NORTH-WEST HOUSING CORPORATION

Legae La Batho

Annual Report 2017-2018

Year Ended 31 March

ANNUAL REPORT
For
NORTH WEST HOUSING CORPORATION
2017 - 2018 FINANCIAL YEAR

Contents

Part A

GENERAL INFORMATION

1 PART A: GENERAL INFORMATION

1.1 ENTITY GENERAL INFORMATION

Name of the Entity:	North West Housing Corporation
Physical Address:	Theresa House, 15 Nelson Mandela Drive
Postal Address:	Private bag x 38, Mmabatho, 2735
Telephone:	018 381 0647
Auditors:	Auditor-General (South Africa)
Banker:	FNB
Board Secretary:	Advocate Makinde

1.2 LIST OF ACRONYMS

The below description of the acronyms is intended to make users understand the meanings of acronyms utilized in the annual report.

ABSA	Amalgamated Banks of South Africa
APP	Annual Performance Plan
CRU	Community Residential Units
FLISP	Finance Linked Individual Subsidy Program
FNB	First National Bank
HRM	Human Resource Management
ICT	Information Communication Technology
MEC	Member of the Executive Council
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
DLG&HS	Department of Local Government & Human Settlements
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
NWHC	North West Housing Corporation
ACEO	Acting Chief Executive Officer
POA	Power of Attorney

1.3 FOREWORD BY THE CHAIRPERSON

The North West Housing Corporation Key focus in the 2017/18 financial year was to resuscitate the corporation. To this extent, a newly functional Board was constituted by the Shareholder and a shareholder's agreement was signed.

As a way of moving the NWHC forward, in the next three financial years, during the 2017/18 financial year, we had a strategic planning session where we solicited feedback from staff, executive members of the Department of Local Government and Human Settlements, Board of Directors and external stakeholders such as the Office of the Auditor-General.

From the strategic planning session, we were able to review our strategic strength, weakness, opportunities and threats. We created three programs, which are housing property management, property development and administration in developing our strategic priorities. We also took the management team for balance scorecard training to improve our performance management, service delivery target setting and management of an outcome oriented service delivery for housing provision.

During the financial year, the Board was also able to fill key positions at top management level with well-resourced and skilled staff to drive the strategic priorities of government as set out in the NWHC strategic plan. Our objectives were to reposition the NWHC in the provision of sustainable housing, asset management, property valuations and regularisation of properties project / verification and compilation of a credible asset register for NWHC with improved audit outcomes.

The five concretes of government, as pronounced by the Honourable Premier Supra Mahumapelo, provides us all with strategies to exploit all possibilities which can enable us to promote VTSD programs, Setsokotsane improved service delivery, streng then governance with establishment of a functional board supported by a diligent Audit and Risk Committee.

Going forward, we are set to deliver effective housing to the communities, improved funding model, create an improved communication platform with our communities, better communication strategy, social media interaction and website development for NWHC. It will be necessary to reposition the NWHC for community education and advocacy to ensure that the municipality cooperates on the issues of rates and taxes, establishment of township register, title deed restoration, rental housing management and community housing project opportunities.

A better rental housing management, well-coordinated and controlled property sale or disposal process. Development of a mixed housing project and student hostel project will facilitate better access to community housing within a coordinated and stakeholder involvement framework as part of NWHC key projects in the achievement of our property management and development mandate.

The challenge that the Corporation now faces is to obtain the Shareholder's policy clarification on the management and ownership of the assets, which remains a point of discrepancy in this year's Auditor-General's Audit. There seem to be a difference of opinion in the interpretation of revenue recognition and the treatment of assets on our asset register. We would do our best to address this challenge in the current financial year and going forward so that we can see change that will allow the NWHC to improve the quality of lives of our people on housing provision.

The achievement of the Board could not have been accomplished without the guidance and support of the Shareholder, Head of Department for Department of Local Government and Human Settlements, the Portfolio Committee, the NWHC Board of Directors guidance, leadership and support, coupled with the professional and competent management led by the Acting CEO is highly appreciated.

I believe we are building a new foundation with shared vision amongst all role players to ensure that all possible avenues are exploited to create affordable housing opportunities for our communities.

I THANK YOU.

Mr I R MODISELLE

Chairperson: North West Housing Corporation Board

Date: 30/08/2018

1.4 OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

Background

The North West Housing Corporation (NWHC) is a legal entity established in terms of North West Housing Corporation Act No. 24 of 1982 and it is classified as a Schedule 3 (c) public entity in terms of the Public Finance Management Act No. 1 of 1999. The NWHC exists to provide and further the provision of housing, shelter and accommodation to low income communities.

Strategic Programme

In 2017/18 financial year the NWHC strived to ensure that our three focal programmes, namely, Administration, Housing Property Development and Property Management continue to be in alignment and be anchored by the policy decision of adopting the 5 concretes of the provincial economic development. As part of the Annual Performance Plan the entity planned to implement 32 key performance areas in the year 2017/18 of which more than 80% of them achieved their targets.

Governance and Administrative support

The Management and the Board took a concerted effort to build and strengthen the corporate governance and administrative support within the NWHC to enhance the efficiency and effectiveness of service delivery and quick response to service related queries.

A fully functional Board constituted four committees, namely the Governance and Human Resources Committee, the Property Committee, the Finance Committee and the Audit and Risk Committee which were meeting on a regular basis to attend to relevant service delivery issues for consideration and resolutions by the Board.

The entity has made great strides improving governance and risk-based control management system through the establishment of the Internal Audit function coupled with the appointment of an independent Chairperson of the Audit and Risk Committee. The Risk Management Unit was also established to improve the management and mitigation of the strategic and operational risks of the Corporation.

Finance and Human Resources Capacity

Immediate staffing of the NWHC was prioritized to increase the finance and human resources capacity to deliver the set performance targets and the set objectives on time. The North West Housing Corporation was in an unfortunate position of over -reliance on support from the Department of Local Government and Human Settlements (DLG&HS) on issues of staffing, and financial management. The Corporation addressed this institutional anomaly as a matter of urgency. The DLG&HS eventually transferred allocated funds to the NWHC and the Entity and DLG&HS agreed on a fixed term period of the staff secondment thus creating a sense of stability and effective management of human resources.

In addition, all the senior management positions were filled and these officials were also introduced to the Balance Scorecard training to enhance their skills and knowledge on performance management and evaluation.

Furthermore, in acknowledging the need to build an institutional capacity to implement the mandate of the Entity, the North West Housing Corporation initiated and implemented an internship programme which gave a total of 15 young graduates the work place skills experience.

Assets of the Corporation

The assets of the Corporation represent public property, and custodianship and related recording is imperative for the state. The Corporation in this financial year had challenges in providing documentation to support legal title of property assets. The entity, based on technical research, believes that the substantive rights of the property belong to it. There have been disagreements with the Auditor General in this opinion, based on control associated with the legal verses substantive rights, contributing to a disclaimer in the audit opinion. The Corporation, as a public entity resolved to account and recognised these properties, despite the differences in opinion. This challenge will be of high priority to resolve by public sector stakeholders a in the next financial year.

Revenue generation

In 2017/18 financial year, as the entity, we also planned to intensify the collection of revenue for the purpose of business continuity and growth. To that end, we developed and implemented a revenue enhancement strategy. Through this intervention the NWHC experienced an annual increase of income from approximately R 806,623 in the previous year to R 6.712 million in the 2017/18 financial year.

Property development and management

On the 24th of September 2017 we concluded a Memorandum of Agreement with the Department of Local Government and Human Settlements directing us to assist in the management of the Matlosana Community Residential Units (CRU) on behalf of the Matlosana Local Municipality. Furthermore, the NWHC also entered into a financially sound leasing agreement on the Morula property with a company called GoldRush.

The Management and the staff of the NWHC at all times strive to deliver on its mandate and continually improve on that under the leadership and direction of the Board and the Honourable MEC of Local Government and Human Settlements.

MR. M K F BOSHIELO

Acting Chief Executive Officer

North West Housing Corporation

DATE: 30/08/2018

1.5 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed throughout the annual report are consistent. The annual report is complete, accurate and is free from any omissions. The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury. The Annual Financial Statements (Part D) have been prepared in accordance with the GRAP and the relevant frameworks and guidelines issued by the National Treasury.

The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in this information. The Accounting Officer is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements. The external auditors are engaged to express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2018.

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MR. M K F BOSHIELO

Acting Chief Executive Officer

North West Housing Corporation

DATE: 30/08/2018

1.6 STRATEGIC OVERVIEW

VISION

To be the preferred world-class provider of affordable, integrated and sustainable quality housing solutions through "smart" partnership

MISSION

To plan, promote integrated and sustainable quality housing solutions with superior customer experience through good governance

VALUES AND PRINCIPLES

Our organizational culture is depicted by the following attributes:
Professionalism and innovation – develop new methods and ideas that will bring positive changes to NWHC

Efficiency and effectiveness – We will always satisfy our clients by delivering timely, quality and skillful and honest service to our clients

MANDATE OF THE NWHC

The legal mandates-of the North West Housing Corporation are founded in section 19 of the Act and are in brief, the following:

- To assess, determine and review the position regarding homelessness and housing in the Province;
- To investigate, plan prepare, commission and execute schemes and programmes for the provision of shelter, accommodation and housing in the Province;
- To advise and render physical assistance and other assistance to any local, regional or rural authority and private person with regard to shelter, accommodation and housing, urban or rural planning, development of services of a technical nature connected with any form of shelter, accommodation and housing;
- To promote the provision of accommodation and housing on a provincial level, as well as individual home-ownership;
- To make recommendations of the Executive Council with regard to all matters connected with any form of shelter, accommodation and housing; and
- To advise and render financial, physical and other assistance of the Government of the Province with regard to urban and rural planning, shelter, accommodation and housing.

STRATEGIC GOALS

The strategic objectives of the NWHC are indicated below, and split into 3 programmes being Administration, Housing Property Development, and Property Management.

PROGRAMME 1: ADMINISTRATION

The strategic goal for the programme is:

Strategic Outcome-Oriented Goal 1	**An appropriately capacitated North West Housing Corporation that provides comprehensive housing solution to the Province**
Goal Statement	The following is a list of strategic objectives for the programme during the year under review: • Provision of effective Human resource management and development • To secure sufficient financial resources for the NWHC to enable it to carry out its mandates • To provide overall management in accordance with applicable legislation • To strengthen corporate governance and administrative support to enhance efficiency and effectiveness of the service delivery implemented with our stakeholders and partners • To establish Risk Management System • To establish Internal Audit system • To enhance human resources utilization, staff health and capacity building • To streamline necessary contracts involving the Corporation • To restore a positive perception and build relationship with stakeholders • To develop an appropriate IT systems

PROGRAMME 2: HOUSING PROPERTY DEVELOPMENT

The strategic goal for the programme is:

Strategic Outcome-Oriented Goal 2	**Improved living condition of beneficiaries by the establishment of a functional, efficient and resilient real estate management and development agent in collaboration with stakeholders**
Goal Statement	The following is a strategic objective for the programme during the year under review: • To set in place appropriate and responsive policies, regulatory frameworks and systems to enable NWHC institutional performance management and accountability • To facilitate the development of support programs that will bring about an innovative, efficient, accessible, accountable and responsive housing programs • To effectively manage the leases and property maintenance, housing allocations with an accountable fair and transparent processes

PROGRAMME 3: PROPERTY MANAGEMENT

The strategic goal for the programme is:

Strategic Outcome- Oriented Goal 3	**To provide and facilitate the provision of quality housing and other buildings for the benefit of the lower, middle and if necessary higher income group within our society**
Goal Statement	The following is a strategic objective for the programme during the year under review: • To increase the rate of return on investment for NWHC properties • To provide credible human settlement plans, feasibility study and project implementation • To facilitate the upgrade process of informal settlements in the VTSD areas • To facilitate the process of enhanced housing projects, that promotes integrated housing provisions

1.7 LEGISLATIVE MATTERS

The following are the regulatory frameworks within which the entity operates:

- North West Housing Corporation Act 24 of 1982 as amended
- Public Finance Management Act 1 of 1999 as amended.
- Treasury Regulations.
- Labour Relations Act 66 of 1995 as amended.
- Basic Conditions of Employment Act 75 of 1997 as amended
- Constitution of the Republic of South Africa, 1996 (Act No. 108 of1996)
- Rental Housing Act, 1999 (Act No. 50 of 1999)
- Housing Development Act 11 of 1998 (as amended)

