

PART 3. REPORT OF THE AUDIT COMMITTEE

Report of the Audit Committee in terms of Treasury Regulations 3 (1)(10)(b) and (c) and the Public Finance Management Act, 1 of 1999, as amended

The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, and has regulated its affairs in compliance with this charter, and has discharged its responsibilities contained therein.

The members of the Audit Committee and their attendance are as follows:

Member	Number of Scheduled Meetings	Number of Meetings Attended
Dr L Konar	8	Attended all meetings and resigned as Chairperson on the 16 May 2006
Ms S Hari	8	8
Mr T Mnqeta	8	7
Mr A Ferreira	8	6
Ms T Ntuli	8	8
Ms T Njozela	8	8

In the conduct of its duties, the Audit Committee, has *inter alia*, reviewed the following:

- The effectiveness of the internal control systems.
- The effectiveness of the internal audit function.
- The risk areas of the entity's operations covered in the scope of internal and external audits.
- The adequacy, reliability and accuracy of financial information provided by management and other users of such information.
- Accounting and auditing concerns identified as a result of external and internal audits.
- The entity's compliance with legal and regulatory provisions.
- The activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.
- The independence and objectivity of the internal and external auditors.

The Audit Committee is of the opinion based on the information and explanation by management and the internal auditors and discussions with the independent external auditors on the result of their audits and status in addressing the matters raised by SCOPA, that the internal accounting controls are operating, though they need strengthening and improvement

to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities is maintained.

Nothing significant has come to the attention of the Audit Committee other than the matters referred to in the Auditor-General's report to indicate that any material breakdown in the functioning of these control, procedures and systems has occurred during the year under review.

The Audit Committee has evaluated the annual financial statements of the Department of Housing for the year ended 31 March 2006 and based on the information provided to the Audit Committee, considers that it complies, in all material respects, with the requirements of the Public Financial Management Act, 1 of 1999, as amended and Accounting Practice.

At the meeting held on the 25 July 2006, the Audit Committee recommended the adoption of the annual financial statements by the Department of Housing.



Chairperson
Ms S Hari
Date: 25 July 2006



94 PART 4. ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

Report of the accounting officer for the year ended 31 March 2006

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

1. General review of the state of affairs

This year follows on the heels of the approval of the Comprehensive Plan. Being the first year of the plan 2005/06 was the year of activity. A year during which, much attention was given to policy review and development of new policies in order to take into account the principles of the "Plan". Such review work included:

- Review mandate and re-positioning our public entities such that they are more effective in supporting our efforts to implement the "Plan".
- A social housing policy for South Africa was developed and approved.
- Review of the allocation formula which has always been urban biased was finalised this year.
- OPSCAP guidelines were approved and included in the framework of the Division of Revenue Act, 2005.
- The enhanced discount benefit scheme.

The following conferences were hosted by the Department to ensure that the housing sector develops better communication between the stakeholders:

- National Municipal Housing Indaba.
- International Research Seminar.
- Social Housing Contract.

We commenced the process of audit and consolidation of the waiting list in Cape Town, Western Cape. The process has provided us with lessons which we will use as the process moves into other areas of the country. Negotiations with the banks resulted in the pledging of R42 billion which will be released into the affordable housing market.

Through a partnership, ABSA Bank and the National Builders Registration Council have made much progress in developing new housing designs. This innovative project is progressing well and will change the face of our future housing projects.

A policy which will assist in ensuring that municipality's IDP's provide for the integration of housing chapters that is ready for approval. This will create a housing voice in the local sphere of government.

In recognition of the fact that the local sphere of government is critical in housing delivery, a framework for the accreditation of municipalities was developed with provinces prioritising some municipalities for accreditation. Funding ear-marked for accreditation was subsequently made available for use by some of the prioritised Local Authorities and Provinces in their effort to build capacity.

A consumer education programme was successfully piloted in four provinces.

1.1 General budget overview

The Departments' adjusted budget is R5,265 billion for the year under review and represents a 8.33% increase from the R4,827 billion adjusted appropriation for the previous financial year. Overall 95.30% or R5,018 billion was budgeted for transfers and subsidies. The amount of R5,018 billion was budgeted for as follows:

Provinces	R4,868 billion
Departmental Agencies	R148,958 million
Foreign Governments	R0,069 million
Public Corporations & Private Enterprises	R0,411 million
Households	R0,478 million

The remaining 5% was budgeted for various programmes as shown below (as percentage of the total 5%):

Programme 1 – Administration	R97,384 million	39,36%
Programme 2 – Policy Planning and Research	R22,504 million	9,10%
Programme 3 – Programme Management	R62,412 million	25,23%
Programme 4 – Housing Sector Performance	R56,529 million	22,85%
Programme 5 – Housing Equity	R 2,348 million	0,95%
Programme 6 – Housing Development Funding	R 6,216 million	2,51%

1.2 Spending analysis

The Department spent R5,241 billion out of the total of R5,265 billion. This represents a 99,55% spending rate and 0,45% (0,51% in 2004/05) underspending on the vote.

This 0,45% underspending translates to an amount of R23,756 million (R24,678 million in 2004/05) and is due to the following:

A. Compensation of employees

Underspending on this item amounts to R5,725 million and is mainly due to vacant positions during the year while they were being filled or which could not be filled during the year. The most affected programmes where the amounts exceed 5% are:

Programme 3: Programme Management	29,93%
Programme 4: Housing Sector Performance	18,63%

B. Goods and services

The combined underspending on this item amounts to R15,175 million. This is mainly due to:-

- Savings on the transversal contract with Dimension Data.
- Delays in the completion of, or cancellation of the following projects:
 - Auditing of the Housing waiting lists in the country, the updating and consolidation thereof.
 - Assessment and auditing of the interpretation and implementation of local and provincial legislation.
 - Determining the capacity requirements of the National and Provincial Departments of Housing.
 - Development of a detailed policy and implementation manual on the



variation of subsidy amount to cater for extraordinary development conditions and special housing requirements of certain categories of beneficiaries.

- Development of a comprehensive monitoring, evaluation and impact assessment system.
- Revision of the National Housing Programme: Rural Housing Subsidies.

The most affected programmes are:

Programme 2: Policy Planning and Research	14,76%
Programme 3: Programme Management	13,02%
Programme 4: Housing Sector Performance	8,82%
Programme 5: Housing Equity	9,04%
Programme 6: Housing Development Funding	7,42%

C. Department agencies and accounts

The combined underspending on this item amounts to R0,704 million. This amount was left unclaimed for VAT as the actual VAT amount was less than anticipated.

D. Machinery and equipment

The combined underspending on this item amounts to R1,472 million. This is mainly due to items ordered before year end and delivered after year end.

Programme 1: Administration	6,03%
Programme 2: Policy Planning and Research	28,15%
Programme 3: Programme Management	42,10%
Programme 4: Housing Sector Performance	20,86%
Programme 5: Housing Equity	31,16%
Programme 6: Housing Development Funding	29,32%

2. Services rendered by the Department

By its nature, the National Department of Housing's main purpose, task and mandate is that of policy development and monitoring. This includes the setting of appropriate norms and standards for housing development, programme implementation monitoring and evaluation, including research on housing related matters, maintenance of a housing data bank (for housing information derived from and for the other spheres of government through the HUIS, HSS and the Housing Debtors' systems), and assessment and analysis of appropriate information related to key housing indicators necessary for informed decision making. The Department therefore does not render direct services to the public.

2.1 Free services

No free services were rendered by the Department to the public during the year under review and there are none planned for the foreseeable future.

2.2 Inventories

Category	Amount	Costing Method
Stationery	R71 292	Average cost

3. Capacity constraints

At the beginning of the financial year, the Department had a total of 345 posts, of which 83 were vacant. This translates to a 24% vacancy rate. About 84% of this vacancy rate relates to highly skilled staff and senior management while the remainder was in respect of skilled and lower skilled staff.

At the end of the financial year, the Department had a total of 406 (345 + 61 additional posts) positions, of which 79 were vacant. This translates to a 19% vacancy rate. This situation reflects some improvement from the previous year. The Department was compelled to outsource some work to various service providers.

4. Utilisations of donor funds

In addition to an opening balance of R4,123 million from USAID, a total amount of R21,751 million was received during the financial year. These funds were used to assist fund projects as follows:

Social Housing Foundation	R20,209 million
Social Housing Foundation	R1,542 million
People's Housing Partnership Trust	R1,402 million

5. Trading entities and public entities

The following are the public or trading entities established through the Department of Housing:-

5.1 South African Housing Fund

The purpose of the South African Housing Fund is to avail funds to Provincial governments to finance national and provincial Housing programmes in terms of the Housing Act, 1997(Act 107 of 1997). All funds transferred through the South African Housing Fund must be utilized according to pre-cripts set out by the Housing Code. In addition, funds transferred to the Fund are distributed to provinces in terms of the annual Division of Revenue Act (DORA) as conditional grants. The provincial allocations are determined according to an allocation formula based on a number of factors as determined Housing MinMEC and approved by Cabinet.

During 2003/4 financial year MINMEC approved that the fund be disestablish as its continued existence was no longer necessary as result the fund was subsequently de-listed. In anticipation of its disestablishment no funds were transferred to the provinces through the fund during the current year.

5.2 SERVCON

The purpose of the establishment of SERVCON is to provide exclusive management services with respect to the normalisation of a designated or ring-fenced portfolio comprising Properties in Possession (PIP's) and Non-Performing Loans (NPL's) in terms of the normalisation programme agreed to between Government through the Department of Housing and the Banking Council which represents the participating banks.

SERVCON provided the Department with a business plan, which set out activities, key performance indicators and a budget including an expected



cash flow. The Department received quarterly progress reports, a statement of real expenditure for that quarter and a claim for costs incurred for the previous quarter.

SERVCON's mandate was to finalise its portfolio by 31 March 2006. This however, has not been possible and therefore it has been agreed that it must finalise its mandate by the end of June 2006.

5.3 Social Housing Foundation

The purpose of the establishment of the Social Housing Foundation is to develop and build capacity of social housing institutions, to encourage networking both locally and internationally, to promote development aid funding for social housing development in South Africa, to promote information and skills exchange and to develop a policy framework for social housing in South Africa.

The Social Housing Foundation submitted to the Department a business plan for approval. This was approved subject to conditions agreed upon with the Foundation. The Foundation then submitted claims based on requirements and expenditure reports that were evaluated by the Department. Quarterly reports of performance were also received by the Department and are compared to set targets.

5.4 National Urban Reconstruction and Housing Agency (NURCHA)

The NURCHA's mission is to expedite housing delivery for low-income households over the short to medium term. It was established as a Presidential Lead Project in 1995 by agreement between Government and the Open Society Foundation of New York. Its primary function is to help release finance for low-cost housing from financial institutions. NURCHA's main activity is to offer guarantees to banks, to encourage them to make bridging finance loans available to developers. MINMEC appointed NURCHA as the savings scheme intermediary for the National Savings Programme.

NURCHA provided the Department with a business plan, which set out activities, key performance indicators and a budget including an expected cash flow. The Department received quarterly progress reports, a statement of actual expenditure for that quarter and a claim for costs incurred for the previous quarter.

6. Organisations to whom transfer payments have been made

The Department transferred funds to the following institutions as shown below:

6.1 Provinces: Human Settlement Redevelopment Programme

This grant is transferred to the provincial departments to address dysfunctional human settlements. The province must submit a business plan, which should have been developed and agreed to with local authorities.

