: SCM Budgets Finance Risk and compliance	Unqualified audit	Unqualified audit	Achieved	
		Oversee the implementation of internal audit recommendations as agreed by Exco	Report to audit committee on effectiveness of identified systems and implementation of internal audit recommendations	Achieved	
<b>Develop and implement business and financial model</b>	Enable cost recovery and revenue generation to achieve HDA strategy	A business plan which includes cost recovery and revenue regeneration strategy	Business plan approved	Not achieved	





## Performance plan — 2013 to 2014

PROGRAMME 4: Corporate Governance		Programme Strategic Goal: Organisational Effectiveness			
Strategic Objectives	Measurable Objectives (Strategic Activities)	Performance Measure/Indicator	2013/14 Target	Achieved/Not Achieved	Notes
<b>Organisation structure is aligned to the HDA strategy</b>	New organisational structure capacitated at National and Regional level	Implement approved organisational structure	Develop, approve and implement the organisational approved structure	Achieved	
<b>The HDA is an internally cohesive and effective organisation with systems that are stable and accessible</b>	Review, approve and implement policies to ensure operational effectiveness according to HDA policy register	Organisational and individual performance measured	Review and implement Organisational and individual performance management	Achieved	
		Review, train, communicate and implement policies and procedures	Review, communicate and implement policies and procedures	Achieved	
		Standard Operating procedures Manual for the HDA developed and communicated	Develop, approve, implement and communicate Standard Operating procedures Manual for the HDA	Achieved	





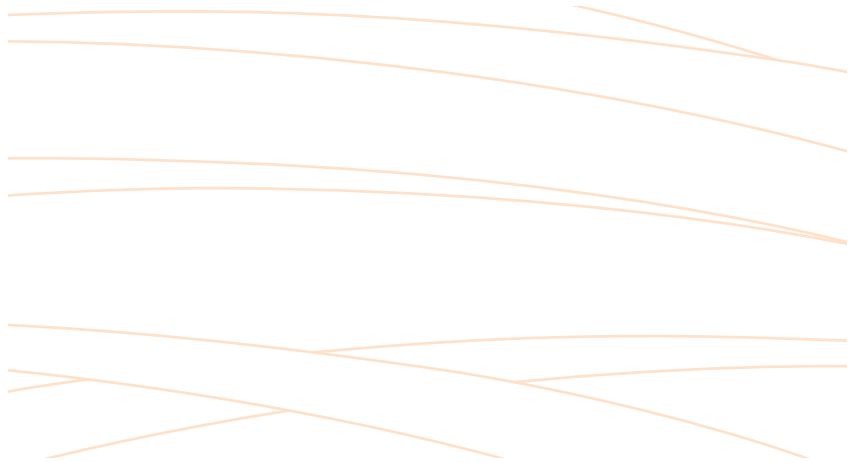
# ABBREVIATIONS

	<b>CEO</b>	Chief Executive Officer
	<b>CFO</b>	Chief Financial Officer
	<b>COGHSTA</b>	Cooperative Governance, Human Settlement and Traditional Affairs
	<b>CSIR</b>	Council for Scientific and Industrial Research
	<b>EXCO</b>	Executive Committee
	<b>FY</b>	Financial Year
	<b>GIS</b>	Geographical Information Systems
	<b>GM</b>	General Manager
	<b>FMPPI</b>	Framework for Managing Programme Performance Information
	<b>HDA</b>	Housing Development Agency
	<b>HR</b>	Human Resources
	<b>IGR</b>	Intergovernmental Relations
	<b>IP</b>	Implementation Protocol
	<b>ISA</b>	International Standard on Auditing
	<b>ISSAI</b>	International Standards of Supreme Audit Institutions
	<b>ISU</b>	Informal Settlement Upgrade
	<b>IT</b>	Information Technology
	<b>LPA</b>	Land Planning and Assembly
	<b>LaPSIS</b>	Land and Property Spatial Information System
	<b>LGS</b>	Land Geospatial Services
	<b>MEC</b>	Member of the Executive Council
	<b>MOA</b>	Memorandum of Agreement
	<b>MTEF</b>	Medium-term Expenditure Framework
	<b>MTOP</b>	Medium-term Operational Plan
	<b>NaHSLI</b>	National Human Settlements Land Inventory
	<b>NDHS</b>	National Department of Human Settlements
	<b>NUSP</b>	National Upgrading Support Programme
	<b>L&amp;HSS</b>	Land and Housing Support Services
	<b>PAA</b>	Public Auditors Act No. 25 of 2004
	<b>PFMA</b>	Public Finance Management Act No. 1 of 1999
	<b>PHDA</b>	Priority Housing Development Areas
	<b>PPT</b>	Project Preparation Trust
	<b>RGTL</b>	Rapidly Growing Towns and Locations
	<b>SA GRAP</b>	South African Standards of Generally Recognised Accounting Practice
	<b>S29</b>	Section 29 of the HDA Act No. 23 of 2008
	<b>SHEQ</b>	Safety, Health, Environment and Quality
	<b>TRA</b>	Temporary Residential Areas
	<b>VAT</b>	Value-added Tax

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**human settlements**

Department:  
Human Settlements  
**REPUBLIC OF SOUTH AFRICA**





# WORKING FOR INTEGRATION