1.8 MEMBERS OF THE BOARD

The board members of the NWHC are:

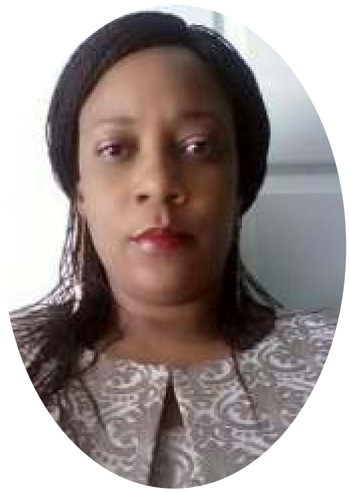
- IR. Modiselle (Chairperson)
- KK. Tlhoaele
- M. Lemme
- H. Moselane
- Dr. V. Rampagane
- D.N Tsagae
- I.F Thoka
- Adv S.O Makinde (Company Secretary)

IR MODISELLE: Chairperson

K.KTlhoale
Board Member

M. Lemme
Board Member

H.Moselane
Board Member



Dr V Rampagane
Board Member

IT Thoka
Board Member

D N Tsagae
Board Member

1.9 SENIOR MANAGEMENT

Senior management of the NWHC are:

- M.K.F Boshielo (Acting Chief Executive Officer)
- M.J Molefe (Acting Chief Financial Officer) – Resigned 1 August 2017
- T Tisane (Acting Chief Financial Officer) – Appointed 23 August 2017
- T.B Kola (Corporate Services Management)

Part B

PERFORMANCE INFORMATION

2 PART B: PERFORMANCE INFORMATION

2.1 AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion.
The audit conclusion on performance against predetermined objectives is included in the Report to Management, under the Predetermined Objectives heading in the Report on other legal and regulatory requirements' section of the Auditor's Report.
Refer to pages 40 of the Auditors Report, published as Part D: Financial Information

2.2 OVERVIEW OF THE BOARD PERFORMANCE

Enhanced Own Income Generation

During the year the NWHC increased its capacity to generate own revenue with in come increasing from R806 623 in last year last year to more than R 6,712 million

Resolution on Significant Litigation Case

During the year the NWHC won the case between Mothuloe Attorneys and NWHC, through a constitutional court judgement in favour of the NWHC, a claim of R 667 million.

On boarding CRU Management

During the year the Corporation established a fully functional CRU unit and took over the Matlosana CRU project. To date there are 75 tenants occupying the CRU and paying rent.

Morula Sun official hand over

During the year, in April 2017, the property of the former Morula Sun was handed over by Sun International to the NWHC

Corporate Governance

Improved governance functions with fully functional internal audit unit and risk management unit

2.3 OVERALL ENTITY PERFORMANCE

The NWHC experienced lack of capacity and limited funds during the financial year. This put significant strain on ability to meet some of the objectives as defined in the Annual Performance Plan.

The overall entity performance against pre-determined performance objectives is indicated below:

PROGRAMME 1: ADMINISTRATION

Purpose

The aim of this programme is to provide administrative support to the entire entity. The programme comprises of the following units:

- Human Resource management
- Information and technology
- Filling and archives management
- Communication and Registry
- Policy research and development

The performance of this programme during the financial year is indicated as follows:

Programme 1: Administration

Strategic Objective	Performance Indicator	Annual Target 2017/2018	Actual performance	Reasons for deviations	Remedial action
Provision of strategic direction and leadership	Number of Board Meetings held	6	**8**	Held special meetings to consider the following: -AG Report - Morula Land development proposals and PEGA processes	-
	Percentage of board resolutions implemented	100%	**95%**	Late implementation of the Board resolution	Introduction and implementation of effective monitoring system – monthly follow up action report
Provision of effective Human Resource management and development	Number of HR Strategy Developed	1	**1**	-	-
	Number of performance agreements developed for top management	6	**6**	-	-

Programme 1: Administration

Strategic Objective	Performance Indicator	Annual Target 2017/2018	Actual performance	Reasons for deviations	Remedial action
Provision of Information Technology Facility and Security Management	Number of IT systems implemented	4	**5** - **Network Connectivity** - **Payroll** - **Accounting** - **AFS : Case ware financial reporting** - **Baud Barcoding** - **Propwox asset management**	Target Exceeded. Operational requirement necessitated the procurement of 2 additional systems: - Baud Barcoding - Propwox asset management	
Improvement of image of the NWHC	Number of communication strategy Developed	1	**1**		
	Number of newsletter article released	2	**2**		
Ensure legally sound environment	Number of services level agreements signed with the Department (Dlg&hs)	1	**1**		
	Number of commercial agreements signed (Morula Sun)	1	**1**		

Programme 1: Administration

Strategic Objective	Performance Indicator	Annual Target 2017/2018	Actual performance	Reasons for deviations	Remedial action
Constant monitoring and assessment of entity wide risk	Number of Risk Management Policy developed	1	**1**		
	Number of Risk Register Developed, and approved	1	**1**		
Provide quality assurance for the internal control environment	Number of Internal Audit Plans developed	1	**1**		
	Number of (POST)Audit Action plans developed	1	**1**		
Maintenance of a strong financial management environment	Number of MTEF budgets submitted to Provincial Treasury	1	**1**		
	Number of Revenue enhancement strategies approved	1	**1**		
	Amount of income generated from property assets	R2,0mn	**R 2,542,043**	Target exceeded. Adoption of Revenue recognition Policy	None
	Amount of collection from existing instalment sale agreements	R3,0mn	**R 1,820,406**	Slow payment	Pro-active follow up engagement with clients
	Amount of income generated from Morula property lease	R1,4mn	**R 2,350,000**	Target exceeded. Better negotiations of lease agreement with Morula Goldrush	None

Programme 1: Administration					
Strategic Objective	**Performance Indicator**	**Annual Target 2017/2018**	**Actual performance**	**Reasons for deviations**	**Remedial action**
Maintenance of a transparent and effective supply chain management environment	Number of updated supply chain management policy	1	**1**		
	Number of a Procurement Plan Developed	1	**1**		
	Approved supplier database	1	**1**		

Narrative – Programme 1: Administration

Of the 22 KPIs targets, 21 of them were achieved under programme 1 – Administration

Strategic direction and Leadership

One of the key strategic areas of the Board is to strengthen corporate governance and compliance within the NWHC and to reinforce its governance to be in line with best-practice corporate governance principles and to strive to achieve transparency, accountability, efficient management and optimal use of its resources.

The Board and all its established committees (Finance Committee; Human Resources, Governance and Legal Services Committee, Property Committee, Audit and Risk Committee) were fully functional and operated in line with the approved terms of reference. During the period under review the Board held 8 (eight) board meeting including two special meetings. The Board used these meetings to monitor amongst others the Corporation's financial health, risk management, and the implementation of the Annual Performance Plan (APP). The Board ensured that all resolutions taken from these meetings are implemented accordingly.

Strategy, systems and policy development

Policy workshop with the Board and the management was held to enhance and improve compliance with King III code and the Protocol on Corporate Governance for Public Entities; and PFMA. The NWHC conducted a review of the current governance practice in the Corporation through the development of new policies and the reviews of the existing policies to ensure that best practices are upheld.

Governance

The Management and the Board took a concerted effort to build and strengthen the corporate governance and administrative support within the NWHC to enhance its efficiency, effectiveness of service delivery and quick response to service related queries.

During the period under review Internal Audit Function and the Risk Management Units were established to improve corporate governance, internal controls, the management of the risks and compliance to legislative frameworks, policies, processes and systems. In line with the APP, the Internal Audit plan was drafted and approved by the Board and the Audit and Risk Committee provided much needed quality assurance and ensured the efficient implementation of audit plan.

The Board also approved the Risk Register that identified and priorities critical risk areas of the Corporation that must be mitigated, managed and monitored on regular basis.

Human resource management

The immediate staffing of the NWHC was prioritized to increase the finance and human resources capacity to deliver the set performance targets and the set objectives on time. In this regard all critical and Senior management positions were filled namely Corporate Services Manager (Seconded from DLG&HS), Internal Audit Manager, Risk Management Manager, Property Development and Management Manager, and the Manager responsible for providing strategic support to the Office of the Board Chairperson. Furthermore in acknowledging the critical importance of building the institutional capacity to deliver on the mandate of the NWHC, an internship programme was initiated which subsequently gave a total of 12 young graduates work place skills experience.

The North West Housing Corporation (NWHC) introduced the incentive performance management policy to promote and improve employee effectiveness. The policy introduces an environment where managers and staff work together to plan, monitor, and review the staff's work, objectives or goals and their overall contribution to the Corporation. In this regard six Senior Managers signed the performance contracts in line with their core management and service delivery functions. The contract specified their key performance indicators (KPI's) and the targets were also defined and agreed upon in line with the approved Annual Performance Plan (APP)

Branding and image of the NWHC

The NWHC developed a communication strategy aimed at ensuring that the Corporation is being constantly profiled and that the good works of the Corporation are communicated on consistent basis to various stakeholders including the general public. In line with this strategy the Corporation produced two newsletters articles which could be considered as the first step towards improving the image and the branding of the NWHC.

Maintenance of a strong financial management environment

During the financial year 2017/18 the Department of Local Government and Human Settlements transferred the grant allocation to the North West Housing Corporation. This means that in the year 2017/18, the NWHC did not depend on the DLG&HS to procure services and manage funds and it was therefore necessary for the Corporation to introduce the systems and policies which subsequently created a strong financial management and effective supply chain management environment. This was achieved by developing and implementing the Supply Chain Management policy, and the procurement plan.

In order to improve the financial sustainability of the Corporation, a coherent strategy on the revenue enhancement has been developed and implemented. The implementation of this strategy resulted in a steady improvement in revenue collection. In comparison to the last year's revenue figures of R 806,623 the Corporation was able to improve its revenue by collecting the total of R 6.712 million during the year under review.

The NWHC also obtained the approval of its MTEF for budgetary purposes, allowing it to appropriately plan for its resource requirements over the coming year.

PROGRAMME 2: HOUSING PROPERTY DEVELOPMENT

Purpose
The aim of this programme is to provide effective financial management support to the entity and ensure that budget processes are followed.

The performance of this programme during the financial year is indicated as follows:

Programme 2: Housing Property Development					
Strategic Objective	**Performance Indicator**	**Annual Target 2017/2018**	**Actual performance**	**Reasons for deviations**	**Remedial action**
Preparing project development plans for implementation	Number of business proposals developed	4	**4** - **Disposal of land occupied by Churches** - **Student Accommodation** - **Mix housing Development** - **Title Deeds restoration**	-	-
Development of Property Development Policy and Model	Number of Property development policy developed	1	**1** **Property Disposal Policy**		
Development and implementation of funding models	Approved funding models	1	**1**		

Narrative
All three (3) key performance indicators were achieved under Programme 2 – Housing Property Development

Property Disposal Policy

The North West Housing Corporation developed a property disposal policy which provided a framework for the effective management and disposal of the NWHC land and other immovable capital assets. The implementation of this policy ensured that the disposal of the NWHC properties followed due process within the prescript of the PMFA.

Development of Project proposals

In the course of fulfilling its legal mandate, in terms of Section 2 (1) of the North West Housing Corporation Act no. 24 of 1982, of providing and furthering the provision of housing, shelter and accommodation, the NWHC identified and drafted four project proposals. The proposed housing projects included (1) the development of student accommodation (area still to be determined) (2) mixed-use housing development initiative on the remaining portion of the Morula property; (3) land disposal project for land occupied by churches; and (4) title deeds restoration project.

The implementation of land disposal project started during the year under review and this project has benefited the Corporation financially as it was able to generate income from its asset base.

The implementation of the other identified projects in the coming year might be constrained by the lack of *adequate* financial resources as the Corporation will be required to appoint the external consultant to assist in generating the detailed project proposals including drafting an architectural sketch design with preliminary costing.

Approval of funding model

Section 23 of the North West Housing Corporation Act of 1982 provides for various sources of funds that the Corporation can engage in order to sustain itself. To this end the Board approved the funding model that allows the North West Housing Corporation to leverage funding opportunities and support from financial institutions and other government agencies including but not limited to the National Housing Finance Corporation (NHFC), Social Housing Regulatory Agency (SHRA), and Housing Development Agency (HDA).