On approval of a business plan funds are transferred to the provinces in terms of the annual Division of Revenue Act, 2005 as conditional grants. The provincial allocations are determined according to an allocation for-

mula based on a number of factors as determined by Housing MINMEC and approved by Cabinet. In respect of each project to be funded a province must submit project proposals outlining activities to be funded which are considered and approved by the Human Settlement Redevelopment Programme Steering Committee. A total amount of R24,396 million was transferred to provinces during the year under review. This year has been the last year for the grant as it has now been merged into the Housing Grant to form part of the Integrated Housing and Human Settlement Development Grant.

6.2 Provinces: Integrated Housing and Human Settlement Development Grant

This grant is transferred to the provincial departments to finance national and provincial housing programmes. Funds were transferred to the provinces in terms of the annual Division of Revenue Act, 2005 as conditional grants. The provincial allocations are determined according to an allocation formula based on a number of factors as determined by Housing MINMEC. A total of R4,843 billion was transferred to the provinces during the year under review.

6.3 Habitat

This is for membership subscription in respect of the International Cooperation Forum. A total amount of R0,069 million was transferred for the annual membership fee.

6.4 SERVCON

A total of R42,097 million was transferred during the year under review.

6.5 Social Housing Foundation

A total of R20,578 million was transferred during the year under review.

6.6 National Urban Reconstruction and Housing Agency (NURCHA)

A total of R22,879 million was transferred during the year under review.

6.7 Banking Institutions: First Time Home Buyers Interest Subsidy Scheme

This is in respect of interest subsidies to banks for first time home buyers. This programme under which this arrangement was made is currently being phased out and will be finalised by 2006/07.

7. Public, Private, Partnership (PPP)

No Public, Private, Partnership as contemplated in terms of the Treasury Regulations was entered into by the Department under review.

8. Corporate Governance

A risk management committee was established during the year and will assist as from 2006/07 in developing a risk management and fraud prevention strategy.



9. Discontinued activities/activities to be discontinued

The SA Housing Fund has been delisted from the list of Public Entities by the National Treasury. The delisting of the fund is due to the agreement with National Treasury that the continued existence of the fund is no longer necessary, a decision that was approved by MINMEC in November 2003. The legislative process is underway:

- To amend the Housing Act is underway to effect alignments between the Housing Act and the Public Finance Management Act and Division of Revenue legislation provisions; and
- To disestablish the fund.

10. Events after the Reporting date

The chairperson of the audit committee rendered his resignation subsequent to his appointment as internal auditor for the Rural Housing Loan Fund.

11. Performance Information

The Department's Strategic Plan is regarded as the primary plan that guides all other planning processes of the Department. This plan is reviewed annually and aligned to the Medium Term Expenditure Framework process and is the basis for preparation of the operational plans of each unit, performance agreements of Senior Managers and work plans of all other staff. In accordance with the governance and committee structure framework approved by the Strategic Management Committee (Stratman), operational plans and performance agreements are reviewed at operational level on a quarterly basis and quarterly reports submitted to the Executive Authority dealing with higher level strategic issues. Performance reports by provinces are tabled and discussed by the Stratman on a monthly basis and the intergovernmental structures in Housing namely, the Technical MINMEC and MINMEC on a quarterly basis.

Housing Institutions report to the Department on a quarterly basis in accordance with a framework that was developed by the Department in this regard, and their reports are also tabled in the Technical MINMEC and the MINMEC.

Approval

The Annual Financial statements starting from pages 94 to 156 have been approved by the Accounting Officer.



I W KOTSOANE
DIRECTOR-GENERAL
DATE: 31 MAY 2006

Report of the Auditor-General to Parliament on the Financial Statements of the Department of Housing Vote 28 for the year ended 31 March 2006

1. Audit assignment

The financial statements as set out on pages 94 to 156 for the year ended 31 March 2006 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No 25 of 2004) and section 40 of the Public Finance Management Act, 1999 (Act No.1 of 1999) (PFMA). The fixed asset opening balances have not been audited because of the timing of guidance from National Treasury to departments relating to the treatment, valuation and disclosure of fixed assets. These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. Scope

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette no. 28723 of 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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

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

3. Basis of accounting

The department's policy is to prepare financial statements on the modified cash basis of accounting determined by the National Treasury, as described in paragraph 1.1 of the accounting policies to the financial statements.

4. Audit opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Housing at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury of South Africa, as described in paragraph 1.1 of the accounting policies to the financial statements, and in the manner required by the PFMA.



5. Emphasis of matter

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

5.1 Internal audit

- i) The work of the internal auditor could not be relied on since the internal audit reports were not issued timeously.
- ii) The internal audit function did not comply with section 30(3) of the Division of Revenue Act, 2005 (Act No. 1 of 2005) which requires that the internal audit unit of the transferring national department must coordinate and cooperate with the internal audit units of the provincial departments and the municipalities. The accounting officer of the national department also did not report to the audit committee on compliance with this section, as required by section 30(4).

5.2 National Environmental Act

The department did not comply with section 11(1) of the National Environmental Act, 1998 (Act No.107 of 1998) by preparing a new Environmental Implementation Plan within 4 years after the first one which had to be prepared within one year after promulgation of the act. The first plan was prepared in November 2000.

6. Audit of performance information

The department's report on performance against predetermined objectives was only received on 28 June 2006 and not by 15 June 2006 as required by the Guide for the Preparation of Annual Reports issued by the National Treasury. Consequently, the auditing of this information was delayed. The more significant shortcoming identified was that the measurable objectives are not consistent between the Estimate of National Expenditure, the Strategic Plan and the performance information reported on in the annual report for programme 5.

7. Human Resource Management

The department did not have a human resource management plan as required by the Public Service Regulations 2001, chapter 1, part III D.1, consequently no gap analysis was performed by the department.

8. Information systems audit of the program and data change control process within the housing subsidy system

An information systems audit of the program and data change controls within the housing subsidy system is currently being conducted and the outcome will be reported on if needed.

9. South African Housing Trust (SAHT)

The South African Housing Trust has been disestablished in terms of the disestablishment of the South African Housing Trust Limited Act, 2002 (Act no 26 of 2002).

The Special Investigating Unit (SIU) is currently investigating the manner in which the SAHT and its wholly owned subsidiaries and the business of these companies were sold, and certain matters relating to it in terms of Proclamation 49 of 2004.

10. Performance audit of the approval and allocation of housing subsidies at provincial housing departments

Performance audits were conducted in all nine provinces on the application and approval process pertaining to housing subsidies. Since most of the findings originated from deficient management measures that were generic throughout, the summarised findings were reported to parliament in a separate report RP 13/2006 in January 2006.

11. Special audit into the N2 Gateway Project at the Department of Housing

Emanating from a request from the national Department of Housing in June 2006, the Auditor-General is conducting a special audit into the N2 Gateway project. The primary objectives of the audit are:

- to audit the process flow, identify deviations from the planned activities and time frames, and determine related root causes and role players;
- to study the memorandum of understanding between various role players and audit adherence to responsibilities and commitments; and
- to highlight any inefficiency in the applicable policies, processes or structures involved in the N2 Gateway project that were revealed during the audit.

The scope will be limited to the instructions received from the department and the audit is not a comprehensive evaluation of the said project. The outcome of this audit is expected to be available early in 2007.

12. Appreciation

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

Shanket Fakie

S A Fakie
Auditor-General
Pretoria
31 July 2006



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



Accounting Policies

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 1 of 2005.

1. Presentation of the Financial Statements

1.1 Basis of preparation

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid or when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

1.2 Presentation currency

All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.

1.3 Rounding

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements. A comparison between actual and budgeted amounts per major classification of expenditure is included in the appropriation statement.

2. Revenue

2.1 Appropriated funds

Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the appropriated funds made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective. Total appropriated funds are presented in the statement of financial performance.

Unexpended appropriated funds are surrendered to the National/Provincial Revenue Fund, unless approval has been given by the National/Provincial

Treasury to rollover the funds to the subsequent financial year. These roll-over funds form part of retained funds in the annual financial statements. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the statement of financial position.

2.2 Departmental revenue

All departmental revenue is paid into the National/Provincial Revenue Fund when received, unless otherwise stated. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the statement of financial position.

2.2.1 Tax revenue

Tax revenue consists of all compulsory unrequited amounts collected by the department in accordance with laws and or regulations (excluding fines, penalties & forfeits). Tax receipts are recognised in the statement of financial performance when received.

2.2.2 Sales of goods and services other than capital assets

The proceeds received from the sale of goods and/or the provision of services is recognised in the statement of financial performance when the cash is received.

2.2.3 Fines, penalties & forfeits

Fines, penalties & forfeits are compulsory unrequited amounts which were imposed by a court or quasi-judicial body and collected by the department. Revenue arising from fines, penalties and forfeits is recognised in the statement of financial performance when the cash is received.

2.2.4 Interest, dividends and rent on land

Interest, dividends and rent on land is recognised in the statement of financial performance when the cash is received.

2.2.5 Sale of capital assets

The proceeds received on sale of capital assets are recognised in the statement of financial performance when the cash is received.

2.2.6 Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the statement of financial performance on receipt of the funds. Amounts receivable at the reporting date are disclosed in the disclosure notes to the annual financial statements. Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the statement of financial performance when the cheque becomes stale. When the cheque is reissued the payment is made from Revenue.

2.2.7 Gifts, donations and sponsorships (transfers received)

All cash gifts, donations and sponsorships are paid into the National/Provincial Revenue Fund and recorded as revenue in the statement of financial performance when received. Amounts receivable at the reporting date are disclosed in the disclosure notes to the financial statements. All in-kind gifts, donations and sponsorships are disclosed at fair value in the annexures to the financial statements.



2.3 Local and foreign aid assistance

Local and foreign aid assistance is recognised in the financial records when notification of the donation is received from the National Treasury or when the department directly receives the cash from the donor(s). The total cash amounts received during the year is reflected in the statement of financial performance as revenue.

All in-kind local and foreign aid assistance are disclosed at fair value in the annexures to the annual financial statements

The cash payments made during the year relating to local and foreign aid assistance projects are recognised as expenditure in the statement of financial performance. A receivable is recognised in the statement of financial position to the value of the amounts expensed prior to the receipt of the funds. A payable is raised in the statement of financial position where amounts have been inappropriately expensed using local and foreign aid assistance. Unutilised amounts are recognised in the statement of financial position.

3. Expenditure

3.1 Compensation of employees

Salaries and wages comprise payments to employees. Salaries and wages are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). Capitalised compensation forms part of the expenditure for capital assets in the statement of financial performance.

All other payments are classified as current expense.

Social contributions include the entities' contribution to social insurance schemes paid on behalf of the employee. Social contributions are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system.

3.2 Short term employee benefits

Short term employee benefits comprise of leave entitlements (capped leave), thirteenth cheques and performance bonuses. The cost of short-term employee benefits is expensed as salaries and wages in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the notes to the financial statements. These amounts are not recognised in the statement of financial performance.

3.2.1 Long-term employee benefits

3.2.1.1 Termination benefits

Termination benefits such as severance packages are recognised as an expense in the statement of financial performance as a transfer when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.2.1.2 Post employment retirement benefits

The department provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year). No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National/Provincial Revenue Fund and not in the financial statements of the employer department. The department provides medical benefits for certain of its employees. Employer contributions to the medical funds are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year).

3.3 Goods and services

Payments made for goods and/or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). The expense is classified as capital if the goods and services were used on a capital project.

3.4 Interest and rent on land

Interest and rental payments are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures.

3.5 Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or underspending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but amounts are disclosed as a disclosure note. All other losses are recognised when authorisation has been granted for the recognition thereof.

3.6 Unauthorised expenditure

When discovered unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of financial performance. Unauthorised expenditure approved with funding is recognised in the statement of financial performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding it is recognised as expenditure, subject to availability of savings, in the statement of financial performance on the date of approval.

3.7 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is recovered



from the responsible person or written off as irrecoverable in the statement of financial performance.

3.8 Irregular expenditure

Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

3.9 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.10 Expenditure for capital assets

Payments made for capital assets are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

4. Assets

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

4.2 Prepayments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made.

4.3 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party. Revenue receivable not yet collected is included in the disclosure notes. Amounts that are potentially irrecoverable are included in the disclosure notes.

4.4 Investments

Capitalised investments are shown at cost in the statement of financial position. Any cash flows such as dividends received or proceeds from the sale of the investment are recognised in the statement of financial performance. Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the disclosure notes.

4.5 Loans

Loans are recognised in the statement of financial position at the nominal amount. Amounts that are potentially irrecoverable are included in the disclosure notes.

4.6 Asset

Assets are recorded in an assets register, at cost, on receipt of the item. Cost of an asset is defined as the total cost of acquisition. Assets procured in previous financial periods, may be stated at fair value, where determinable, of R1, in instances where the original cost of acquisition of fair value cannot be established. No revaluation or impairment of assets is currently recognised in the asset register. Projects (of construction/development) running over more than one financial year relating to assets, are only brought into asset register on completion of the project and at the total cost incurred over the duration of the project.

Annexure 4 and 5 of the disclosure notes, reflect the total movement in the asset register of assets with a cost equal to and exceeding R5000 (therefore capital assets only) for the current year. The movement is reflected at the cost as recorded in the asset register and not recognised in the financial statements under the modified cash basis of accounting. The opening balance reflected on Annexure 4 and 5 will include items procured in prior accounting periods and closing balance will represent the total cost of the register for capital on hand.

5. Liabilities

5.1 Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are recognised at historical cost in the statement of financial position.

5.2 Lease commitments

Lease commitments represent amounts owing from the reporting date to the end of the lease contract. These commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. Operating and finance lease commitments are expensed when the payments are made. Assets acquired in terms of finance lease agreements are disclosed in the annexures to the financial statements.

5.3 Accruals

Accruals represent goods/services that have been received, but where no invoice has been received from the supplier at the reporting date, or where an invoice has been received but final authorisation for payment has not been effected on the system. Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

5.4 Contingent liabilities

- A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the department; or
- A contingent liability is a present obligation that arises from past events but is not recognised because:
 - It is not probable that an outflow of resources embodying economic



benefits or service potential will be required to settle the obligation;
or

- The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are included in the disclosure notes.

5.5 Commitments

Commitments represent goods/services that have been approved and/or contracted, but where no delivery has taken place at the reporting date. Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

6. Net assets

6.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are transferred to the National/Provincial Revenue Fund on disposal, repayment or recovery of such amounts.

6.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made and recognised in a previous financial year becomes recoverable from a debtor.

7. Related party transactions

Related parties are other entities that control or significantly influence the department in making financial and operating decisions. Specific information with regards to related party transactions is included in the disclosure notes.

8. Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the department. Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

Appropriation statement for the year ended 31 March 2006

	Appropriation per Programme									
	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
1. Administration										
Current payment	87,164	(1,422)	7,562	93,304	90,743	2,561	97.3%	79,368	77,145	
Transfers and subsidies	242	173	-	415	315	100	75.9%	214	202	
Payment for capital assets	2,831	1,249	-	4,080	3,834	246	94.0%	6,698	6,563	
2. Policy Planning and Research										
Current payment	23,753	(461)	(1,900)	21,392	19,115	2,277	89.4%	21,595	20,669	
Transfers and subsidies	116	114	-	230	203	27	88.3%	96	83	
Payment for capital assets	765	347	-	1,112	798	314	71.8%	448	447	
3. Programme Management										
Current payment	69,785	(796)	(7,600)	61,389	51,632	9,757	84.1%	21,454	9,222	
Transfers and subsidies	24,903	150	-	25,053	24,559	494	98.0%	116,494	115,913	
Payment for capital assets	373	646	-	1,019	590	429	57.9%	529	293	
4. Housing Sector Performance										
Current payment	52,097	(1,158)	4,027	54,966	49,122	5,844	89.4%	31,037	29,004	
Transfers and subsidies	119,060	5	30,000	149,065	148,286	779	99.5%	62,671	60,937	
Payment for capital assets	410	1,153	-	1,563	1,237	326	79.1%	1,725	1,625	
5. Housing Equity										
Current payment	2,148	17	(109)	2,056	1,975	81	96.1%	3,331	1,706	
Transfers and subsidies	9	3	-	12	6	6	50.0%	5	3	
Payment for capital assets	292	(20)	20	292	201	91	68.8%	276	-	
6. Housing Development Funding										
Current payment	7,928	(150)	(2,000)	5,778	5,501	277	95.2%	6,777	4,310	
Transfers and subsidies	4,873,506	-	(30,000)	4,843,506	4,843,488	18	100.0%	4,473,603	4,473,602	
Payment for capital assets	290	150	-	440	311	129	70.7%	460	379	
SUBTOTAL	5,265,672	-	-	5,265,672	5,241,916	23,756	99.5%	4,826,781	4,802,103	



Appropriation statement for the year ended 31 March 2006

	Appropriation per Programme									
	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
Statutory Appropriation										
Current payments				-		-	0.0%			
Transfers and subsidies				-		-	0.0%			
Payment for capital assets				-		-	0.0%			
TOTAL	5,265,672	-	-	5,265,672	5,241,916	23,756	99.5%	4,826,781	4,802,103	
Reconciliation with Statement of Financial Performance										
Add:										
Prior year unauthorised expenditure approved with funding				-					-	
Departmental receipts				945				5,782		
Local and foreign aid assistance				21,751				35,955		
Actual amounts per Statement of Financial Performance (Total Revenue)				5,288,368				4,868,518		
Add:										
Local and foreign aid assistance					23,153					35,955
Prior year unauthorised expenditure approved										
Prior year fruitless and wasteful expenditure authorised										
Actual amounts per Statement of Financial Performance Expenditure					5,265,069					4,838,058

Appropriation statement for the year ended 31 March 2006

	Appropriation per Economic classification									
	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
Current payments										
Compensation of employees	93,761	(13,915)	(11,834)	68,012	62,288	5,724	91.6%	54,901	50,449	
Goods and services	149,114	9,945	11,714	170,773	155,700	15,073	91.2%	108,035	91,510	
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-	
Financial transactions in assets and liabilities	-	-	100	100	100	-	100.0%	-	96	
Transfers & subsidies										
Provinces & municipalities	4,898,347	(1)	(30,000)	4,868,346	4,868,065	281	100.0%	4,589,312	4,589,286	
Departmental agencies & accounts	118,958	-	30,000	148,958	148,254	704	99.5%	62,637	60,915	
Universities & technikons	-	-	-	-	-	-	0.0%	-	-	
Foreign governments & international organisations	69	-	-	69	69	-	100.0%	65	65	
Public corporations & private enterprises	411	-	-	411	1	410	0.02%	928	355	
Non-profit institutions	-	-	-	-	-	-	0.0%	-	-	
Households	51	446	-	497	468	29	94.2%	120	120	
Payment for capital assets										
Buildings & other fixed structures	-	-	-	-	-	-	0.0%	-	-	
Machinery & equipment	4,961	3,361	20	8,342	6,869	1,473	82.3%	10,251	8,817	
Biological or cultivated assets	-	-	-	-	-	-	0.0%	-	-	
Software & other intangible assets	-	164	-	164	102	62	62.2%	532	490	
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-	
TOTAL	5,265,672	-	-	5,265,672	5,241,916	23,756	99.5%	4,826,781	4,802,103	



Appropriation statement for the year ended 31 March 2006

	Statutory Appropriation									
	2005/06					2004/05				
Direct charge against National Revenue Fund	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
List all direct charges against the Revenue Fund	-	-	-	-	-	-	0.0%	-	-	-
President and Deputy President salaries	-	-	-	-	-	-	0.0%	-	-	-
Member of executive committee/ parliamentary officers	-	-	-	-	-	-	0.0%	-	-	-
Judges salaries	-	-	-	-	-	-	0.0%	-	-	-
Sector education and training authorities SETA	-	-	-	-	-	-	0.0%	-	-	-
National skills fund	-	-	-	-	-	-	0.0%	-	-	-
TOTAL	-	-	-	-	-	-	0.0%	-	-	-

Detail per programme 1 - Administration for the year ended 31 March 2006

Programme per subprogramme	Statutory Appropriation									
	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
1.1 Minister										
Current payment	843	1,759	-	2,602	2,571	31	98.8%	2,032	2,026	
Transfers and subsidies	-	11	-	11	9	2	81.8%	1	1	
Payment for capital assets	-	20	-	20	6	14	30.0%	762	762	
1.2 Management										
Current payment	5,484	13,613	(1,882)	17,215	16,582	633	96.3%	9,607	9,358	
Transfers and subsidies	63	3	-	66	30	36	45.5%	19	17	
Payment for capital assets	75	446	-	521	434	87	83.3%	58	42	
1.3 Corporate Services										
Current payment	80,837	(16,794)	9,444	73,487	71,590	1,897	97.4%	67,729	65,761	
Transfers and subsidies	179	159	-	338	276	62	81.7%	194	184	
Payment for capital assets	2,756	783	-	3,539	3,394	145	95.9%	5,878	5,759	
TOTAL	90,237	-	7,562	97,799	94,892	2,907	97.0%	86,280	83,910	



Appropriation statement for the year ended 31 March 2006

Economic classification	Appropriation per Programme									
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	2004/05
Current payments										
Compensation of employees	40,859	(3,758)	(1,236)	35,865	35,494	371	99.0%	29,675	29,006	
Goods and services	46,305	2,336	8,698	57,339	55,149	2,190	96.2%	48,864	48,042	
Interest and rent on land				-	-	-	0.0%	-	-	
Financial transactions in assets and liabilities			100	100	100	-	100.0%	-	96	
Transfers & subsidies										
Provinces & municipalities	191	(4)		187	107	80	57.2%	95	83	
Departmental agencies & accounts				-	-	-	0.0%	-	-	
Universities & technikons				-	-	-	0.0%	-	-	
Foreign governments & international organisations				-	-	-	0.0%	-	-	
Public corporations & private enterprises				-	-	-	0.0%	-	-	
Non-profit institutions				-	-	-	0.0%	-	-	
Households	51	177		228	208	20	91.2%	120	120	
Payments for capital assets										
Buildings & other fixed structures							0.0%			
Machinery & equipment	2,831	1,158		3,989	3,757	232	94.2%	7,285	6,322	
Biological or cultivated assets				-	-	-	0.0%	-	-	
Software & other intangible assets		91		91	77	14	84.6%	241	241	
Land & subsoil assets				-	-	-	0.0%	-	-	
TOTAL	90,237	-	7,562	97,799	94,892	2,907	97.0%	86,280	83,910	

Detail per programme 2 - Policy Planning and Research for the year ended 31 March 2006