PROGRAMME 3: PROPERTY MANAGEMENT

Purpose
The aim of the programme is to provide maintenance of existing properties of the corporation and identify potential development of properties]

The performance of this programme during the financial year is indicated as follows:

Programme 3: Property Management

Strategic Objective	Performance Indicator	Annual Target 2017/2018	Actual performance	Reasons for deviations	Remedial action
Sale of property at the fair value	Number of properties sold under new sale agreements	500	**283**	Tenants willing to buy but most not yet secured finances	Explore FLISP option
Preserve the value of NWHC properties	Number of maintenance requirements reports for the flats	1	**1** **Maintenance plan prepared for Matlosane CRU**		
Implementation of housing solutions and lease management	Number of lease agreements concluded for New Stock	500	**0**	1. Regularisation of tenants revealed that fewer people wanted to lease or rent their current properties (including flat tenants) 2. Determination of rental rates was concluded in last quarter (15 February 2018)	Dedicated Champion to be set up
	Number of lease agreements concluded for CRU tenants	100	**64**	Outstanding Flats not occupied due to incident of	DLG&HS was engaged and have committed to fix the damaged and

Programme 3: Property Management					
Strategic Objective	**Performance Indicator**	**Annual Target 2017/2018**	**Actual performance**	**Reasons for deviations**	**Remedial action**
				vandalism and theft (doors damaged and 32 stoves stolen)	ensure that the stoves are replaced
	Number of tenants regularized	5000	**5747**	Annual target exceeded	
Maintain accurate record keeping of the asset register	Up to date property asset register	1	**1**		
	Number of sectional title deeds created	293	**0**	Engagement with tenants took longer than expected	Prioritize and implement registration of Sectional Title in one flat (Kagiso flat) Lesson learnt to be replicated to other NWHC flats
	Number of old stock properties transferred (title deeds)	1000	**263**	Capacity constraints – unforeseen funding requirements to collect required documents from tenants	Allocation of budget

Narrative

Only 2 targets out of 8 key performance indicators were achieved under Programme 3 - Property Management

Regularisation of NWHC debtors and tenants

In order to ensure that rental and sale stocks are managed properly, the NWHC initiated and implemented a regularization process of all its assets to determine and update legitimate debtors and tenant's registers with a view to enable the NWHC to collect revenue due to the Corporation. This process is almost complete with the total of 5747 properties regularized.

Sale and lease agreements

Most tenants preferred buying properties over leasing hence to date none of the NWHC tenants has signed the lease agreement. The total number of tenants who signed the sale agreements (offer to purchase) was 285 whereas no single lease agreement was concluded at end of the 2017/18 financial year. Non delivery of lease agreement is also attributed to the delays in determining the rental amount to be charged to the NWHC tenants. Rental rate received Board approval towards the end of financial year (February 2018). In the coming years a dedicated team will be established to accelerate the signing of lease/sale agreements to enable the Corporation to begin to cdlect revenue from the rental and sale stock.

Sectional title schemes

This project is aimed at converting the 5 NWHC flats into sectional title schemes was not completed as planned during the year under review. It has taken longer time than expected to obtain building plans from the municipalities and to engage flat tenants.

Community Residential Units(CRUs) management

The Corporation signed the Memorandum of Agreement with the Department of Local Government and Human Settlements (DLG&HS) to manage the Matlosana CRUs on behalf of the Matlosana Local Municipality. During the period under review a total of 64 units. One unit is reserved to be utilised as the Office and the other unit is occupied by the caretaker. The CRU experienced an incident of vandalism and theft of 32 stoves hence some of these units are not occupied as the stoves were not replaced and the broken doors were not fixed.

Old stock transfer

Of the 1000 old stock properties planned for the transfer, only 263 houses were transferred to beneficiaries due to lack of funds to enable the staff of the Corporation to collect required documents from the beneficiaries. Budget allocation will be provided for this purpose in coming years to ensure that this project of providing beneficiaries with title deeds is realised.

Part C

GOVERNANCE

3 PART C: GOVERNANCE

3.1 INTRODUCTION

The North-West Housing Corporation (NWHC) is a schedule 3(c) Public Entity which exists in terms of the Public Finance Management Act ("PFMA") no.1 of 1999. It was established in terms of the North West Housing Corporation Act 24 of 1982 as amended.

This Entity serves as an agency to the Department of Local Government and Human Settlements to discharge its legislative mandate of providing housing to the North West citizens.

3.2 CODE OF CONDUCT

The Board developed a manual aimed at facilitating excellent Human Resource management and compliance with statutory as well as legislative process with good ethics and conduct.

3.3 PORTFOLIO COMMITTEE

As part of the oversight role performance by the Provincial Legislature, the North West Housing Corporation was invited to present to the Portfolio Committee on Local Government and Human Settlements on the following dates

DATES	Purpose Of The Meeting	Reason for Postponement
24 March 2017	Review and 2017/18 Third quarter report	
29 March 2017	Invitation to the 2016/17 briefing on Second and Third Quarter and Business Plan of North West Housing Corporation.	
18 May 2017 Postponed	Invitation to the Briefing on 2016/17 fourth Quarter Report of the North West Housing Corporation.	Due to the unavailability of the MEC and the HOD of the Department
08 June 2017	Invitation to the Briefing on 2016/17 Fourth Quarter Report of North West Housing Corporation.	
11 August 2017	Fourth Quarter Report 2017/18	
22 August 2017	Invitation to the 2018/19 First Draft Annual Performance Plan and 2017/18 First Quarter Performance Report of the North West Housing Corporation.	
12 October 2017	Invitation to the Briefing on 2017 Annual Report of the North West Housing Corporation.	
02 March 2018	Report to the Auditor General to the North West Housing Corporation for year Ended 31 March 2017.	
06 March 2018	Invitation to the 2018/19 Final Draft Annual Performance Plan Report briefing and 2017/18 Second and Third Quarter Performance Report of the North West Housing Corporation.	
15 March 2018 Postponed	Invitation to Appear before the Provincial Public Accounts Committee.	Political unrest
24 April 2018	Budget Briefing by Portfolio Committee	

3.4 SCOPA RESOLUTION

There was one SCOPA resolution (Resolution 12) received on the 15th May and submission was done on the23rd of May 2018.

3.5 INTERNAL CONTROL UNIT

During the year under review all expense payments were administered by the Department. Internal control processes were administered and recorded for at that level. The NWHC has now appointed an Internal Audit Manager and is setting up its own internal audit functions.

3.6 EXECUTIVE AUTHORITY

During the period under review, the North West Housing Corporation Board submitted four quarterly reports to the Executive Authority

3.7 COMPOSITION OF THE BOARD MEMBERS **(1 August 2015 to 31 March 2018)**

Name	Designation	Date Appointed	Status	Number of meetings & work- shops Attended
Mr. IR Modiselle	Chairperson	2ND November 2016	Active	7
Mr. M. Wolm arans	Deputy-Chairperson	1st August 2015	RESIGNED (September 2017)	9
Ms. M. Lemme	Member	1st August 2015	Active	17
Ms. T. Moselane	Member	1st August 2015	Active	27
Mr D N Tsage	Member	1st September 2016	Active	23
Dr K V Rampagane	Member	1st September 2016	Active	15
Mr K K Tlhoale	Member	1st August 2015	Active	14
Mr I T Thoka	Member	1st September 2016	Active	15

3.8 BOARD SUB-COMMITTEES

During the financial year the North West Housing Corporation formed the following sub -committees to support the main board in execution of its functions.

- Human Resources, Legal And Governance Committee
- Property Management And Development Committee
- Finance Committee
- Audit And Risk Committee

3.9 REMUNERATION OF THE BOARD MEMBERS

The following remuneration structure was recorded during the financial year.

	Sitting claims	Travel and subsistance	Other allowances	Total
Mr IR Modiselle (Chairperson)	114,797	82,066	11,000	207,863
Mr MJ Wolmarans (Deputy Chairperson)	3,784	39,073	-	42,857
Mr KK Tlhoeale (Board Member)	64,328	40,057	7,500	111,885
Ms MT Lemme (Board Member)	41,252	59,113	8,000	108,365
Ms HT Moselane (Board Member)	121,833	61,709	10,000	193,542
Dr KV Rampagane (Board Member)	51,545	60,211	7,500	119,256
Mr TT Thoka (Board Member)	63,047	64,830	11,000	138,877
Mr DN Tsagae (Board Member)	87,954	78,711	9,000	175,665
	548,540	**485,770**	**64,000**	**1,098,310**

1.6 REPORT OF THE AUDIT COMMITTEE

The Audit Committee hereby attaches its report for the financial year ended 31 March 2018.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least twice a year according to PFMA Section 77. There were 4 meetings scheduled for the financial year under review according to the audit committee's approved terms of reference.

	Meetings Scheduled	Meetings Attended	
Ms BS Khukhele (Chairperson)	4	2	Appointed 30 July 2017
Mr SA Ngobeni	4	2	Appointed 30 July 2017
Mr DN Tsagae	4	3	
Dr KV Rampagane	4	3	
Mr KK Tlhoeale	4	3	

Responsibilities of the Committee

The audit and risk committee reports that it has complied with its responsibilities arising from section 77 of the PFMA and Treasury Regulation 3.1. The audit committee also reports that it has adopted appropriate formal t erms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the NWHC over risk management is effective, efficient and transparent. During the year the audit committee approved a fraud prevention plan and installed processes of fraud reporting and whistleblowing. An improvement of risk analysis will be fostered in the new year relating to the assessment of financial impact for all major risks identified.

In line with the PFMA and the King IV Report on Corporate Governance requirements, internal audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of an effective risk management process, as well as the identification of corrective actions and recommended enhancements to the controls and processes. Significant deficiencies in the financial control environment pertaining to disclosure of expenditure relating to non-compliance were evident through external audit. Some of the expenditure was outside the board and management's control however could have been averted, the audit committee has therefore made recommendations to the Board and Management to ensure transparent reporting.

From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the AGSA, it was noted there were matters reported that indicate material deficiencies in the system of internal control that primarily occurred at the close of the financial year during the preparation of draft annual financial statements, adjustments of which could not be accepted. Accordingly, we can report that the system of internal control over financial reporting for the major part of the period under review was efficient and effective.

The quality of in year management and quarterly reports submitted in terms of the PFMA and the Division of Revenue Act requires substantial improvement although it has improved significantly from the previous financial year.

Evaluation of Annual Financial Statements

The audit and risk committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the AGSA and the board;
- reviewed the AGSA's management report and management's response thereto;
- reviewed the entities compliance with legal and regulatory provisions;

The audit and risk committee concurs and accepts the AGSA's report on the annual financial statements and the opinion expressed thereon. The committee is of the opinion that the audited annual financial statements and audit of non-financial information should be accepted and read together with the report of the AGSA.

Going concern

The audit committee has assessed the going concern of the NWHC and a satisfied that the entity will continue as a going concern in the foreseeable future.

External Auditors

The Auditor General of South Africa has a responsibility to audit the North West Housing Corporation as a PFMA Schedule 3 (c) entity. The audit and risk committee is satisfied with the independence of the external auditors as required by the APPA and applicable auditing standards. There were no unresolved external audit issues at the publication of the annual report and annual financial statements.

Internal audit

The audit and risk committee is satisfied that the internal audit function is able to conduct its work with the required independence and objectivity. The internal audit function has unrestricted access to all records and information, however was under resourced for the most part of the financial year due to recruitment embargo and was unable to effectively deliver on the approved annual internal audit plan. Enhancement of the internal audit activity has been approved by the audit committee to ensure sufficient skills and capacity for delivery of the annual audit plan.

Bkhukhele
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MS. B. KHUKHELE

Chairperson of the Audit Committee

North West Housing Corporation

DATE: 30/08/2018

Part D

FINANCIAL INFORMATION

4 PART D: FINANCIAL INFORMATION

4.1 BOARD'S RESPONSIBILITIES AND APPROVAL

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

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

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

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

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

The accounting authority have reviewed the NWHC's cash flow forecast for the year to March 31, 2019 and, in the light of this review and the current financial position, they are satisfied that the NWHC has or has access to adequate resources to continue in operational existence for the foreseeable future.

The NWHC is dependent on the Provincial Treasury for continued funding of operations. The annual financial statements are prepared on the basis that the NWHC is a going concern and that the Provincial Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the NWHC.

Although the board are primarily responsible for the financial affairs of the NWHC, they are supported by the NWHC's external auditors.

The Auditor General South Africa are responsible for independently reviewing and reporting on the NWHC's annual financial statements. The annual financial statements have been examined by the NWHC's external auditors and their report is presented on page 17.

The annual financial statements set out on pages 38 to 114, which have been prepared on the going concern basis, were approved by the board on May 31, 2018 and were signed on its behalf by:

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MR. M K F BOSHIELO
ACTING CHIEF EXECUTIVE OFFICER
NORTH WEST HOUSING CORPORATION

DATE: 30/08/2018

Report of the auditor-general to the North West provincial legislature on the North West Housing Corporation

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the North West Housing Corporation set out on pages 48 to 114, which comprise statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the North West Housing Corporation. Because of the significance of the matters described in the basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Investment property

3. I was unable to obtain sufficient appropriate audit evidence for investment property due to a lack of evidence provided relating to the ownership and control of the properties, being denied access to certain areas and the status of the accounting records. I was unable to confirm the investment property by alternative means. Consequently, I was unable to determine whether any adjustment relating to investment property of R1 229 559 257 (2017: R957 936 117) in the financial statements was necessary.

Revenue

4. I was unable to obtain sufficient appropriate audit evidence for revenue from rental of properties due to the entity not having adequate systems of internal control for the recording and reconciliation of all transactions and events relating to rental of properties. I was unable to confirm the revenue and related receivables by alternative means. Consequently, I was unable to determine whether any adjustments relating to revenue from rental of properties of R2 427 020 (2017: R120 000) or receivables from exchange transactions of R8 446 275 (2017: R5 204 244) in the financial statements were necessary.

Payables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions due to lack of the accounting records for the legacy suspense account, lack of evidence for journals and lack of reconciliations done. I could not confirm the payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments relating to payables from exchange transactions of R46 059 707 in the financial statements or expenditure, revenue and receivables related to the suspense account were necessary.

Provisions

6. I was unable to obtain sufficient appropriate audit evidence for provisions due to the status of the accounting records. I was unable to confirm these provisions by alternative means. In addition, the entity did not recognise all amounts in accordance with GRAP 19, *Provisions, contingent liabilities and contingent assets* resulting in provisions being understated by R16 351 762 and general expenses being overstated by R16 351 762 Consequently, I was unable to determine whether any further adjustment relating to provisions of R10 428 977 in the financial statements was necessary.

Non-current assets held for sale

7. I was unable to obtain sufficient appropriate audit evidence for non-current assets held for sale due to the entity applying the incorrect recognition criteria in accordance with GRAP 12 Inventories. I was unable to confirm these non-current assets held for sale by alternative means. This resulted in non-current assets held for sale being overstated by R31 519 230. Consequently, I was unable to determine whether any further adjustment relating to non-current assets held for sale stated at R41 408 120 in the financial statements was necessary.

Irregular expenditure

8. Section 55(2) (b)(i) of the PFMA requires the disclosure of irregular expenditure incurred. The entity made payments of R16 206 122 in contravention with the supply chain management requirements which were not included in irregular expenditure disclosed. Consequently, irregular expenditure as per note 33 to the financial statements is understated by R16 206 122 (2017: R8 367 200). As the entity did not quantify the full extent of the irregular expenditure, it was impracticable to determine the resultant understatement of irregular expenditure as per note 33 to the financial statements.

Other matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

10. The supplementary information set out on pages 115 to 126 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly, I do not express an opinion thereon.

Responsibilities of accounting authority for the financial statements

11. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the financial statements, the accounting authority is responsible for assessing the North West Housing Corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general’s responsibilities for the audit of the financial statements

13. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor’s report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor’s report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
14. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants’ *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit of the financial statements. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2 – Housing property development	25 - 26
Programme 3 – Property management	27 - 29

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 2 – Housing property development

20. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme.

Programme 3 – Property management

Various indicators

21. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed below. This was due to indicators not being well-defined as the source information for achieving the planned target was not clearly defined in the technical indicator description. I was unable confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements for the following indicators:.

Performance indicator	Reported achievement
Number of tenants regularized	5747
Number of old stock properties transferred (title deeds)	263

Various indicators

22. The reported achievements of the indicators listed below were misstated, as the evidence provided did not agree with the reported achievements as follows:

Performance indicator	Reported achievement	Audited value
Number of properties sold under new sale agreements	283	20
Number of lease agreements concluded for CRU tenants	64	30

Other matters

23. I draw attention to the matters below.

Achievement of planned targets

24. Refer to the annual performance report on pages 17 to 29for information on the achievement of planned targets for the year and explanations provided for the under achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 42 to 43 of this report.

Report on the audit of compliance with legislation

Introduction and scope

25. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

26. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements, performance reports and annual reports

27. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of opinion.

Expenditure management

28. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1) (b) (ii) of the PFMA. As reported in the basis for the disclaimer of opinion the R1 039 975 disclosed in note 33 of the financial statements does not reflect the full extent of the irregular expenditure incurred.

Revenue management

29. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Procurement and contract management

30. Some of the goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

31. Some of the quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury Regulation 16A8.3.

32. Some of the quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulation 16A9.1(d).

33. Some of the goods and services of a transaction value above R500 000 were procured without inviting competitive bids and deviations were approved by the accounting officer but it was practical to invite competitive bids, as required by Treasury Regulations 16A6.1 and 16A6.4.

34. Some of the invitations for competitive bidding were not advertised for a required minimum period, as required by Treasury Regulation 16A6.3(c).

35. The preference point system was not applied in some of the procurement of goods and services above R30 000 as required by section 2(a) of the PPPFA and Treasury Regulation 16A6.3(b).

Other information

36. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor’s report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor’s report.
37. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
38. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
39. As a result of the disclaimer of opinion expressed on the financial statements, I do not conclude on material misstatements of the other information relating to the financial statements. If, based on the work I have performed relating to the audit of performance information and compliance with legislation, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

40. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

    - The accounting authority did not exercise adequate oversight responsibility over the preparation of the financial statements, the report on predetermined objectives, compliance with laws and regulations, and internal control. The leadership did not implement adequate processes to ensure that reviews took place before information was submitted. This was evidenced by the material misstatements identified in the financial statements, audit of performance information and instances of non-compliance with laws and regulations.
    - Management did not adhere to internal controls, which resulted in various instances of irregular, fruitless and wasteful expenditure being incurred and other material misstatements in the financial statements, not being detected.
    - Material misstatements were identified in the financial statements, because senior management did not detect misstatements during the preparation and review process. This indicates that there were weaknesses in internal control with regard to the review process of the financial statements. Also documentation required to support the amounts in the financial statements submitted for audit were not adequately maintained and filed.
    - Underlying records and general ledger were not adequately maintained and reviewed resulting in various incorrect and transactions being recorded. Management also did not adhere to the reporting and disclosure requirements of the applicable accounting framework.
    - The supply chain management unit of the entity did not always function effectively as incidences of irregular and fruitless and wasteful expenditure were identified. The necessary procurement procedures were not always followed.
    - Appropriate risk management activities were not implemented to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks are developed and monitored. The internal audit and audit committee did not adequately review the financial statements to identity material misstatements.

Auditor General

Potchefstroom

31 July 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annual Financial Statements

General Information

Legal form of entity	Schedule 3 Part C Public Entity
Nature of business and principal activities	Provision of housing and accommodation in the North West province on a coordinated basis and on a national scale
Chief Finance Officer (CFO)	Mr Tiisang Tisane (Acting)
Accounting Officers	Mr IR Modiselle (Chairperson) Mr KK Tlhoeale (Board Member) Ms MT Lemme (Board Member) Ms HT Moselane (Board Member) Dr KV Rampagane (Board Member) Mr TT Thoka (Board Member) Mr DN Tsagae (Board Member) Mr MFK Boshielo (Acting CEO)
Registered office	Theresa House 15 Nelson Mandela drive Mafikeng North West 2745
Business address	Theresa House 15 Nelson Mandela drive Mafikeng North West 2748
Postal address	Private bag X38 Mmabatho North West 2735
Bankers	FNB Bank and ABSA bank
Auditors	Auditor General South Africa
Secretary	Advocate SO Makinde
Presentation Currency	The financial statements are presented in South African Rand

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Board's Report

The accounting officers submit their report for the year ended March 31, 2018.

1. Incorporation

The entity was incorporated on April 1, 1982 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The NWHC is a Schedule 3C public entity under the PFMA. The entity is engaged in the provision of housing and accomodation in the North West province on a co-ordinated basis and on a national scale and operates principally in South Africa.

The operating results and state of affairs of the NWHC are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the entity was R 286,528,430 (2017: surplus R 55,361,099).

3. Going concern

We draw attention to the fact that at March 31, 2018, the entity had accumulated surplus of R 1,218,434,557 and that the entity's total assets exceed its liabilities by R 1,218,434,557.

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the entity.

4. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year.

5. Accounting Officers' interest in contracts

There were no accounting officers with interests in any contracts concluded bt the entity during the year.

6. Accounting policies

The annual financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. Non-current assets

Details of major changes in the nature of the non-current assets of the NWHC during the year were as follows:

The entity recognised land and building transferred by Morula Sun pursuant to a termination agreement between the NWHC and Sun International. This transfer was approved and effected on 30 April 2017.

8. Board

The accounting officers of the NWHC during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mr IR Modiselle (Chairperson)	South African	
Mr MJ Wolmarans (Deputy Chairperson)	South African	Resigned Friday, September 1, 2017
Mr KK Tlhoeale (Board Member)	South African	
Ms MT Lemme (Board Member)	South African	
Ms HT Moselane (Board Member)	South African	
Dr KV Rampagane (Board Member)	South African	
Mr TT Thoka (Board Member)	South African	
Mr DN Tsagae (Board Member)	South African	
Mr MFK Boshielo (Acting CEO)	South African	

9. Secretary

The secretary of the entity is Advocate SO Makinde.

Business address

Theresa House
15 Nelson Mandela drive
Mafikeng
2745

Postal address

Private Bag X38
Mmabatho
2735

10. Member and executive managers emoluments

Accounting officers and executive management emoluments are disclosed in the notes to the financial statements

11. Corporate governance

General

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

The NWHC confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. (King IV as of 1 April 2017) The board discuss the responsibilities of management in this respect, at Board meetings and monitor the entity's compliance with the code on a three monthly basis.

The salient features of the NWHC's adoption of the Code is outlined below:

Board of directors

The Board:

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

Chairperson and Chief Executive

The Chairperson is a non-executive and independent director (as defined by the Code).

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

Executive Meetings

The board has met on 8 separate occasions during the financial year. The board schedules to meet at least 6 times per annum. No-executive directors have access to all members of management of the NHWC

Audit and risk committee

For the first 6 months of the current financial year the chairperson of the audit committee was Mr KK Tlhoeale and for the remaining 6 months it was Ms BS Khukhele, who is an independent audit committee member. The committee met 3 times during the financial year to review matters necessary to fulfil its role. Mr SA Ngobeni also joined the committee during the year as an independent member.

Internal audit

The entity has an insourced internal audit function which operated for 11 months and produced quarterly internal audit reports in compliance with the entity's internal audit charter.

12. Special resolutions

13. Bankers

The entity did not change its primary bankers, ABSA and FNB, in the current year. During the year the entity closed its accounts with Nedbank and Rand Merchant bank (RMB).

14. Auditors

The Auditor General will continue in office for the next financial period.