Programme per subprogramme	Appropriation per Programme										
	2005/06						2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000		
2.1 National Policy and Strategy											
Current payment	6,710	-1,415	-67	5,228	4,686	542	89.6%	14,005	13,838		
Transfers and subsidies	12	3		15	11	4	73.3%	8	7		
Payment for capital assets	167	161		328	267	61	81.4%	292	291		
2.2 Human Settlement Policy and Integration											
Current payment	9,461	2,540	-801	11,200	10,090	1,110	90.1%	3,218	3,152		
Transfers and subsidies	13	109		122	114	8	93.4%	12	6		
Payment for capital assets	70	186		256	241	15	94.1%	66	66		
2.3 Housing Framework Legislation											
Current payment	3,066	237	-557	2,746	2,362	384	86.0%	2,068	1,578		
Transfers and subsidies	15	2		17	7	10	41.2%	7	4		
Payment for capital assets	475			475	290	185	61.1%	13	13		
2.4 Research											
Current payment	4,516	-1,823	-475	2,218	1,977	241	89.1%	2,304	2,101		
Transfers and subsidies	7			7	2	5	28.6%	4	1		
Payment for capital assets	53			53		53	0.0%	77	77		
2.5 Contributions											
Current payment				-		-	0.0%				
Transfers and subsidies	69			69	69	-	100.0%	65	65		
Payment for capital assets				-		-	0.0%				
TOTAL	24,634	-	(1,900)	22,734	20,116	2,618	88.5%	22,139	21,199		



Economic classification	Appropriation per Programme									
	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
Current payments										
Compensation of employees	9,473	-192	-1,244	8,037	7,730	307	96.2%	6,076	5,985	
Goods and services	14,280	-269	-656	13,355	11,385	1,970	85.2%	15,519	14,684	
Interest and rent on land				-		-	0.0%			
Financial transactions in assets and liabilities				-		-	0.0%			
Transfers & subsidies										
Provinces & municipalities	47	3		50	24	26	48.0%	31	18	
Departmental agencies & accounts				-		-	0.0%			
Universities & technikons				-		-	0.0%			
Foreign governments & international organisations	69			69	69	-	100.0%	65	65	
Public corporations & private enterprises				-		-	0.0%			
Non-profit institutions				-		-	0.0%			
Households		111		111	110	1	99.1%			
Payments for capital assets										
Buildings & other fixed structures				-		-	0.0%			
Machinery & equipment	765	335		1,100	786	314	71.5%	448	447	
Biological or cultivated assets				-		-	0.0%			
Software & other intangible assets		12		12	12	-	100.0%			
Land & subsoil assets				-		-	0.0%			
TOTAL	24,634	-	(1,900)	22,734	20,116	2,618	88.5%	22,139	21,199	

Detail per programme 3 - Programme Management for the year ended 31 March 2006

Programme per subprogramme	Appropriation per Programme										
	2005/06						2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000		
3.1 National Housing Subsidy Scheme											
Current payment	7,640	962		8,602	5,863	2,739	68.2%	7,594	4,342		
Transfers and subsidies	14			14	9	5	64.3%	14	11		
Payment for capital assets	141	155		296	168	128	56.8%	289	68		
3.2 Capacity Building											
Current payment	58,932	-673	-7,600	50,659	44,315	6,344	87.5%	11,566	3,418		
Transfers and subsidies	79	143		222	143	79	64.4%	8	5		
Payment for capital assets	158	491		649	373	276	57.5%	104	89		
3.3 Special Programme Support											
Current payment	3,213	-1,085		2,128	1,454	674	68.3%	2,294	1,462		
Transfers and subsidies	24,399	7		24,406	24,406	-	100.0%	115,544	115,542		
Payment for capital assets	74			74	49	25	66.2%	136	136		
3.4 Phasing out of Subsidy Programmes											
Current payment				-	-	-	0.0%				
Transfers and subsidies	411			411	1	410	0.2%	928	355		
Payment for capital assets				-	-	-	0.0%				
TOTAL	95,061	-	(7,600)	87,461	76,781	10,680	87.8%	138,477	125,428		



Economic classification	Appropriation per Programme									
	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
Current payments										
Compensation of employees	19,200	-3,739	-5,000	10,461	7,330	3,131	70.1%	7,394	5,809	
Goods and services	50,585	2,943	-2,600	50,928	44,302	6,626	87.0%	14,263	3,413	
Interest and rent on land				-		-	0.0%			
Financial transactions in assets and liabilities				-		-	0.0%			
Transfers & subsidies										
Provinces & municipalities	24,492	2		24,494	24,418	76	99.7%	115,544	115,558	
Departmental agencies & accounts				-	-	-	0.0%			
Universities & Technikon				-		-	0.0%			
Foreign governments & international organisations				-		-	0.0%			
Public corporations & private enterprises	411			411	1	410	0.2%	928	355	
Non-profit institutions				-		-	0.0%			
Households		148		148	140	8	94.6%			
Payments for capital assets										
Buildings & other fixed structures				-		-	0.0%			
Machinery & equipment	373	633		1,006	577	429	57.4%	348	293	
Biological or cultivated assets				-		-	0.0%			
Software & other intangible assets		13		13	13	-	100.0%			
Land & subsoil assets				-		-	0.0%			
TOTAL	95,061	-	(7,600)	87,461	76,781	10,680	87.8%	138,477	125,428	

Detail per programme 4 - Housing Sector Performance for the year ended 31 March 2006

Programme per subprogramme	Appropriation per Programme									
	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
4.1 Policy and programme monitoring										
Current payment	6,438	615	38	7,091	6,468	623	91.2%	8,991	7,700	
Transfers and subsidies	13	5		18	15	3	83.3%	13	7	
Payment for capital assets	126	84		210	166	44	79.0%	59	48	
4.2 Information Management										
Current payment	38,148	35	3,989	42,172	39,518	2,654	93.7%	18,838	18,571	
Transfers and subsidies	49			49	9	40	18.4%	12	7	
Payment for capital assets	134	1,093		1,227	1,042	185	84.9%	977	913	
4.3 Industry Analysis and Development Finance										
Current payment	6,159	-1,201		4,958	2,972	1,986	59.9%	3,079	2,719	
Transfers and subsidies	32			32	8	24	25.0%	9	8	
Payment for capital assets	150	-40		110	13	97	11.8%	70	45	
4.4 Housing Institutions										
Current payment	1,352	-607		745	164	581	22.0%	129	14	
Transfers and subsidies	8			8		8	0.0%			
Payment for capital assets		16		16	16	-	100.0%	619	619	
4.5 Contributions										
Current payment				-		-	0.0%			
Transfers and subsidies	118,958		30,000	148,958	148,254	704	99.5%	62,637	60,915	
Payment for capital assets				-		-	0.0%			
TOTAL	171,567	-	34,027	205,594	198,645	6,949	96.6%	95,433	91,566	



Economic classification	Appropriation per Programme									
	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
Current payments										
Compensation of employees	20,413	-6,290	-3,962	10,161	8,268	1,893	81.4%	8,022	7,331	
Goods and services	31,684	5,132	7,989	44,805	40,854	3,951	91.2%	23,015	21,673	
Interest and rent on land				-		-	0.0%			
Financial transactions in assets and liabilities				-		-	0.0%			
Transfers & subsidies										
Provinces & municipalities	102			102	26	76	25.5%	34	22	
Departmental agencies & accounts	118,958		30,000	148,958	148,254	704	99.5%	62,637	60,915	
Universities & Technikons				-		-	0.0%			
Foreign governments & international organisations				-		-	0.0%			
Public corporations & private enterprises				-		-	0.0%			
Non-profit institutions				-		-	0.0%			
Households		5		5	6	(1)	120.0%			
Payments for capital assets										
Buildings & other fixed structures				-		-	0.0%			
Machinery & equipment	410	1,105		1,515	1,237	278	81.7%	1,434	1,376	
Biological or cultivated assets				-		-	0.0%			
Software & other intangible assets		48		48		48	0.0%	291	249	
Land & subsoil assets				-		-	0.0%			
TOTAL	171,567	-	34,027	205,594	198,645	6,949	96.6%	95,433	91,566	

Detail per programme 5 - Housing Equity for the year ended 31 March 2006

Programme per subprogramme	Appropriation per Programme									
	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
5.1 Office of Disclosure										
Current payment	2,148	17	-109	2,056	1,975	81	96.1%	3,331	1,706	
Transfers and subsidies	9	3		12	6	6	50.0%	5	3	
Payment for capital assets	292	-20	20	292	201	91	68.8%	276	-	
TOTAL	2,449	-	(89)	2,360	2,182	178	92.5%	3,612	1,709	



Economic classification	Appropriation per Programme									
	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
Current payments										
Compensation of employees	1,367	59	-89	1,337	1,321	16	98.8%	1,758	836	
Goods and services	781	-42	-20	719	654	65	91.0%	1,573	870	
Interest and rent on land				-		-	0.0%			
Financial transactions in assets and liabilities				-		-	0.0%			
Transfers & subsidies										
Provinces & municipalities	9			9	4	5	44.4%	5	3	
Departmental agencies & accounts				-		-	0.0%			
Universities & Technikon				-		-	0.0%			
Foreign governments & international organisations				-		-	0.0%			
Public corporations & private enterprises				-		-	0.0%			
Non-profit institutions				-		-	0.0%			
Households		3		3	2	1	66.7%			
Payments for capital assets										
Buildings & other fixed structures				-		-	0.0%			
Machinery & equipment	292	-20	20	292	201	91	68.8%	276	-	
Biological or cultivated assets				-		-	0.0%			
Software & other intangible assets				-		-	0.0%			
Land & subsoil assets				-		-	0.0%			
TOTAL	2,449	-	(89)	2,360	2,182	178	92.5%	3,612	1,709	

Detail per programme 6 - Housing Development Funding for the year ended 31 March 2006

Programme per subprogramme	Appropriation per Programme									
	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
6.1 Fund Management										
Current payment	7,928	-150	-2,000	5,778	5,501	277	95.2%	6,777	4,310	
Transfers and subsidies	26			26	8	18	30.8%	6	5	
Payment for capital assets	290	150		440	311	129	70.7%	460	379	
6.2 Grants to Housing Funds										
Current payment				-	-	-	0.0%			
Transfers and subsidies	4,873,480		-30,000	4,843,480	4,843,480	-	100.0%	4,473,597	4,473,597	
Payment for capital assets				-	-	-	0.0%			
TOTAL	4,881,724	-	(32,000)	4,849,724	4,849,300	424	100.0%	4,480,840	4,478,291	



Economic classification	Appropriation per Programme									
	2005/06					2004/05				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	
Current payments										
Compensation of employees	2,449	5	-303	2,151	2,145	6	99.7%	1,976	1,482	
Goods and services	5,479	-155	-1,697	3,627	3,356	271	92.5%	4,801	2,828	
Interest and rent on land				-		-	0.0%			
Financial transactions in assets and liabilities				-		-	0.0%			
Transfers & subsidies										
Provinces & municipalities	4,873,506	-2	-30,000	4,843,504	4,843,486	18	100.0%	4,473,603	4,473,602	
Departmental agencies & accounts				-		-	0.0%			
Universities & Technikons				-		-	0.0%			
Foreign governments & international organisations				-		-	0.0%			
Public corporations & private enterprises				-		-	0.0%			
Non-profit institutions				-		-	0.0%			
Households		2		2	2	-	100.0%			
Payments for capital assets										
Buildings & other fixed structures				-		-	0.0%			
Machinery & equipment	290	150		440	311	129	70.7%	460	379	
Biological or cultivated assets				-		-	0.0%			
Software & other intangible assets				-		-	0.0%			
Land & subsoil assets				-		-	0.0%			
TOTAL	4,881,724	-	(32,000)	4,849,724	4,849,300	424	100.0%	4,480,840	4,478,291	

Notes to the Appropriation Statement for the year ended 31 March 2006

1. Detail of transfers and subsidies as per Appropriation Act (after Virement): Detail of these transactions can be viewed in note 9 (Transfers and subsidies) and Annexure 1 (A-L) to the annual financial statements.
2. Detail of specifically and exclusively appropriated amounts voted (after Virement):
Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the annual financial statements.
3. Detail on financial transactions in assets and liabilities.
Detail of these transactions per programme can be viewed in note 8 (Details of special functions (theft and losses)) to the annual financial statements.
4. Explanations of material variances from Amounts Voted (after virement):

4.1 Per programme:

Programme	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Variance as a % of Final Approp. %
P1: Administration				
Current payment	93,304	90,743	2,561	97.3%
Transfers and subsidies	415	315	100	75.9%
Expenditure for capital assets	4,080	3,834	246	94.0%
Under spending on Personnel and Goods & Services are due to saving on personnel and personnel related expenditure as a result of vacant posts or posts filled in the latter part of the financial year.				
P2: Policy Planning and Research				
Current payment	21,392	19,115	2,277	89.4%
Transfers and subsidies	230	203	27	88.3%
Expenditure for capital assets	1,112	798	314	71.8%
Under spending on Personnel and Goods & Services are made up of savings on personnel and personnel related expenditure as a result of vacant posts or posts filled in the latter part of the financial year and delay in some tenders due to changes in the scope and methodology of the tenders.				
P3: Programme Management				
Current payment	61,393	51,632	9,761	84.1%
Transfers and subsidies	25,053	24,559	494	98.0%
Expenditure for capital assets	1,019	590	429	57.9%
Under spending on Personnel and Goods & Services are made up of savings on personnel and personnel related expenditure as a result of vacant posts or posts filled in the latter part of the financial year. In addition, some tenders were delayed and/or cancelled.				
P4: Housing Sector Performance				
Current payment	54,966	49,122	5,844	89.4%
Transfers and subsidies	149,065	148,286	779	99.5%
Expenditure for capital assets	1,563	1,237	326	79.1%
Under spending on Personnel and Goods & Services are made up of savings on personnel and personnel related expenditure as a result of vacant posts or posts filled in the latter part of the financial year. Outstanding amounts on an ongoing project on the auditing of waiting list on a national basis, which was piloted in City of Cape Town.				
P5: Housing Equity				
Current payment	2,056	1,975	81	96.1%
Transfers and subsidies	12	6	6	50.0%
Expenditure for capital assets	292	201	91	68.8%
Under spending on Goods & Services are made up of savings on personnel and personnel related expenditure as a result of vacant posts or posts filled in the latter part of the financial year.				
P6: Housing Development Funding				
Current payment	5,778	5,501	277	95.2%
Transfers and subsidies	4,843,506	4,843,488	18	100.0%
Expenditure for capital assets	440	311	129	70.7%
Savings on Goods & Services are due to orders placed for goods in the last quarter of the financial year not delivered before the end of the financial year.				



4.2 Per economic classification

Current expenditure	
Compensation of employees	5,725
Goods and services	15,073
Interest and rent on land	-
Financial transactions in assets and liabilities	-
Unauthorised expenditure approved	
Transfers & subsidies	
Provinces & municipalities	281
Departmental agencies & accounts	704
Universities & Technikons	-
Public corporations & private enterprises	-
Foreign governments & international organisations	410
Non-profit institutions	-
Households	29
Payments for capital assets	
Buildings & other fixed structures	-
Machinery & equipment	1,473
Heritage assets	-
Biological assets	62
Software & other intangible assets	-
Land & subsoil assets	-
Compensation to employees	
Variance on compensation of employees can be attributed to vacancies in the Department	
Goods and services	
Savings on Goods & Services are due to saving on personnel related expenditure as a result of vacant posts or posts filled in the latter part of the financial year	
Machinery & equipment	
Savings on Machinery & Equipment are due to saving on personnel related expenditure as a result of vacant posts or posts filled in the latter part of the financial year	

Statement of Financial Performance for the year ended 31 March 2006

	Note	2005/06	2004/05
		R'000	R'000
REVENUE			
Annual appropriation	1.	5,265,672	4,826,781
Departmental revenue	2.	945	5,782
Local and foreign aid assistance	3.	21,751	35,955
TOTAL REVENUE		5,288,368	4,868,518
EXPENDITURE			
Current expenditure			
Compensation of employees	4.	62,288	50,449
Goods and services	5.	155,700	91,510
Financial transactions in assets and liabilities	6.	100	96
Local and foreign aid assistance	3.	23,153	35,955
Unauthorised expenditure approved	9.	-	-
Total current expenditure		241,241	178,010
Transfers and subsidies	7.	5,016,857	4,650,741
Expenditure for capital assets			
Machinery and Equipment	8.	6,869	8,817
Software and other intangible assets	8.	102	490
Total expenditure for capital assets		6,971	9,307
TOTAL EXPENDITURE		5,265,069	4,838,058
SURPLUS/(DEFICIT)			
Add back unauthorised expenditure	9.	-	-
Add back fruitless and wasteful expenditure	10.	-	-
SURPLUS/(DEFICIT) FOR THE YEAR		23,299	30,460
Reconciliation of Net Surplus/(Deficit) for the year			
Voted Funds	15.	23,756	24,678
Departmental revenue	16.	945	5,782
Local and foreign aid assistance	3.	(1,402)	-
SURPLUS/(DEFICIT) FOR THE YEAR		23,299	30,460



Statement of Financial Position as at 31 March 2006

	Note	2005/06	2004/05
		R'000	R'000
ASSETS			
Current assets		26,741	83,394
Unauthorised expenditure	9.	642	642
Fruitless and wasteful expenditure	10.	-	-
Cash and cash equivalents	11.	24,738	80,544
Prepayments and advances	12.	363	1,351
Receivables	13.	998	857
Investments	14.	-	-
Local and foreign aid assistance receivable	3.	-	-
Non-current assets		880,000	880,000
Investments	14.	880,000	880,000
TOTAL ASSETS		906,741	963,394
LIABILITIES			
Current liabilities		26,710	83,330
Voted funds to be surrendered to the Revenue Fund	15.	23,756	24,678
Departmental revenue to be surrendered to the Revenue Fund	16.	43	54,473
Payables	17.	190	56
Local and foreign aid assistance unutilised	3.	2,721	4,123
TOTAL LIABILITIES		26,710	83,330
NET ASSETS		880,031	880,064
Represented by:			
Capitalisation Reserves		880,000	880,000
Recoverable revenue		31	64
Retained funds		-	-
Revaluation Reserves (Housing dept)		-	-
TOTAL		880,031	880,064

Statement of Changes in Net Assets for the year ended 31 March 2006

	Note	2005/06	2004/05
		R'000	R'000
Capitalisation Reserves			
Opening balance		880,000	880,000
Transfers		-	-
Movement in Equity		-	-
Movement in Operational Funds		-	-
Other movements		-	-
Closing balance		880,000	880,000
Recoverable revenue			
Opening balance		64	66
Transfers		(33)	(2)
Debts written off	6.3	(33)	-
Debts revised		-	-
Debts recovered (included in departmental receipts)		-	(2)
Debts raised		-	-
Balance at 31 March		31	64
Retained funds			
Balance at 1 April		-	-
Transfer from Statement of Financial Performance		-	-
Utilised during the year		-	-
Other		-	-
Balance at 31 March		-	-
Revaluation Reserve			
Balance at 1 April		-	-
Revaluation adjustment (Housing departments)		-	-
Transfers		-	-
Other		-	-
Balance at 31 March		-	-
TOTAL		880,031	880,064



Cash Flow Statement for the year ended 31 March 2006

	Note	2005/06	2004/05
		R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		5,288,368	4,863,054
Annual appropriated funds received	1.1	5,265,672	4,826,781
Statutory appropriated funds received		-	-
Appropriation for unauthorised expenditure received	9.	-	-
Departmental revenue received		945	318
Local and foreign aid assistance received	3.	21,751	35,955
Net (increase)/decrease in working capital		981	(1,918)
Surrendered to Revenue Fund		(80,053)	(17,126)
Current payments		(241,241)	(178,010)
Transfers and subsidies paid		(5,016,857)	(4,650,741)
Net cash flow available from operating activities	18.	(48,802)	15,259
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets		(6,971)	(9,307)
Payments for investments		-	-
Proceeds from sale of capital assets	2.	-	5,464
Proceeds from sale of investments		-	-
Proceeds from sale of other financial assets		-	-
(Increase)/decrease in loans		-	(2)
(Increase)/decrease in investments		-	-
(Increase)/decrease in other financial assets			
Net cash flows from investing activities		(6,971)	(3,845)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution/dividend received		-	-
Increase/(decrease) in net assets		(33)	-
Increase/(decrease) in non-current payables		-	-
Net cash flows from financing activities		(33)	-
Net increase/(decrease) in cash and cash equivalents		(55,806)	11,414
Cash and cash equivalents at beginning of period		80,544	69,130
Cash and cash equivalents at end of period	19.	24,738	80,544

Notes to the Annual Financial Statements for the year ended 31 March 2006

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1. Annual Appropriation

1.1 Annual Appropriation				
Included are funds appropriated in terms of the Appropriation Act for National Departments (Voted Funds)				
Programmes	Final appropriation R'000	Actual funds received R'000	Funds not requested/not received R'000	Appropriation received 2004/05 R'000
Administration	97,799	97,799	-	86,280
Policy Planning and Research	22,734	22,734	-	22,139
Programme Management	87,461	87,461	-	138,477
Housing Sector Performance	205,594	205,594	-	95,433
Housing Equity	2,360	2,360	-	3,612
Housing Development Funding	4,849,724	4,849,724	-	4,480,840
TOTAL	5,265,672	5,265,672	-	4,826,781

2. Departmental revenue to be surrendered to Revenue Fund				
Tax revenue			-	-
Sales of goods and services other than capital assets	2.1	100		67
Fines, penalties and forfeits			-	-
Interest, dividends and rent on land	2.2	8		3
Sales of capital assets	2.3	-		5,464
Financial transactions in assets and liabilities	2.4	837		248
Transfers received			-	-
Total revenue collected			945	5,782
Less: Departmental revenue budgeted	16.		-	-
TOTAL			945	5,782

2.1 Sales of goods and services other than capital assets				
Sales of goods and services produced by the department			100	67
Sales by market establishment			-	-
Administrative fees			-	-
Other sales			100	67
Sales of scrap, waste and other used current goods				
TOTAL			100	67

2.2 Interest, dividends and rent on land				
Interest			8	3
Dividends			-	-
Rent on land			-	-
TOTAL			8	3

2.3 Sales of capital assets				
Land and subsoil assets			-	-
Other capital assets			-	5,464
TOTAL			-	5,464

2.4 Financial transactions in assets and liabilities				
Nature of loss recovered				
Loans			-	-
Receivables			-	-
Other receipts including recoverable revenue			837	248
TOTAL			837	248