15. Non compliance with applicable legislation

The entity is not aware of any non-compliance with any governing legislation

Statement of Financial Position as at March 31, 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Non current assets held for sale	6	41,408,120	39,348,448
Current investments		-	67,625
Cash and cash equivalents	8	16,021,381	15,907,826
		57,429,501	**55,323,899**
Non-Current Assets			
Investment property	3	1,229,559,257	957,936,117
Property, plant and equipment	4	3,212,906	-
Intangible assets	5	155,593	-
Receivables from exchange transactions	7	8,446,275	5,204,244
		1,241,374,031	**963,140,361**
Total Assets		**1,298,803,532**	**1,018,464,260**
Liabilities			
Current Liabilities			
Other financial liabilities	9	23,880,291	23,880,291
Payables from exchange transactions	11	46,059,707	42,828,898
Taxes and transfers payable (non-exchange)	12	-	9,788,446
Provisions	10	10,428,977	9,746,707
		80,368,975	**86,244,342**
Total Liabilities		**80,368,975**	**86,244,342**
Net Assets		**1,218,434,557**	**932,219,918**
Accumulated surplus		1,218,434,557	932,219,918

* See Note 28

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Sale of property stock		4,445,241	-
Rental of properties	14	2,427,020	120,000
Interest received - investment	15	1,241,403	1,408,272
Total revenue from exchange transactions		**8,113,664**	**1,528,272**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	16	30,000,000	54,000,000
Contributions and donations	17	227,360,100	-
Reprieve from SARS		3,888,446	-
Total revenue from non-exchange transactions		**261,248,546**	**54,000,000**
Total revenue	13	**269,362,210**	**55,528,272**
Expenditure			
Employee related costs	18	(9,115,467)	(7,208,405)
Depreciation and amortisation	19	(1,541,495)	-
Impairment loss/ Reversal of impairments		(687,459)	-
General Expenses	20	(21,812,171)	(47,137,996)
Total expenditure		**(33,156,592)**	**(54,346,401)**
Operating surplus	23	**236,205,618**	**1,181,871**
Fair value adjustments	21	57,382,509	82,568,335
Loss on non-current assets held for sale or disposal groups		(7,059,697)	(28,389,107)
		50,322,812	**54,179,228**
Surplus for the year		**286,528,430**	**55,361,099**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at April 1, 2016	**876,858,819**	**876,858,819**
Changes in net assets		
Surplus for the year	55,361,099	55,361,099
Total changes	55,361,099	55,361,099
Restated* Balance at April 1, 2017	**931,906,127**	**931,906,127**
Changes in net assets		
Surplus for the year	286,528,430	286,528,430
Total changes	286,528,430	286,528,430
Balance at March 31, 2018	**1,218,434,557**	**1,218,434,557**

Note(s)

* See Note 28

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Grants		30,000,000	54,000,000
Interest income		1,241,403	1,408,272
Property rentals		1,750,000	120,000
		32,991,403	55,528,272
Payments			
Employee costs		(9,504,073)	(7,208,405)
Suppliers		(27,632,286)	(45,817,376)
		(37,136,359)	(53,025,781)
Net cash flows from operating activities	24	**(4,144,956)**	**2,502,491**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(653,546)	-
Proceeds from sale of investment property	3	7,059,697	-
Purchase of other intangible assets	5	(155,593)	-
Non-current assets held for sale		(2,059,672)	-
Purchase of current investments		-	(3,028)
Proceeds from sale of current investments		67,625	-
Net cash flows from investing activities		**4,258,511**	**(3,028)**
Net increase/(decrease) in cash and cash equivalents		**113,555**	**2,499,463**
Cash and cash equivalents at the beginning of the year		15,907,826	13,408,363
Cash and cash equivalents at the end of the year	8	**16,021,381**	**15,907,826**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of properties	3,000,000	-	**3,000,000**	4,445,241	**1,445,241**	
Instalment sale - properties	2,000,000	-	**2,000,000**	-	**(2,000,000)**	
Rental of properties - Morula	1,440,000	-	**1,440,000**	2,427,020	**987,020**	
Interest received - investment	-	-	**-**	1,241,403	**1,241,403**	
Total revenue from exchange transactions	**6,440,000**	**-**	**6,440,000**	**8,113,664**	**1,673,664**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	30,000,000	-	**30,000,000**	30,000,000	**-**	
Public contributions and donations	-	-	**-**	227,360,100	**227,360,100**	
Fines, Penalties and Forfeits	-	-	**-**	3,888,446	**3,888,446**	
Total revenue from non-exchange transactions	**30,000,000**	**-**	**30,000,000**	**261,248,546**	**231,248,546**	
Total revenue	**36,440,000**	**-**	**36,440,000**	**269,362,210**	**232,922,210**	
Expenditure						
Personnel	(10,047,894)	-	**(10,047,894)**	(9,115,467)	**932,427**	
Administration	(1,160,000)	(351,334)	**(1,511,334)**	-	**1,511,334**	
Board fees	(700,000)	(375,851)	**(1,075,851)**	-	**1,075,851**	
Consumables	(703,000)	-	**(703,000)**	(1,541,495)	**(838,495)**	
Professional fees	(4,379,106)	950,754	**(3,428,352)**	(687,459)	**2,740,893**	
Electricity and water	-	(165,221)	**(165,221)**	-	**165,221**	
Legal fees	(19,000,000)	300,000	**(18,700,000)**	-	**18,700,000**	
Travel	(450,000)	(358,348)	**(808,348)**	-	**808,348**	
General Expenses	-	-	**-**	(21,812,171)	**(21,812,171)**	
Total expenditure	**(36,440,000)**	**-**	**(36,440,000)**	**(33,156,592)**	**3,283,408**	
Operating surplus	**-**	**-**	**-**	**236,205,618**	**236,205,618**	
Fair value adjustments	-	-	**-**	57,382,509	**57,382,509**	
Loss on non-current assets held for sale or disposal groups	-	-	**-**	(7,059,697)	**(7,059,697)**	
	-	**-**	**-**	**50,322,812**	**50,322,812**	
Surplus before taxation	**-**	**-**	**-**	**286,528,430**	**286,528,430**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**286,528,430**	**286,528,430**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Transfer of functions between entities under common control

Definitions

An acquirer is the entity that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

A transferor is the entity that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole entity. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

1.3 Transfer of functions between entities under common control (continued)

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which entity to the transaction or event is the transferor(s) and which entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which entity is the acquirer and which entity is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the entity and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:

- the reasons for the transaction
- the timing of the transaction

1.3 Transfer of functions between entities under common control (continued)

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the entity can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the entity de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the entity reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the entity retrospectively adjust the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The entity considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The entity recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the entity recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the entity revises comparative information for prior periods presented in annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the entity revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Acquisition-related costs

Acquisition-related costs are costs that the entity incurs to affect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities. The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

Subsequent measurement

The entity subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

1.3 Transfer of functions between entities under common control (continued)

At the transfer date, the entity classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The entity makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the entity classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing
The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

Effective interest rate

The entity used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The entity discloses relevant information relating to assets under construction or development, in the notes to the + (see note).

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

1.6 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Office equipment	Straight line	6 years
IT equipment	Straight line	3 years
Computer software	Straight line	3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	indefinite

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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

1.7 Intangible assets (continued)

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

1.8 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.8 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and Cash equivalents	Financial asset measured at fair value
Non current assets held for sale	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set o ffthe recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.9 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

1.11 Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the entity:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.11 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

1.12 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.12 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

1.13 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.13 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 25.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

1.17 Revenue from non-exchange transactions (continued)

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognized as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

1.18 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.19 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

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

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

1.25 Irregular expenditure (continued)

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

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

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

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

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

1.26 Budget information

Public entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 4/1/2017 to 3/31/2018.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts .

Comparative information is not required.

1.27 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

2. New standards and interpretations (continued)

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The entity has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

2.2 Standards and Interpretations early adopted

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after April 1, 2019.

The entity has early adopted the interpretation for the first time in the 2017/2018 annual financial statements.

2.3 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after April 1, 2018 or later periods:

GRAP 37: Joint Arrangements

2. New standards and interpretations (continued)

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after April 1, 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after April 1, 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

The impact of this amendment is currently being assessed.

GRAP 17 (as amended 2016): Property, Plant and Equipment

2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after April 1, 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

The impact of this amendment is currently being assessed.

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after April 1, 2018

The entity expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after April 1, 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

The impact of this amendment is currently being assessed.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

2. New standards and interpretations (continued)

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after April 1, 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

The impact of this amendment is currently being assessed.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after April 1, 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

The impact of this amendment is currently being assessed.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after April 1, 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

The impact of this amendment is currently being assessed.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	1,229,559,257	-	1,229,559,257	957,936,117	-	957,936,117

Reconciliation of investment property - 31 March 2018

	Opening balance	Disposals	Transfers received	Reclassificati ons	Fair value adjustments	Total
Investment property	957,936,117	(7,059,697)	224,000,000	(640,000)	55,322,837	1,229,559,257

Reconciliation of investment property -31 March 2017

	Opening balance	Reclassificati ons	Total
Investment property	1,361,118,045	(403,181,928)	957,936,117

The asset register containing the information required by the PFMA is available for inspection at the registered office of the entity.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the entity have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the entity subsequently uses the fair value measurement, disclose the following:

a description of the investment property,
an explanation of why fair value cannot be determined reliably,

2. New standards and interpretations (continued)

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. “Generally accepted accounting practice” has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after April 1, 2018.

The entity expects to adopt the standard for the first time in the 2019 annual financial statements.

The impact of this standard is currently being assessed.

Figures in Rand	2018	2017

3. Investment property (continued)

- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

Details of investment properties
Identified Use properties

This is comprised of different types of new stock housing units, rented out to tenants. These properties are situated in the following residential areas: Mmabatho, Mogwase, Tlhabane, Montshiwa, Pudumoe, Atamelang, Selosesha, Pudimoe, Mothibistad, Lehurutshe, Ga- Rankuwa, Mabopane, Kudube, Mmabatho, Mabopane, Pampierstad, Garankuwa, Meriting and Winterveld. Idenified use Investment properties as presented in the financials consist of 3395 properties held by the corporation. W hereas most of the properties classified as identified use properties are residential properties, there are instances where some of these properties relate to vacant sites, due to inability to conduct physical verification. These instances have been viewed as not material from a financial perspective

	2018	2017
Opening balance 1 April	605,574,840	1,048,896,353
Prior period adjustments	-	(481,424,524)
Transfers	(1,887,366)	(25,460,877)
Fair value adjustments	28,462,018	63,563,888
	632,149,492	**605,574,840**

Unidentified use property

This is comprised of different types of vacant sites properties across various new stock and old stock townships. No decision has been taken as to the intended use of these vacant sites for the Corporation. These properties are situated in the following residential areas: Garankuwa, Itsoseng, Kudube, Lehurutshe, Mabopane, Madikwe, Meriting, Mmabatho, Mogwase, Monnakato, Mothibistad, Mothutlung, Pampierstad, Tlhabane and Winterveld. Unidentified use investment properties as presented in the financials consist of 2160 properties held by the corporation.

	2018	2017
Opening balance 1 April	245,906,803	212,328,421
Transfers	(5,172,331)	13,083,244
Fair value adjusment	11,557,620	(2,928,230)
Prior period adjustments	-	23,423,368
	252,292,092	**245,906,803**

Farms

This property consists of farm land spread over 11 portions in the Gauteng area. As at the reporting date, there is farm Mabopane 702 JR, consisting of 9 portions. There is Klipdrift farm consisting of 10 portions and Mabopane U, consisting of Erf 2193

	2018	2017
Opening balance 1 April	60,956,002	57,788,455
Fair Value adjustments	2,194,852	3,167,547
	63,150,854	**60,956,002**

Figures in Rand	2018	2017

3. Investment property (continued)

Flats

This comprises of 5 blocks of flats located in the Mafikeng, Itsoseng and Tlhabane Area. In Itsoseng there is a block of flats situated in Erf 4336 in Itsoseng. With improvements in the form of four three-storey blocks of flats which are used for residential purposes. The property is located inZone 3 Itsoseng. In Mafikeng there are 3 blocks called Kagiso Flats (situated at Erf 133, Unit 4 Mmabatho). W impy Flats (Situated at Unit 7, under title deed T3649/1998) and Kamogelo. In the Tlhabane area the property is located in stand 117 Rustenburg Industrial, measuring 15 000 square meters with improvements in the form of sixteen block of flats. The property is situated in Zinaville industrial area, Rustenburg.

	2018	2017
Opening balance 1 April	44,858,471	42,104,816
Fair value adjustments	2,108,348	2,753,655
	46,966,819	**44,858,471**

There are 465 properties owned by the NWHC that are designated to be transferred to other government departments. These properties include clinics, schools, parks and government occupied buildings. Of the 465, the board has made a decision to dispose the 127 relating to churches and business which we regard as unlawful occupation. These are valued and included accordingly in the financial statement

Morula Sun Property

	2018	2017
Additions	224,000,000	-
Fair value adjustments	11,000,000	-
	235,000,000	**-**

Figures in Rand

4. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Furniture and fixtures	2,421,586	(727,528)	1,694,058	-	-	-
Office equipment	899,971	(257,766)	642,205	-	-	-
IT equipment	1,432,854	(556,211)	876,643	-	-	-
Total	**4,754,411**	**(1,541,505)**	**3,212,906**	**-**	**-**	**-**

Reconciliation of property, plant and equipment - 31 March 2018

	Opening balance	Additions	Transfers received	Depreciation	Total
Furniture and fixtures	-	130,591	2,290,995	(727,528)	1,694,058
Office equipment	-	81,266	818,706	(257,767)	642,205
IT equipment	-	441,689	991,166	(556,212)	876,643
	-	**653,546**	**4,100,867**	**(1,541,507)**	**3,212,906**

Reconciliation of property, plant and equipment - 31 March 2017

Figures in Rand	2018	2017

4. Property, plant and equipment (continued)

Fair value

The effective date of the fair value was Sunday, April 30, 2017 .