Notes to the Annual Financial Statements for the year ended 31 March 2006

	Note	2005/06	2004/05
		R'000	R'000
3. Local and foreign aid assistance			
3.1 Assistance received in cash from RDP			
Foreign			
Opening Balance		4,123	4,123
Revenue		27,751	35,955
Expenditure		23,153	35,955
Current		23,153	35,955
Capital		-	-
Closing Balance		2,721	4,123
TOTAL			
Opening Balance		4,123	4,123
Revenue		21,751	35,955
Expenditure		23,153	35,955
Current		23,153	35,955
Capital		-	-
Closing Balance		2,721	4,123
Analysis of balance			
Local and foreign aid receivable		-	-
Local and foreign aid unutilised		2,721	4,123
Local foreign aid payable to RDP fund/donors		-	-
Closing balance		(2,721)	(4,123)

Notes to the Annual Financial Statements for the year ended 31 March 2006

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	Note	2005/06	2004/05
		R'000	R'000
4. Compensation of employees			
4.1 Salaries and wages			
Basic salary		41,571	34,099
Performance award		2,092	2,035
Service Based		142	135
Compensative/circumstantial		2,507	1,658
Periodic payments		-	-
Other non-pensionable allowances		9,010	6,070
TOTAL		55,322	43,997
4.2 Social contributions			
4.2.1 Employer contributions			
Pension		4,945	4,678
Medical		2,013	1,767
UIF		-	-
Bargaining council		8	7
Official unions and associations		-	-
Insurance		-	-
TOTAL		6,966	6,452
4.2.2 Post retirement benefits			
Medical		-	-
TOTAL		-	-
TOTAL COMPENSATION OF EMPLOYEES		62,288	50,449
Average number of employees		323	227



Notes to the Annual Financial Statements for the year ended 31 March 2006

	Note	2005/06	2004/05
		R'000	R'000
5. Goods and services			
Advertising		4,245	3,834
Bank charges and card fees		108	140
Bursaries (employees)		127	120
Communication		5,118	2,986
Computer services		37,376	17,632
Consultants, contractors and special services		61,431	20,146
Courier and delivery services		804	233
Drivers licenses and permits		38	66
Entertainment		1,007	885
External audit fees	5.1	2,374	1,285
Equipment less than R5 000		1,435	1,145
Freight service		2	-
Inventory	5.2	5,458	5,446
Legal fees		1,719	20
Maintenance, repair and running costs		2,757	10,681
Operating leases		2,208	1,241
Personnel agency fees		815	134
Photographic services		61	280
Plant flowers and other decorations		76	18
Professional bodies and membership fees		-	61
Resettlement costs		275	722
Subscriptions		82	14
Taking over of contractual obligations		4	2
Owned and leasehold property expenditure		-	760
Translations and transcriptions		6	2
Travel and subsistence	5.3	19,234	10,828
Venues and facilities		6,132	10,738
Protective, special clothing & uniforms		597	287
Training & staff development		2,211	1,804
TOTAL		155,700	91,510

Notes to the Annual Financial Statements for the year ended 31 March 2006

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	Note	2005/06 R'000	2004/05 R'000
5.1 External audit fees			
Regulatory audits		2,374	1,285
Performance audits		-	-
Other audits		-	-
TOTAL EXTERNAL AUDIT FEES		2,374	1,285
5.2 Inventory			
Domestic Consumables		156	63
Food and Food supplies		423	14
Fuel, oil and gas		118	43
Other consumables		20	19
Stationery and Printing		4,720	5,212
Medical Supplies		21	95
TOTAL INVENTORY		5,458	5,446
5.3 Travel and subsistence			
Local		15,977	8,278
Foreign		3,257	2,550
TOTAL TRAVEL AND SUBSISTENCE		19,234	10,828
6. Financial transactions in assets and liabilities			
Other material losses written off	6.1	-	96
Debts written off	6.2	100	-
TOTAL		100	96
6.1 Other material losses			
Nature of losses			
Diners Club - Interest		-	96
TOTAL		-	96
6.2 Debts written off			
Nature of debts written off			
Transfer to debts written off			
Security System - Former Ministers residence		8	-
Salary overpayment - Late R T Dube		10	
Cell phone debt - S Mangena		3	
Military Service and Bursary		53	
State Guarantee		26	
TOTAL		100	-
6.3 Recoverable revenue debts written off			
(Group major categories, but list material items)			
O'Neill GM		(10)	-
Schietekat MC		(23)	
TOTAL		(33)	-



Notes to the Annual Financial Statements for the year ended 31 March 2006

	Note	2005/06	2004/05
		R'000	R'000
7. Transfers and subsidies			
Provinces and municipalities	ANNEXURE 1A & 1B	4,868,065	4,589,286
Departmental agencies and accounts	ANNEXURE 1C	148,254	60,915
Foreign governments and international organisations	ANNEXURE 1D	69	65
Public Corporations and private enterprises	ANNEXURE 1E	1	355
Households	ANNEXURE 1F	468	120
TOTAL		5,016,857	4,650,741
8. Expenditure on capital assets			
Machinery and equipment	ANNEXURE 4	6,869	8,817
Software and other intangible assets	ANNEXURE 5	102	490
TOTAL		6,971	9,307
9. Unauthorised expenditure			
9.1 Reconciliation of unauthorised expenditure			
Opening balance		642	642
Unauthorised expenditure – current year		-	-
Unauthorised expenditure awaiting authorisation		642	642
10. Fruitless and wasteful expenditure			
10.1 Reconciliation of fruitless and wasteful expenditure			
Opening balance		-	96
Fruitless and wasteful expenditure – current year		-	-
Amounts condoned		-	(96)
Current expenditure			(96)
Transfers and subsidies			
Expenditure for capital assets			
Transfer to receivables for recovery (not condoned)			
Fruitless and wasteful expenditure awaiting condonement		-	-
11. Cash and cash equivalents			
Consolidated Paymaster General Account		40,220	99,536
Cash receipts		1	7
Disbursements		(15,503)	(18,987)
Cash on hand		15	12
Cash with commercial banks		5	(24)
TOTAL		24,738	80,544
12. Prepayments and advances			
Description			
Travel and subsistence		363	219
Advances paid to other entities		-	1,132
TOTAL		363	1,351

Notes to the Annual Financial Statements for the year ended 31 March 2006

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		Less than one year	One to three years	Older than three years	2005/06	2004/05
		R'000	R'000	R'000	R'000	R'000
13. Receivables						
Staff debtors	13.1	-	129	-	129	74
Other debtors	13.2	778	-	-	778	396
Claims recoverable	Annex 6	65	26	-	91	387
TOTAL		843	155	-	998	857
13.1 Staff debtors						
Telephone					2	5
S&T debt					3	7
Study					22	2
Vehicle					24	5
Home Loan					5	-
Tax					42	42
Salary Disallowance					9	-
Salary Reversal					8	-
Housing Guarantee					14	13
TOTAL					129	74
13.2 Other Debtors						
Military debt					-	50
Suspense Account					422	60
Government Garage					282	265
Salaries					36	17
Resettlement					38	4
TOTAL					778	396
14. Investments						
Non-current						
Shares and other equity						
NHFC					880,000	880,000
TOTAL					880,000	880,000
Securities other than shares						
TOTAL					-	-
TOTAL NON-CURRENT					880,000	880,000



Notes to the Annual Financial Statements for the year ended 31 March 2006

			2005/06	2004/05
			R'000	R'000
15. Voted funds to be surrendered to the Revenue Fund				
Opening balance			24,678	16,634
Transfer from Statement of Financial Performance			23,756	24,678
Voted funds not requested/not received			-	-
Paid during the year			(24,678)	(16,634)
Closing balance			23,756	24,678
16. Departmental revenue to be surrendered to the Revenue Fund				
Opening balance			54,473	49,183
Transfer from Statement of Financial Performance			945	5,782
Paid during the year			(55,375)	(492)
Closing balance			43	54,473
17. Payables – current				
Description		30 Days	30+ Days	2005/06
		R'000	R'000	R'000
Clearing accounts	17.1	-	190	56
TOTAL		-	190	56
17.1 Clearing accounts				
Description				
EBT Rejection Account			-	3
Pension Deductions			-	(2)
TAX RSA			2	28
GG Gauteng Transport Control			188	27
TOTAL			190	56
18. Net cash flow available from operating activities				
Net surplus/(deficit) as per Statement of Financial Performance			23,299	30,460
Non-cash movements				
(Increase)/decrease in receivables – current			(141)	(232)
(Increase)/decrease in prepayments and advances			988	(1,351)
(Increase)/decrease in other current assets			-	96
Increase/(decrease) in payables – current			134	(431)
Proceeds from sale of capital assets			-	(141)
Proceeds from sale of investments				(5,323)
Proceeds on sale of other financial assets			-	-
Surrenders to revenue fund			(80,053)	(17,126)
Expenditure on capital assets			6,971	9,307
Net cash flow generated by operating activities			(48,802)	15,259

Notes to the Annual Financial Statements for the year ended 31 March 2006

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		2005/06	2004/05
		R'000	R'000
19. Reconciliation of cash and cash equivalents for cash flow purposes			
Consolidated Paymaster General Account		40,220	99,536
Fund requisition account		-	-
Cash receipts		1	7
Disbursements		(15,503)	(18,987)
Cash on hand		15	12
Cash with commercial banks		5	(24)
TOTAL		24,738	80,544
These amounts are not recognised in the financial statements and are disclosed to enhance the usefulness of the financial statements.			
		Note	2005/06
			2004/05
			R'000
			R'000
20. Contingent liabilities - Liable to			
	Nature		
Housing loan guarantees	Employees	Annexure 3A	796
Other guarantees		Annexure 3A	19,969
Claims against the department		Annexure 3B	315
Other departments (interdepartmental unconfirmed balances)		Annexure 7	312
			989
TOTAL			21,392
			206,722
21. Commitments			
Current expenditure			
Approved and contracted		8,733	7,897
Approved but not yet contracted		87	
SUB TOTAL		8,820	7,897
Capital expenditure			
Approved and contracted		475	-
Approved but not yet contracted		-	784
SUB TOTAL		475	784
Total Commitments		9,295	8,681
22. Accruals			
By economic classification		30 Days	30+ Days
		R'000	R'000
Goods and services		734	210
Transfers and subsidies			
		-	4
Machinery and Equipment			
		-	135
TOTAL		944	1,966
Listed by programme level			
Administration		811	1,129
Policy Planning		55	387
Programme Management		29	72
Housing Sector Performance		49	184
Housing Equity		-	13
Housing Development Funding		-	181
TOTAL		944	1,966



Notes to the Annual Financial Statements for the year ended 31 March 2006

					2005/06	2004/05
					R'000	R'000
23. Employee benefit provisions						
Leave entitlement					984	937
Thirteenth cheque					1,730	1,380
Capped leave commitments					4,455	4,192
TOTAL					7,169	6,509
24. Lease Commitments						
24.1 Operating leases	Land	Buildings & other fixed structures	Machinery and equipment	Total	Total	
	R'000	R'000	R'000	R'000	R'000	
Not later than 1 year	-	-	-	-	-	
Later than 1 year and not later than 5 years	-	-	-	-	-	
Later than five years	-	-	-	-	-	
TOTAL PRESENT VALUE OF LEASE LIABILITIES	-	-	-	-	-	
24.2 Finance leases						
TOTAL VALUE OF FINANCE LEASES			1,090	1,090	2,244	
Finance Lease resulted from using transversal contract RT3 - National Treasury Nett present value of the above finance leases amounts to R953 (05/06) R858 (04/05)						
25. Irregular expenditure						
25.1 Reconciliation of irregular expenditure					2005/06	2004/05
					R'000	R'000
Opening Balance					1,241	-
Irregular expenditure – current year					2,155	1,241
Amounts condoned					-	-
Current expenditure					-	-
Transfers and subsidies					-	-
Expenditure for capital assets					-	-
Transfers to receivable for recovery (not condoned)					-	-
Irregular expenditure awaiting condonement					3,396	1,241
Analysis						
Current					2,155	-
Prior years					1,241	-
TOTAL					3,396	-
RT3 Transversal contract entered into by National Treasury resulted in irregular expenditure						
25.2 Irregular expenditure						
RT3 Transversal contract entered into by National Treasury resulted in irregular expenditure A letter was forwarded to National Treasury					2,155	1,241
TOTAL					2,155	1,241

Notes to the Annual Financial Statements for the year ended 31 March 2006

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26. Key management personnel		2005/06	2004/05
Description	No of Individuals	Total R'000	Total R'000
Political Office Bearers	1	837	1,602
Officials Level 15 to 16	4	2,772	1,335
Officials Level 14	11	6,115	4,382
Family members of key management personnel			
TOTAL		9,724	7,319
27. Provisions			
Potential irrecoverable debts			
Staff debtors		7	
TOTAL		7	-



Annexures to the Annual Financial Statements for the year ended 31 March 2006

ANNEXURE 1A: STATEMENT OF CONDITIONAL GRANT PAID TO PROVINCES

NAME OF PROVINCE/ GRANT	GRANT ALLOCATION				TRANSFERS			SPENT		2004/05 Division of Revenue Act R'000
	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Transferred R'000	Amount received by department R'000	Amount spent by department R'000	% of available funds spent by department %	
Housing Subsidy Grant										
Eastern Cape	581,218	26,057	-	607,275	581,218	95.7%	581,218	607,275	100.0%	598,900
Free State	398,618	72,843	-	471,461	398,618	84.5%	398,618	355,475	75.4%	385,641
Gauteng	1,340,675	9,025	-	1,349,700	1,340,675	99.3%	1,340,675	1,349,352	100.0%	1,117,463
KwaZulu-Natal	799,659	-	-	799,659	799,659	100.0%	799,659	815,603	102.0%	748,463
Limpopo	397,650	59,265	-	456,915	397,650	87.0%	397,650	372,776	81.6%	369,818
Mpumalanga	321,123	17	-	321,140	321,123	100.0%	321,123	262,071	81.6%	296,457
Northern Cape	79,917	-	-	79,917	79,917	100.0%	79,917	102,576	128.4%	89,442
North West	467,880	141,915	-	609,795	467,880	76.7%	467,880	615,411	100.9%	421,378
Western Cape	456,740	76,509	-	533,249	456,740	85.7%	456,740	533,248	100.0%	446,035
Human Settlement Redevelopment Programme:										
Eastern Cape	-	174	16,748	16,922	-	0.0%	-	174	1.0%	11,660
Free State	9,475	11,208	11,205	31,888	9,475	29.7%	9,475	14,655	46.0%	9,010
Gauteng	4,130	3,169	3,167	10,466	4,130	39.5%	4,130	7,299	69.7%	22,260
KwaZulu-Natal	-	-	55,420	55,420	-	0.0%	-	-	0%	27,560
Limpopo	1,418	19,843	28,409	41,670	1,418	3.4%	1,418	5,001	12.0%	11,660
Mpumalanga	-	9,123	8,985	18,108	-	0.0%	-	7,108	39.3%	7,420
Northern Cape	-	3,180	-	3,180	-	0.0%	-	3,180	100.0%	3,180
North West	-	-	-	-	-	0.0%	-	-	0%	-
Western Cape	9,373	20,365	-	29,738	9,373	31.5%	9,373	18,601	62.5%	14,310
TOTAL	4,867,876	452,693	115,934	5,436,503	4,867,876		4,867,876	5,069,805		4,580,657

Annexures to the Annual Financial Statements for the year ended 31 March 2006

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ANNEXURE 1B

STATEMENT OF UNCONDITIONAL GRANTS AND TRANSFERS TO MUNICIPALITIES										
NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT			2004/05
	Amount	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	R'000
Taxes and compulsory fees - Municipalities:						0.0%		0.0%		
RCSL: Tshwane Metropolitan	189	-	-	189	189	100.0%	-	0.0%		149
				-		0.0%			0.0%	
TOTAL	189	-	-	189	189		-	-		149
RCS Levies										

ANNEXURE 1C

STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS							
DEPARTMENTS/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER 2004/05		
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Final Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
SERVCON	42,097			42,097	42,097	100.0%	38,554
SOCIAL HOUSING FOUNDATION	20,578			20,578	20,578	100.0%	21,047
NURCHA	22,879			22,879	22,879	100.0%	1,314
PHPT	5,000			5,000	5,000	100.0%	-
THUBELISHA HOMES	57,700			57,700	57,700	100.0%	
TOTAL	148,254	-	-	148,254	148,254		60,915

ANNEXURE 1D

STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS							
FOREIGN GOVERNMENT/ INTERNATIONAL ORGANISATION	TRANSFER ALLOCATION				EXPENDITURE 2004/05		
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Final Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers HABITAT	69			69	69	100.0%	65
TOTAL	69	-	-	69	69		65



Annexures to the Annual Financial Statements for the year ended 31 March 2006

ANNEXURE 1E

STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES									
(NAME OF PUBLIC CORPORATION /PRIVATE ENTERPRISE)	TRANSFER ALLOCATION				EXPENDITURE				2004/05
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Capital	Current	Total Available
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
Private Enterprises Phasing out of subsidy scheme	411			411	1	0.2%		355	355
TOTAL	411	-	-	411	1		-	355	355

ANNEXURE 1F

STATEMENT OF TRANSFERS/SUBSIDIES TO HOUSEHOLDS							
HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE 2004/05		
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Final Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Gifts	296			296	296	100.0%	355
Leave gratuity H v Brakel	37			37	37	100.0%	120
Bursaries Capacity B	135			135	135	100.0%	-
TOTAL	468	-	-	468	468		475

ANNEXURE 1G

STATEMENT OF LOCAL AND FOREIGN AID ASSISTANCE RECEIVED FOR THE YEAR ENDED 31 MARCH 2006					
NAME OF DONOR	PURPOSE	OPENING BALANCE	REVENUE	EXPENDITURE	CLOSING BALANCE
		R'000	R'000	R'000	R'000
Received in cash					
European Union	Support programme for Social Housing	-	20,209	20,209	-
Norway	Development of the housing co-operation sector in South Africa programme		1,542	1,542	-
USAID	Peoples housing programmes	4,123	-	1,402	2,721
TOTAL		4,123	21,751	23,153	2,721

Annexures to the Annual Financial Statements for the year ended 31 March 2006

ANNEXURE 2A

STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO NATIONAL/PROVINCIAL PUBLIC ENTITIES AS AT 31 MARCH 2006											
(Only Public and Private Entities)											
Name of Public Entity	State Entity's PFMA Schedule type (state year end if not end if not 31 March)	% Held 04/05	% Held 05/06	Number of shares held		Cost of investment R'000	Net Asset value of investment R'000		Profit/(Loss) for the year R'000		Losses guaranteed
				2005/06	2004/05		2005/06	2004/05	2005/06	2004/05	
National/ Provincial Public Entity	3A	100.0%	100.0%	84,187,338	84,187,338	880,000	3,129,695	1,827,732	72,081	59,808	No
National Housing Finance Corporation (NHFC)						880,000			72,081		
TOTAL						880,000	3,129,695	1,827,732	72,081	59,808	



Annexures to the Annual Financial Statements for the year ended 31 March 2006

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2006 - LOCAL								
Guarantor institution	Guarantee in respect of	Original Guaranteed capital amount	Opening Balance 01/04/2005	Guarantees issued during the year	Guarantees released/ paid/ cancelled/ reduced during the year	Guaranteed interest outstanding as at 31 March 2006	Closing Balance 31/03/2006	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
STANDARD BANK OF SA LTD	Housing	90	72	18	-	-	90	-
NEDBANK LTD	Housing	165	134	31	-	-	165	-
FIRSTRAND BANK LTD FIRST	Housing	53	84	-	31	-	53	-
ABSA	Housing	272	272	52	52	-	272	-
OLD MUTUAL FINANCE LTD	Housing	6	6	-	-	-	6	-
PEOPLES BANK LTD FORME	Housing	14	14	-	-	-	14	-
NEDBANK LTD	Housing	16	16	-	-	-	16	-
FIRSTRAND BANK LTD FIRST	Housing	127	127	-	-	-	127	-
OLD MUTUAL BANK DIV OF NEDBANK	Housing	53	53	-	-	-	53	-
Sub Total		796	778	101	83	-	796	-
SERVCON	Other	245,284	204,955	-	184,986	-	19,969	-
Sub Total		245,284	204,955	-	184,986	-	19,969	-
TOTAL		246,080	205,733	101	185,069	-	20,765	-

ANNEXURE 3B

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 200					
Nature of Liability	Opening Balance 01/04/2005	Liabilities incurred during the year	Liabilities paid/ cancelled/reduced during the year	Liabilities recoverable	Closing Balance 31/03/2006
	R'000	R'000	R'000	R'000	R'000
Claims against the department Legal Action	-	315	-	-	315
TOTAL	-	315	-	-	315

Annexures to the Annual Financial Statements for the year ended 31 March 2006

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ANNEXURE 4

CAPITAL TANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006				
	Opening Balance	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	12,921	7,076	1,052	18,945
Transport assets	754	-	-	754
Specialised military assets		-	-	
Computer equipment	5,201	2,180	555	6,826
Furniture and Office equipment	4,653	3,818	497	7,974
Other machinery and equipment	2,313	1,078	-	3,391
TOTAL CAPITAL ASSETS	12,921	7,076	1,052	18,945
ANNEXURE 4.1				
ADDITIONS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006				
		Cash	In-Kind	Total
		R'000	R'000	R'000
MACHINERY AND EQUIPMENT		6,869	-	6,869
Transport assets				-
Specialised military assets				-
Computer equipment		2,157		2,157
Furniture and Office equipment		3,746		3,746
Other machinery and equipment		966		966
TOTAL CAPITAL ASSETS		6,869		6,869
ANNEXURE 4.2				
DISPOSALS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006				
		Cost/Carrying	Cash	Profit/(loss) on
		Amount R'000	R'000	Disposal R'000
MACHINERY AND EQUIPMENT		1,052	-	(1,052)
Transport assets				-
Specialised military assets				-
Computer equipment		555		(555)
Furniture and Office equipment		497		(497)
Other machinery and equipment				-
TOTAL CAPITAL ASSETS		1,052	-	(1,052)