Properties from Sun International to NW HC

Property plant and equipment to the value of R4 748 201 was handed over to the NW HC as a result of termination of agreement between the NWHC and Sun International. These assets were recongised at their fair valueon the date of the handover

The fair value was determined based on management estimates to determine initial recognition of the assets.

Figures in Rand

5. Intangible assets

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Software Licenses	155,593	-	155,593	-	-	-

Reconciliation of intangible assets - 2018

	Opening balance	**Additions**	**Total**
Licenses - Caseware and Pastel	-	155,593	155,593

Other information

The useful life of Caseware and Sage Pastel software licenses in considered indefinite. The softwares are not bound by any expiry period subject to annual renewal fees as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity. Management intends to continue renewing the softwares indefinitely

Software licenses	145,180	-

Figures in Rand	2018	2017

6. Non-current assets held for sale

Designated at fair value		
Properties	41,408,120	39,348,448

Non-current assets held for sale relate to properties occupied unlawfully by commercial and nonprofit organizations, who carry on business and have erected structures on the NWHC's land. Due to interest expressed by these occupants to lawfully occupy or acquire some of the NWHC properties, the board took a decision in the current financial period to sell all of these properties as open market transactions. These are located across three provinces, North West, Northern Cape and Gauteng. There are 127 properties in total consisting of Churches and business structures. The timing of disposal will depend on the nature and type of transaction entered into with the respective parties.

A sale is highly probable as the appropriate level of management is committed to a plan to sell. The Corporation has:
- begun an active programme to locate a buyer and complete the sale
- begun to actively market the asset or disposal group at a price that is reasonable compared to its current fair value
- made a sale to be completed within one year from the date of classification
- begun to carry out actions required to complete the plan, which should indicate that it is not likely that there will be significant changes

Current assets		
Designated at fair value	41,408,120	39,348,448

7. Receivables from exchange transactions

Housing-related debtors	8,446,275	5,204,244

Receivables from exchange transactions

These are mainly long-term active installment sale debtors who acquired property from the Corporation. The repayment periods range between ten and fifteen years.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	16,021,381	15,907,826

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed with reference to external credit ratings (if available) or historical information about counterparty default rates (Moody's investor service - April 2018 rating):

Credit rating		
BAA3	25,031,984	15,907,826

9. Other financial liabilities

At amortised cost		
National Housing Finance Corporation (ex SA Housing Trust)	23,880,291	23,880,291

This loan was granted exclusively for the Winterveld region. The loan is repayable in 240 monthly instalments which commenced on 1 May 1990

Figures in Rand	2018	2017

9. Other financial liabilities (continued)

Loan from National Housing Finance Corporation
During 15 June 1989 the SA Housing Trust made a loan to the NW HC of an amount of R 17 000 000.00 for the purpose of constructing approximately 850 Houses. The Loan was repayable in 240 equal monthly instalments, which was to be payable from 1st May 1990. The loan is payable at a rate of 11% per annum, capitalized monthly in arrears. The Corporation did not honor the terms of the contract, due to financial constraints.

In accordance with GRAP 1 paragraph 76: When an entity breaches an undertaking or covenant under a long-term loan agreement on or before the reporting date with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the reporting date, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

Current liabilities		
At amortised cost	23,880,291	23,880,291

10. Provisions

Reconciliation of provisions - 31 March 2018

	Opening Balance	Additions	Total
Tshwane Metro utilities	9,746,707	682,270	10,428,977

Reconciliation of provisions - 31 March 2017

	Opening Balance	Total
Tshwane Metro utilities	9,746,707	9,746,707

Provisions were raised for the Municipality utilities as the municipality did not provide rates and taxes liability statements at year end date. An outflow of resources is probable as the NW HC has investment properties in these areas subject to rates and taxes in these areas

A reasonable estimate based on the prior statements plus inflationary increaments was applied to determine the provisions

No amount of any reimbursment is expected .

11. Payables from exchange transactions

	2018	2017
Trade payables	8,303,145	6,928,787
Payments received in advanced - contract in process	41,444	-
Litigation costs payable	-	162,000
Legacy suspense account	37,117,333	35,738,111
Board fees payable	62,888	-
Deposits received	534,897	-
	46,059,707	**42,828,898**

Fair value of trade and other payables

12. Taxes and transfers payable (non-exchange)

	2018	2017
SARS PAYE payable	-	9,788,446

The amount of liabilities forgiven is R 3,888,446 (2017: R -).

Figures in Rand	2018	2017

13. Revenue

Sale of property stock	4,445,241	-
Rental of properties	2,427,020	120,000
Interest received - investment	1,241,403	1,408,272
Government grants & subsidies	30,000,000	54,000,000
Contributions and donations	227,360,100	-
Reprieves from SARS	3,888,446	-
	269,362,210	**55,528,272**

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of property stock	4,445,241	-
Rental of facilities and equipment	2,427,020	120,000
Interest received - investment	1,241,403	1,408,272
	8,113,664	**1,528,272**

The amount included in revenue arising from non-exchange transactions is as follows:
Taxation revenue
Transfer revenue

Government grants & subsidies	30,000,000	54,000,000
Public contributions and donations	227,360,100	-
Fines, Penalties and Forfeits	3,888,446	-
	261,248,546	**54,000,000**

Basis on which fair value of inflowing resources was measured

Nature and type of Bequests, gifts, donations and goods in-kind are as follows:

Investment property	Hand over of building
Property plant and equipment	Hand over of furniture

14. Rental of properties

Properties

Rental of properties	2,427,020	120,000

15. Investment revenue

Interest revenue

Bank	886,520	721,649
Interest accrued - Housing debtors	354,883	686,623
	1,241,403	**1,408,272**

Figures in Rand	2018	2017

16. Government grants and subsidies

Operating grants		
Government grant (operating)	30,000,000	54,000,000

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Unconditional grants received	30,000,000	54,000,000

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

The Department of Local Government and Human Settlements caries the cost of the NW HC, budgeted for each financial period. The NWHC was originally allocated a budget of R30 million for the 2017/18 financial year. The expenses of the NW HC were administered by the Department of Human Settlements up until June 2017, following this date the funds were transferred directly to the NWHC for direct administration of its budget allocation.

17. Contributions and donations

Morula sun transferred property	227,360,100	-

Conditions still to be met - remain liabilities (see note)

Provide explanations of conditions still to be met and other relevant information

18. Employee related costs

Basic	9,115,467	7,208,405

19. Depreciation and amortisation

Property, plant and equipment	1,541,495	-

Figures in Rand	2018	2017

20. General expenses

Advertising	10,876	-
Auditors remuneration	1,645,803	-
Bank charges	40,380	17,767
Consulting and professional fees	15,052,757	39,670,522
Consumables	57,548	697,731
Printing and stationery	186,362	-
Security (Guarding of property)	345,167	-
Staff welfare	125,609	-
Telephone and fax	151,167	-
Training	391,257	-
Travel - local	983,320	396,777
Electricity	204,196	3,677,577
Administrative costs	5,472	2,677,622
Property management costs	4,808	-
Deeds searches	157,625	-
Repairs and maintenance	18,536	-
Administrative costs - Matlosana	682,100	-
Garden services	107,563	-
Utilities	1,641,625	-
	21,812,171	**47,137,996**

21. Fair value adjustments

Investment property (Fair value model)	57,382,509	82,568,335

22. Auditors' remuneration

Fees	1,645,803	-

23. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Impairment on trade and other receivables	687,459	-
Gain on sale of non-current assets held for sale and net assets of disposal groups	7,059,697	28,389,107
Depreciation on property, plant and equipment	1,541,495	-
Employee costs	9,115,467	7,208,405

24. Cash (used in) generated from operations

Surplus	286,528,430	55,361,099
Adjustments for:		
Depreciation and amortisation	1,541,495	-
Gain on discontinued operations	7,059,697	28,389,107
Fair value adjustments	(57,382,509)	(82,568,335)
Impairment deficit	687,459	-
Movements in provisions	682,270	-
Other non-cash items	(232,774,669)	(7,903,958)
Changes in working capital:		
Receivables from exchange transactions	(3,929,490)	(563,868)
Payables from exchange transactions	3,230,807	-
Taxes and transfers payable (non-exchange)	(9,788,446)	9,788,446
	(4,144,956)	**2,502,491**

Figures in Rand	2018	2017

25. Contingencies

1 MR HENDRICK MATHEKGA/NWHC (Unknown timing and estimate) Mr Mathekga issued court papers against NW HC for an order compelling NW HC to sign necessary documents for transfer of a certain property known as Erf 1307 Unit 7 Ga-Rankuwa into his name. NW HC filed an answering affidavit to the effect that the property has been transferred to a legitimate purchaser, further that Mr Mathekga failed to disclose the purchase price and sale details of the property. There is likelihood for reimbursement Indication of uncertainty: the matter is still pending	50,000	-
2 MR JIMMY TOLO/NWHC Mr Jimmy Tolo sued the NW HC for an amount of R71 067.36 as a result of sale agreement which was not honoured by NW HC due to the fact that the property already belonged to a third party. NW HC filed a plea to the effect that Mr. Seriba from Microzone was not authorised to sell the property as the property was already sold. However Mr Jimmy Tolo sadly passed away during the process of litigation and this matter has been referred to the Executor of his Estate. There is likelihood for reimbursement	71,067	71,067
3 ZEDEK CC/NWHC ZEDEK sued the NW HC for an amount of R1 480 000.00 for loss of profit as a result of breach of contract in that it failed and/or refused to transfer property purchased for R243 870.00 which was earmarked for development. Our correspondent has applied for a date of hearing and we are waiting for a reply from the Registrar. Indication of uncertainty: the matter is finalised Possible reimbursement: likelihood of reimbursement cannot be determined	1,480,000	1,480,000
4 HARMA CC/NWHC Harmar CC sued the NW HC for damages in the sum of R688 507.50 as a result of breach of contract, in which Harmar CC was apparently appointed to act as a rental agent on behalf of the Corporation. The NW HC defended the matter and filed a plea, in which the Corporation denied the existence of the Agreement and denied having received any payments from rent collected on behalf of the Corporation from Harmar CC. A further defense is that the agreement does not comply with the NHW C Act and PFMA. The matter is currently pending in court Possible reimbursement: likelihood for reimbursement cannot be determined	688,507	688,507
5 MAGEZA SAMUEL INC/NWHC Mageza Samuel Inc. sued the NW HC for an amount of R10 622 018.72 for breach of contract. The NW HC defended the matter and claimed that Mageza Samuel Inc. did not comply with the terms of the Agreement. Mageza Inc. referred the matter to court for an order setting aside NW HC Amended plea. In turn, NW HC filed counter claim that Mageza Inc. does not exist as an entity and therefore should not proceed with these ligation. Indication of uncertainty: the matter is still pending Possible reimbursement: likelihood of reimbursement cannot be determined	10,622,019	10,622,019
6 KEIRWANG MAKAMA/NWHC the matter was settled but still in the list (creditor) Mrs Makama has issued summons against the Corporation and the MEC for Human Settlements for payment of an amount of R423 000.00 as damages resulting from the conclusion of an agreement of sale of property which was not transferred into his name. Koikanyang Inc. has served Notice of intention to Defended behalf of the Corporation and MEC. The Corporation defended the matter under the impression that Mr Philander was not the owner of the property. Indication of uncertainty: the matter is still pending Possible reimbursement: likelihood for reimbursement cannot be determined	486,000	486,000

Figures in Rand	2018	2017

25. Contingencies (continued)

7 ALVEN GWANYA/NWHC		
In this regard, Alven Gwanya ("Mr. Gwanya") issued a letter of demand in terms of which he has paid an amount of R100 000.00 into Microzone's account number.In the past few years, the Corporation used to settle these amounts by verifying if payment has been made and if so, the claimant has to provide proof of payment and affidavit to the effect that he has not received any refund from the Corporation Indication of uncertainty: the matter is still pending Possible reimbursement: likelihood for reimbursment cannot be determined	100,000	100,000
8 Monagane Technologies (PTY) Ltd Vs Ikgopoleng P Masisi		
Alleged double sale of land Indication of uncertainty: the matter is still pending Possible reimbursement: likelihood of reimbursement cannot be determined	50,000	-
9 VARIOUS MUNICIPALITIES vs NWHC		
A contingent liability exist for the North West Housing Corporation in respect of possible obligations relating to rates and taxes for properties recognised on its balance sheet of the Corporation. These liabilities cannot be categorised as a present obligation due to unfinished processes of legally registering the properties back in the name of the NWHC. There is also a High Court order that rescinded a previous default judgement in favour of the NWHC for municipal rates and taxes. The possible financial effects of the Contingent Liabilities by municipality are as follows: Makikeng municipality Tshwane Metro Rustenburg municipality ThIndication of uncertainty: the case is still in progress Possibility of reimbursment: Likelihooh of reimbursment cannot be determinedThe NWHC is in ongoing engagements with various municipalities to resolve on these contingent liabilities, The amounts of the contigencies are:		
Tswaing municipality	1,457,399	1,349,443
Ramotshere municipality	2,787,666	2,581,172
Greater Taung municipality	2,396,130	2,218,639
Madibeng municipality	9,870	9,139
Mafikeng municipality	85,183,301	76,312,632
Rustenburg municipality	59,010,572	55,461,064
Moses Kotane municipality	1,615,657	1,495,979
Tshwane Metro	10,428,977	9,746,707
Phokwane municipality	683,171	632,566
Ga Sekgonyane municipality	333,830	309,102
	163,906,573	**150,116,443**

Figures in Rand	2018	2017

25. Contingencies (continued)

10 Maponya Incorporated: Litigation is in the process against Maponya Incorporated. It is allaged that Maponya Inc. as a conveyancing firm transferred a lot of properties into companies owned by Mr Elias Phatudi Maponya. However, Maponya Inc. did not account to the corporation. The corporation has written to Maponya Inc. requesting that the latter provide proof of the payment for the properties. Maponya addressed a letter to Koikanyang informing in the latter how much was paid. Matter and proof of sale was requested from Koikayang Attorneys to allow further assessment of the fact. No value has yet been ascertained on the matter.