Annexures to the Annual Financial Statements for the year ended 31 March 2006

ANNEXURE 4.3				
CAPITAL TANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2005				
		Additions R'000	Disposals R'000	Total Movement R'000
MACHINERY AND EQUIPMENT		8,817	677	8,140
Transport assets		500	311	189
Specialised military assets		-	-	-
Computer equipment		1,705	356	1,349
Furniture and Office equipment		3,700	-	3,700
Other machinery and equipment		2,912	10	2,902
TOTAL CAPITAL ASSETS		8,817	677	8,140
ANNEXURE 5				
CAPITAL INTANGIBLE ASSET COST MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006				
	Opening Balance R'000	Additions R'000	Disposals R'000	Closing Balance R'000
Patents, Copyrights, Brand Names & Trademarks	-	-	-	-
Computer Software	1,224	102	-	1,326
Masterheads & Publishing Titles	-	-	-	-
Recipes, Formulas, Prototypes, Designs & Models	-	-	-	-
TOTAL	1,224	102		1,326
ANNEXURE 5.1				
ADDITIONS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006				
		Cash R'000	In-Kind R'000	Total R'000
Patents, Copyrights, Brand Names & Trademarks		-	-	-
Computer Software		102	-	102
Masterheads & Publishing Titles		-	-	-
Recipes, Formulas, Prototypes, Designs & Models		-	-	-
TOTAL		102		102
ANNEXURE 5.2				
CAPITAL INTANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2005				
		Additions R'000	Disposals R'000	Total Movement R'000
BUILDING AND OTHER FIXED STRUCTURES				
Patents, Copyrights, Brand Names & Trademarks		-	-	-
Computer Software		490	-	490
Masterheads & Publishing Titles		-	-	-
Recipes, Formulas, Prototypes, Designs & Models		-	-	-
TOTAL		490	-	490

Annexures to the Annual Financial Statements for the year ended 31 March 2006

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ANNEXURE 6

INTER-GOVERNMENTAL RECEIVABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2006 R'000	31/03/2005 R'000	31/03/2006 R'000	31/03/2005 R'000	31/03/2006 R'000	31/03/2005 R'000
DEPARTMENTS						
Other Depts Salary Refunds	-	-	-	165	-	165
Eastern Cape	-	124	-	-	-	124
Kwazulu Natal	-	60	-	-	-	60
Northern Province	-	38	26	-	26	38
Transport	6	-	-	-	6	-
Water Affairs And Forestry	7	-	-	-	7	-
Defense	8	-	-	-	8	-
Labour	10	-	-	-	10	-
Uif	1	-	-	-	1	-
Statistics SA	17	-	-	-	17	-
SARS	16	-	-	-	16	-
TOTAL	65	222	26	165	91	387

ANNEXURE 7

INTER-DEPARTMENTAL PAYABLES – CURRENT

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2006 R'000	31/03/2005 R'000	31/03/2006 R'000	31/03/2005 R'000	31/03/2006 R'000	31/03/2005 R'000
DEPARTMENTS						
Current						
Department of Foreign Affairs			307		307	-
Department of Justice			5		5	-
Department of Health				13		13
Department of Labour				29		29
Office of the Premier: KwaZulu-Natal				914		914
SAMDI				33		33
TOTAL	-	-	312	989	312	989



Annual financial statements and annual reports for 2005/06 in terms of section 27 of the Division of Revenue Act, 2005: Integrated Housing and Human Settlement and Development Grant

1. Section 27(a)

Integrated Housing and Human Settlement Development Grant	R`000
PROVINCE	581,218
Eastern Cape	398,618
Free State	1,340,675
Gauteng	799,659
Limpopo	397,650
Mpumalanga	321,123
Northern Cape	79,917
North West	467,880
Western Cape	456,740
TOTAL	4,843,480
Human Settlement Redevelopment Grant	
Eastern Cape	0
Free State	9,475
Gauteng	4,130
KwaZulu-Natal	0
Limpopo	1,418
Mpumalanga	0
North West	0
Western Cape	9,373
TOTAL	24,396

2. Section 27(b)

Indicate the transfers, if any, that were withheld in respect of each province or municipality.

There were no grant funds withheld during the year.

3. Section 27(c)

It is hereby certified that all the allocated funds in respect of the two grants were deposited in the provincial primary accounts as per the instruction from the National Treasury.

4. Section 27(d)

The National Transferring Officer did not utilise nor retain any of the grant funds for administration purposes.

5. Disclosure

The National Department could not certify that all the provincial business plans in respect of the 2005/06 financial year were approved before the end of the 2004/05 financial year as some of the provincial Departments of

Housing experienced problems in the compilation thereof and consequently submitted the business plans late.

The submission of business plans was not a requirement prior to 2005/06. It should be emphasised that the submission of business plans in the format and magnitude required was a first time experience for all the provinces and as such that contributed to the delays in submission of the business plans. The Certificate of Compliance was submitted before the due date of 15 April 2005 in respect of eight of the provinces. No funds were transferred to the provinces prior to submission by the provinces of their business plans.

6. Monitoring of Provinces

All the provinces submitted the required conditional grants reports and provided the information in terms of the approved guidelines, and if and when necessary made additional information available. The National Department submitted expenditure reports and non-financial information on a quarterly basis, to HOD and MINMEC meetings where the content was discussed in detail.

The National Department was earlier in the financial year not satisfied with the rate of expenditure and communicated in writing with the provinces to rectify the situation. The Minister also visited most of the provinces and met with the MEC's and senior management staff to address housing delivery and attendant financial matters. The HSS system is also used to an extent.

In respect of the Human Settlement and Redevelopment grant compliance with the conditions of the Programme is being monitored in terms of an approved Monitoring and Reporting Framework. Despite having this framework in place it has been difficult to monitor compliance with the Division of Revenue Act. This was due to a lack of quality reporting in accordance with the above framework by some Provinces. The Department addressed the aforementioned problems through provincial project manager meetings, providing provinces with detailed monthly feedback regarding the quality of the monthly reports and conducting provincial visits. In addition to these interventions the Departments also requested detailed project by project status quo reports in some provinces from the project implementors to ensure that information contained in the monthly reports are accurate and concise. These feedback processes focused on resolving inconsistencies in and omissions of required information. This task has, however, been challenging in relation to some provinces as the provincial project managers are changed regularly with the end result that ongoing training and capacitation needs to occur to ensure that the required information is submitted. In accordance with the grant framework only funding committed in terms of approved business plans was transferred to the Provinces throughout the course of the financial year.

The HSRP was furthermore reviewed concurrently with the formulation of the Comprehensive Plan for the Development Sustainable Human Settlements of the Department of Housing within which the Department committed itself towards achieving the broader notion of sustainable human settlements and more efficient cities, towns and regions. The projects funded through this pilot programme contributed towards the mainstreaming of certain elements within the comprehensive plan including *inter alia* the funding of the provision of selected social and economic facilities and amenities.



7. Extent of achievements in respect of the Integrated Housing and Human Settlement Development Grant

Number of housing projects approved:	321
Number of subsidies represented by approved housing projects:	137 746
Number of subsidies approved to specific beneficiaries:	153 528
Housing delivery:	
Number of sites completed:	115 175
Number of units completed:	137 659

8. Explanations on under expenditure of Conditional Grants

8.1 Integrated Housing and Human Settlement Development Grant

8.1.1. Limpopo

The province indicated the following matters, which affects the expenditure:

- Building of houses were affected by a shortage of acceptable quality bricks. The contractors could only deliver 1 500 bricks per week while the province needed 3 000 to meet their target of building 12 000 houses.
- Housing delivery was affected by heavy rains in the period January to March 2006.
- Non-compliance by developers when submitting claims without the relevant supporting documents.
- Usage of unspecified material by some of the contractors delayed the flow of payment.

The province took the following remedial actions:

- Specifications amended to authorise certain individual contractors to use cement bricks.
- All local authorities were informed in writing that cement bricks may be used as indicated in the first bullet.
- Contractors were reminded to attach the relevant supporting documents when they submit progress claims. Project Managers were also requested to ensure that all supporting documents are attached to claims at the time of submission.
- A meeting was held with all contractors to urge them to complete projects in terms of provisions of the agreement.
- Contractors were urged to use the specified material as per departmental prescripts.

8.1.2. Free State

A variety of factors influenced housing delivery in the province but one of the major contributing factors was the heavy rainfall experienced in many areas, which resulted in the delay of the construction process, as the material delivery vehicles could not access the construction sites. Lack of capacity, especially on technical level is a crucial factor.

The Provincial Housing Department, in consultation with the MEC and with the approval of the Provincial Executive Council, is addressing matters influencing delivery in a document named "The Turn-A-Round" housing strategy. The document is comprehensive and *inter alia* the following aspects will be addressed:

- The Provincial Housing Department will support Local Authorities with the development of their IDP's and based on that document, in a consultative process, execute housing delivery.
- Identify suitable land in collaboration with Local Authorities and ensure that a general plan and township register be opened.
- Prioritise the provision of services for proposed affordable housing development.
- Ensure that Local Authorities create and manage a "Living Waiting List" of prospective beneficiaries.
- Capacitate Local Authorities through the departmental capacity building programmes. Emphasising skills of a technical nature which include, project management, quality control, legal, consumer education and other housing delivery related aspects.
- Ensure the completion of partially constructed housing units.

8.1.3. Mpumalanga

General

The department took a strategic decision to focus on the completion of incomplete housing projects that were blocked as a result of non-availability of land and inflation problems.

The provincial department had challenges relating to staff due to high vacancy rates in the Chief Directorate: Housing and Technical, especially in the area of project management and engineering services.

Specific problems

Individual and contract based subsidies: In this province there are over 750 small emerging builders building houses and some of them have been found to be non-performing. Regrettably, fraudulent activities occurred on some projects, which resulted in disciplinary actions being taken as well as criminal charges being laid. The impact of inflation in respect of the subsidies also had an effect;

Project linked: The subsidy amount is used not only for the top structure, but also to design and install water and sewer connections, gravel roads and minimum storm water systems in a Greenfield area where a number of houses are planned. The projects were blocked due to various land related matters, eg. township establishment. The heavy rain also contributed significantly to slow progress.

People Housing Process: This instrument is in respect of the people who wish to construct their own houses with the help of a support organisation. The progress is slow due to factors such a water supply in the rural areas, escalation of material prices; support organisations which are not credit worthy or do not have adequate funds to purchase materials in bulk.

Remedial action taken

- Cancelled the contracts of the non-performing contractors and followed the prescribed process to appoint new contractors. A more stringent approach was adopted with appointment of new/ replacement contractors.
- The legal department allocated more resources towards the finalisation of new contracts.



- In respect of the effects of inflation on the subsidies the province obtained an additional allocation from the Provincial Treasury to address the problem.
- In view of the small profit margin only small contractors could be appointed.
- Consultants appointed, were instructed to concentrate more on construction management in areas where incomplete top structures existed. Departmental staff were instructed to be on sites for at least 3 days to assist contractors with problems.
- Contracted with material suppliers in order to assist contractors who have difficulty to obtain credit.

8.2. Human Settlement Redevelopment Programme (HSRP)

The transfer of funds was affected on condition that suitable business plans were submitted and approved by the Department of Housing. The allocation of R24,396 million was made available to honour the commitments made in relation to project business plans already approved in the 2004/05 financial year. The grant funds the capital expenditure of the projects approved in terms of the criteria of the Programme.

The Transfer of Payment Schedule was not amended during the 2005/06 financial year. As prescribed by the grant framework the funding was only transferred to the provinces once approved business plans were in place.

In the 2005/06 financial year total expenditure in terms of the HSRP amounted to R102,351 million. The total 2005/06 allocation plus R77,955 million of the roll overs from previous financial years was thus spent. Provinces generally have improved upon their year on year expenditure in the 2005/06 financial year. Gauteng has spent 100% of its HSRP funding whilst Free State, Mpumalanga and North West have spent over 75% of the total allocations (current year allocations plus roll over amounts from previous financial years).