Indication of uncertainty: the matter is still pending

Possible reimbursement: no financial implication

11 Mothuloe Attorneys: Mothuloe Attorneys have amended their particulars of claim and requested the court to determine the number of the portfolio, declare that the Plainti ffhas suffered damages. Although we are of the view that Mothuloe has no real claim against the Corporation as such, the perceived claim could amount to millions of Rands, should the Court rule otherwise. The trial was concluded and parties submitted Heads of Argument. The ruling of judgement was made on the 15th February 2017, whereby the Constitutional Court ruled in favour of the North W est Housing Corporation and the application to appeal was dismissed.

Indication of uncertainty: the matter is finalised

Possible reimbursement: no financial implication

Contingent assets

1 Farms The North West Housing Corporation owns farms in the Province of Tshwane where the main title deed of the farm is in the title name of the North W est Housing Corporation. These farms consist of farms name 31 Mabopane 702 Jr, 30 Mabopane 702 Jr, 29 Mabopane 702 Jr, 7 Mabopane 702 Jr, Mabopane 702 Jr, 24 Mabopane 702 Jr, that went to form the Township names W interveld Ext 2, Winterveld, Kopanong Ext 1, Mabopane- B, Mabopane- B and Kopanong. The stands marked on these townships make up in total 10 778 units. These units have however not been fully proclaimed. Process of proclaiming the Township is however in the name of Tshwane Municipality where the title of the North West Housing Corporation will be removed from the Asset Register. Only when the proclamation of the township is in the name of the North W est Housing Corporation will the properties be recognised as assets	1,983,584,424	1,983,584,424
2 Properties without title deeds The North West Housing Corporation owns some properties that could not be verified by title deeds as evidence of ownership.	25,729,667	-
3 Properties relayed out The North West Housing Corporation experienced changes in its properties of Unit 2, Mothibistad. The Corporation was unable to verify those properties and the Corporation could also not get any documentation for them, but those properties where subdivided and the new Erf numbers were registered	134,507,413	-

Figures in Rand	2018	2017

26. Related parties

Relationships

Accounting Officers	Refer to accounting officers' report note
Controlling entity	North West Department of Local Government and Human Settlement
Members of key management	Mr T Tisane (Acting CFO) Mr T Kola (Acting Manager HR) Mr F Boshielo (Acting CEO) Mr M Radebe (Acting Manager Strategic management) Mr N Chitima (Chief Internal Auditor)

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

The entity did not do any business with any of the related party such as individuals as well as their close family members, and/or entities are closely related who has the ability, directly or indirectly to control.

Notes to the Annual Financial Statements

Figures in Rand

26. Related parties (continued)

Remuneration of management

Executive management

2018

Name	Basic salary	Travel Allowances	Other benefits received	Total
Mr MKF Boshielo (CEO)	1,475,892	60,935	-	1,536,827
Mr T Tisane (Acting CFO)	960,000	93,649	60,000	1,113,649
Mr N Chitima (Chief Internal Auditor)	578,697	24,205	-	602,902
Mr D Matshoba (Manager Risk)	578,697	42,685	-	621,382
Mr T Kola (Acting manager Human Resources)	-	69,673	81,791	151,464
Advocate SO Makinde	1,119,384	90,430	10,000	1,219,814
	4,712,670	**381,577**	**151,791**	**5,246,038**

Figures in Rand	2018	2017

27. Accounting Officers' emoluments

Non-executive

2018

	Sitting claims	Travel and subsistance	Other allowances	Total
Mr IR Modiselle (Chairperson)	114,797	82,066	11,000	207,863
Mr MJ Wolmarans (Deputy Chairperson)	3,784	39,073	-	42,857
Mr KK Tlhoeale (Board Member)	64,328	40,057	7,500	111,885
Ms MT Lemme (Board Member)	41,252	59,113	8,000	108,365
Ms HT Moselane (Board Member)	121,833	61,709	10,000	193,542
Dr KV Rampagane (Board Member)	51,545	60,211	7,500	119,256
Mr TT Thoka (Board Member)	63,047	64,830	11,000	138,877
Mr DN Tsagae (Board Member)	87,954	78,711	9,000	175,665
	548,540	**485,770**	**64,000**	**1,098,310**

2017

	Accounting Officers' fees	Travel and Subsistance	Total
Mr IR Modiselle (Chairperson)	-	107,129	107,129
Mr MJ Wolmarans (Deputy Chairperson)	10,000	107,039	117,039
Mr KK Tlhoeale (Board Member)	8,000	79,724	87,724
Ms MT Lemme (Board Member)	7,200	42,093	49,293
Ms HT Moselane (Board Member)	28,800	40,552	69,352
Dr KV Rampagane (Board Member)	19,800	32,938	52,738
Mr TT Thoka (Board Member)	-	61,632	61,632
Mr DN Tsagae (Board Member)	3,600	53,764	57,364
	77,400	**524,871**	**602,271**

28. Prior period errors

The identified investment property figure contained errors that occurred in the prior period. These were corrected through adjustment on prior period transfers -R 26 537 330, allocations to contingent assets properties R 413 031 368, reclassifications - R 31 710 717, total prior period for Identified Properties -R 481 424 524

The Unidentified investment property figure contained errors that occurred in the prior period. These were corrected through adjustment on prior period transfers -R 698 069, allocations to contingent assets properties -R 26 428 909, reclassifications R50 550 346, total prior period for Unidentified Properties R 23 423 368

The Corporation had gathered all pertinent information to demonstrate why it may not recognize certain rates and taxes. There is therefore a need to retrospective provision and payables relating to rates and taxes. The retrospective amount R 138 954 437

The Corporation had reviewed and retrospectively adjusted its debtors book and derecognize debtors without contract R 290 579 and retrospectively adjust debtors that were not recognized in the prior period to the value of R 697 678. Total retrospective adjustment equal to R 697 678

The None Current Asset Held For Sale (NCAHFS) investment property figure contained errors that occurred in the prior period. These were corrected through adjustment on prior period allocations to contingent assets properties -R 13 372 040, reclassifications R17 427 483 and prior period addition of R 7 015 000, total prior period for Unidentified Properties R 11 070 443.

Trade payables relating relate to debtors with negative balances

The Corporation had recognized a Department of Local Government Debtor relating to differences between the budget received and receivable of R10 339. We have decided that the amount is immaterial and the write off is prudent to the Corporation..

Figures in Rand	2018	2017

28. Prior period errors (continued)

Provisions for municipal rates previously recognised were derecognised. The provisions had arisen for rates and utilities on properties. A high court ruling necessitated the derecognition of the provisions and utilities as disclosed in the contingencies note

The correction of the error(s) results in adjustments as follows:

	2018	2017
Statement of financial position		
Investment property	-	458,001,156
Trade receivables	-	(925,219)
Non-current assets held for sale	-	(11,070,443)
Provisions	-	(154,852,966)
Accumulated Surplus or Deficit	-	(324,388,476)
Payables	-	528,459
Statement of financial performance		
Utilities	-	(32,707,489)

29. Comparative figures

Certain comparative figures have been restated as a result of correction of Prior period errors as reported in note 29.

30. Risk management

Financial risk management

The entity’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity’s financial performance. The entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the board. Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity’s operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The entity’s risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

The entity is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Figures in Rand	2018	2017

30. Risk management (continued)

Market risk

Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

The entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

31. Going concern

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

32. Events after the reporting date

A decision was taken by the North West Provincial EXCO during the 2017/2018 financial year to incorporate the North W est Housing Corporation (NWHC) into Bokone Bophirima Peoples' Economic Growth Agency (PEGA). This would result in a merger/transfer of the NWDC, NTI, NWHC, NW Parks Board and the NW Tourism Board. This proposed merger/transfer would include repealing the North West Housing Corporation Act, Act 9 of 1994, therefore legally terminating the existence of the North West Housing Corporation and merging/transferring its business operations into the proposed entity called PEGA. The proposed implementation date has yet to be confirmed.

33. Irregular expenditure

	2018	2017
Add: Irregular Expenditure - current year	1,039,975	-
Less: Amounts condoned	(1,039,975)	-
	-	-

Details of irregular expenditure – current year

	Steps taken	
NWHC1/2015: Regularization of debtors and tenants of the NWHC properties as well as the collection of outstanding balances	The Board rescind the consolidation of NW HC 1/2015, as 2 contracts. On the basis of this rescinding , the original contract amount was R 6, 371, 500, with maximum deviation allowance up to R 7 327 225 The Accounting Authority Condone the remainder of the NWHC 1/2015 that was paid above 15% allowable deviation limit being an amount of R 1 039 975. Majority of the work to be conducted related to Valuations of the Asset register that was also disclosed in the year-end financial statements of the respective period	1,039,975

Details of irregular expenditure condoned

	Condoned by (condoning authority)	
NWHC1/2015: Regularization of debtors and tenants of the NWHC properties as well as the collection of outstanding balances	Accounting Officers	1,039,975

Figures in Rand	2018	2017

33. Irregular expenditure (continued)

Governing regulations

In terms of the Treasury Regulations paragraph 33.1.1. “If an employee is alleged to have committed financial misconduct, the accounting authority of the public entity must ensure that an investigation is conducted into the matter and if confirmed, must ensure that disciplinary hearing is held in accordance with relevant prescripts.”

Treasury SCM Guidelines 5.16.1.1.1 States that “Any granting of a substantial extension of the stipulated time for performance of a contract that would be in aggregate increase the original amount of the contract by more than 15 percent , will be subject to the approval of the Accounting Officer or Authority or his/her delegate”

NWHC1/2015 – Based on appropriate legislation referred to above, NW HC1 has exceed the allowed threshold of 15% with respect to the contract expenditure. Based on an initial contract award of R 6 371 500, the maximum deviation should have been R 7 327 225. Making the Irregular amount R 1 039 975. NW HC 1/2015 project reflected an over expenditure of 131% which was actually paid.

NWHC2/2015 – Based on appropriate legislation referred to above, NW HC1 has not exceed the allowed threshold of 15% with respect to contract expenditure. Based on an initial contract award of R 13 200 000, the project is yet to be completed however extension of the contract term is requested to ensure full delivery of allocated scope of work. The service provider experienced delays especially relating to municipal engagement causing delays delivery. The contract period extension to 31 March 2018 will result in a cost deviation of 6% which will be within allowable SCM limits .

Rescinding Consolidation of Contract – NWHC 1/2015

The Board rescind the consolidation of NW HC 1/2015, as 2 contracts. On the basis of this rescinding , the original contract amount was R 6, 371, 500, with maximum deviation allowance up to R 7 327 225

The Accounting Authority Condone the remainder of the NW HC 1/2015 that was paid above 15% allowable deviation limit being an amount of R 1 039 975. Majority of the work to be conducted related to Valuations of the Asset register that was also disclosed in the year-end financial statements of the respective period

Rescinding Increasing of Contract value – NWHC 2/2015

The Board rescind the approval to increase the contract amount of R 16 Million

Management to obtain commitment from the service provider that the service will be completed within the adjusted budget

Extension for contract end date for contract NWHC 2/2015

For NWHC 2/2015, the contract timeframe clause (paragraph 53), read ‘Notwithstanding the date of signature of this Agreement, the Agreement shall be deemed to commence on the date of last signing party, and shall be completed on or before 31 March 2017’. The Contract has gone past its end date

The board had further condoned the contract term by extending the term to 31 March 2018, in lieu of outstanding work that needs to be done.

Part E

POST AUDIT ACTION PLAN

North West Housing Corporation

Post Audit Action Plan for the year ended March 31, 2018

Exception No	Entities	Stream	Heading	Sub Stream	Audit finding	Root Cause	Actions to be Taken	Completion Date	Person Responsible	Start Date	Completion Date	Status
INVESTMENT PROPERTY												
1	Housing Corporation	Financial	COF 14: Investment Property: Overstatement of Investment Properties – Valuation Rates	Investment property	During our audit we noted that the rate of the fair values adjustments utilised the valuation of the investment properties in the asset register did not agree to valuation report as per market trends	Management did not review the asset register and ensure that the rates applied for valuation are accurate and consistent	Analytical reviews of the asset register needs to be done on a quarterly basis to assess variances to market trends	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
2	Housing Corporation	Financial	COF 14: Overstatement of Investment Properties – Asset Register	Investment property	During the audit of Investment property it was noted that the value of the investment property as recorded in the asset register does not agree to the trial balance and general ledger	Management did not review the asset register to ensure that financial information is accurately recorded in terms of the requirements of the standards of GRAP and applicable legislation and all applicable legislation	The asset register is to be prepared on a monthly basis and reconciled to the general ledger	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
3	Housing Corporation	Financial	COF 14: Overstatement of Investment Properties - Valuation	Investment property	During our audit we noted that the fair values adjustments of the investment property as recorded in the asset register, the Trial Balance and the General Ledger did not agree to auditor's recalculations	Management did not review the asset register to ensure that financial information is accurately recorded in terms of the requirements of the standards of GRAP and applicable legislation and all applicable legislation	Analytical reviews of the asset register needs to be done on a quarterly basis to assess variances to market trends	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
4	Housing Corporation	Financial	COF 14: Overstatement of Investment Properties – Asset Register & Valuation	Investment property	During our audit we noted that the rate of the fair values adjustment of the Non-Current Assets Held for Sale line item as recorded in the investment property asset register did not agree to valuation report and the auditor's	Management did not review the asset register to ensure that financial information is accurately recorded in terms of the requirements of the standards of GRAP and applicable legislation and all applicable legislation	The asset register is to be prepared on a monthly basis and reconciled to the general ledger	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
5	Housing Corporation	Financial	COF 15: Investment Properties: Title deeds not found during deeds search	Investment property	During our audit we noted that the title deeds for about 55 items of investment property recorded in the asset register were not to be found through deed search	Management did no review of asset register to ensure that proper record keeping is preserved in terms of the requirements of the standards of GRAP and applicable legislation and all applicable legislation.	A quarterly confirmation of the asset register with the deeds office is to be conducted to ensure that only properties owned by the corporation are kept in the asset register	31/03/2019	Finance-Assets	01/08/2018	31/03/2019	In-year procedures
6	Housing Corporation	Financial	COF 15: Investment Property: Requested information not submitted.	Investment property	During our audit we noted that the following 144 items of investment property recorded in the asset register amounting to R75,411,349 were not registered in the name of North West Housing Corporation	Management did not review the asset register to ensure that only assets belonging to the Corporation are recorded in the asset register in terms of the requirements of the standards of GRAP and applicable legislation.	A task team is to be formed with key stakeholders to confirm the ownership status of the properties of the North West housing corporation versus title reflecting municipalities names	14/12/2018	Finance-Assets	01/08/2018	14/12/2018	In-year procedures
7	Housing Corporation	Financial	COF 15: Investment Properties Title Deeds not in the name of NWHC (Individuals)	Investment property	During our audit we noted that the following 12 items of investment property recorded in the asset register amounting to R 6,950,434.91 were registered in the names of individual persons	Management did not review the asset register to ensure that only assets belonging to the Corporation were shown in the asset register in terms of the requirements of the standards of GRAP and applicable legislation.	A quarterly confirmation of the asset register with the deeds office is to be conducted to ensure that only properties owned by the corporation are kept in the asset register	31/03/2019	Finance-Assets	01/08/2018	31/03/2019	In-year procedures
8	Housing Corporation	Financial	COF 20: Physical Verification of Investment Properties (Lehurutshe, Mmabatho & Monshiwa)	Investment property	During the physical verification of investment properties in Mafikeng (Lehurutshe, Mmabatho & Monshiwa), we identified that the following properties which were not registered in the name of North West Housing Corporation	Management did not undertake a complete review of the asset register to ensure that proper record keeping is preserved in terms of the requirements of the standards of GRAP 16 and all applicable legislation.	A physical verification exercise needs to be undertaken by the corporation with respect to their assets, with specific reference to risk areas identified during the audit	14/12/2018	Finance-Assets	01/08/2018	14/12/2018	In-year procedures
9	Housing Corporation	Financial	COF 22: Investment Property – Morula Sun fair valuation not done correctly at reporting date.	Investment property	Based on the provisions of the GRAP standards, management did not perform a fair valuation of the Morula Sun property at year end correctly as per requirements of the accounting framework taking into consideration the current leases/ rentals being obtained from the property. We inspected the valuation report provided and it was dated 30 April 2017.	The entity did also not develop a policy to determine the valuation method to be applied on the property at reporting date. The assumptions adopted at year end were not supported by reliable evidence to reflect the market conditions at reporting date.	The valuation report for Morula Sun needs to be reviewed and updated at the beginning of the financial year and at the end of the financial year based on the valuation policy of the corporation	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures

10	Housing Corporation	Financial	COF 22: Morula Sun- Investment property – Presentation and Disclosure not done according to accounting framework.	Investment property	The following information was not disclosed by the Housing Corporation in relation to the fair valuation of Morula Sun. 1. The methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the entity shall disclose) because of the nature of the property and lack of comparable market data; 2. The extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed; 3. the amounts recognised in surplus or deficit for, rental revenue from investment property The Presentation of investment property is not complete	Management did not fully disclose all the requirements as per the accounting framework.	A property Valuation Policy is to be adopted by the NWHC, in line with the Corporations circumstances, and include appropriate disclosures treatment	31/03/2019	Finance-Disclosure	01/08/2018	31/03/2019	In-year procedures
11	Housing Corporation	Financial	COF 22: Revenue / Investment Property – Information not provided to support basis used for Morula Sun Valuation	Investment property	Management used an expert from RB Properties to measure the fair value the Morula Sun property donated by Sun International. Based on the valuation report provided by the expert on page 12, we could not obtain adequate evidence to support the basis used to support the assumptions and values.	Management did not adequately review for accuracy and reasonability the valuation reports provided by the expert	The valuation reports for property plant and equipment and Morula Sun is to be reviewed and assessed for correct treatment	14/12/2018	Finance-Internal Control	01/08/2018	14/12/2018	In-year procedures
12	Housing Corporation	Financial	COF 23: Physical Verification of Investment Properties (Tshwane District)	Investment property	During the physical verification of investment properties exercise in the Tshwane District of Pretoria, we noted that the following 11 properties was not registered in the name of NWHC, with a total value of R30 543 074,54 which represents 12% of the total sample were incorrectly classified as depicted	Management did not undertake a review of the asset register to ensure that proper record keeping is preserved in terms of the requirements of the standards of GRAP and all applicable legislation	A physical verification exercise needs to be undertaken by the corporation with respect to their assets, with specific reference to risk areas identified during the audit	14/12/2018	Finance-Assets	01/08/2018	14/12/2018	In-year procedures
13	Housing Corporation	Financial	COF 25: Physical Verification of Investment Properties (Pudimoe)	Investment property	During the physical verification of investment properties exercise in Mafikeng, we noted that the following 08 properties which were found to be not registered in the name of NWHC, with a total value of R3 472630.90 which represents 0,28% of the total sample were incorrectly classified as depicted	Management did not undertake a review of the asset register to ensure that results of the physical verification are accurately captured to ensure that proper record keeping is preserved in terms of the requirements of the standards of GRAP and all applicable legislation.	A physical verification exercise needs to be undertaken by the corporation with respect to their assets, with specific reference to risk areas identified during the audit	14/12/2018	Finance-Assets	01/08/2018	14/12/2018	In-year procedures
14	Housing Corporation	Financial	COF 27: Physical Verification of Investment Properties (Lehurutshe, Monshiwa, Mmabatho)	Investment property	During the physical verification of investment properties exercise in Mafikeng, we noted that the following 07 properties which were found to be not registered in the name of NWHC, with a total value of R6 040 655.42 which represents 0.49% of the total sample were incorrectly classified as depicted	Management did not undertake a review of the asset register to ensure that results of the physical verification are accurately captured to ensure that proper record keeping is preserved in terms of the requirements of the standards of GRAP and all applicable legislation.	A physical verification exercise needs to be undertaken by the corporation with respect to their assets, with specific reference to risk areas identified during the audit	14/12/2018	Finance-Assets	01/08/2018	14/12/2018	In-year procedures
15	Housing Corporation	Financial	COF 35: Investment Property: Transfers from Investment Property not removed from the asset register	Investment property	During our audit, we noted that the following 23 properties which had been disposed of by NWHC, with a total value of R7 059 696. 53, have not been removed from the asset register	Management did not undertake a review of the asset register to ensure that investment properties disposed of are removed from the asset register to ensure that proper record keeping is preserved in terms of the requirements of the standards of GRAP and all applicable legislation.	A quarterly confirmation of the asset register with the deeds office is to be conducted to ensure that only properties owned by the corporation are kept in the asset register	31/03/2019	Finance-Assets	01/08/2018	31/03/2019	In-year procedures
16	Housing Corporation	Financial	COF 35: Asset Register – Properties with duplicate/same coordinates of location	Investment property	During our audit, we noted that the following 526 properties in the asset register with a total value of R69 841597.79, have duplicate/same coordinates of location and certain properties that are located in different townships/places having the same coordinates of location	Management did not undertake a review of the asset register to ensure that results of the physical verification are accurately captured to ensure that proper record keeping is preserved in terms of the requirements of the standards of GRAP and all applicable legislation.	A physical verification exercise needs to be undertaken by the corporation with respect to their assets, with specific reference to risk areas identified during the audit	14/12/2018	Finance-Assets	01/08/2018	14/12/2018	In-year procedures
17	Housing Corporation	Financial	COF 35: Investment Property: Understatement of Investment Properties	Investment property	During our audit, we noted that the 7 farms that had been purchased on 01/07/1998 have fair values that are less than their purchase price and differences were also noted in the extent of land	Management did not undertake a review of the asset register to ensure that results of the physical verification are accurately captured to ensure that proper record keeping is preserved in terms of the requirements of the standards of GRAP and all applicable legislation.	An investigation into valuation for farms an appropriate classification needs to be conducted with a resolution on appropriate values and treatment	14/12/2018	Finance-Internal Control	01/08/2018	14/12/2018	In-year procedures
18	Housing Corporation	Financial	COF 38: Investment Property: Overstatement of the Investment Property asset register	Investment property	During the audit we noted that the prior year unidentified investment properties were overstated	The total misstatement in the financial statements amounts to R38 982632.04	The asset register is to be prepared on a monthly basis and reconciled to the general ledger	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures

North West Housing Corporation

Post Audit Action Plan for the year ended March 31, 2018

19	Housing Corporation	Financial	COF 38: Investment Properties not registered in the name of NWHC at the Deeds Office	Investment property	During the physical verification of investment properties exercise in Mafikeng, we noted that the following 94 properties were found to be not registered in the name of NWHC, with a total value of R73 375 356,00 which represents 14% of the total sample The projected misstatement in the financial statements amounts to R168 249 739.45	Management did not undertake a review of the asset register to ensure that only assets belonging to the North West Housing Corporation are recognized and recorded in the asset register and that proper record keeping is preserved in terms of the requirements of the standards of GRAP and all applicable legislation.	A task team is to be formed with key stakeholders to confirm the ownership status of the properties of the North West housing corporation versus title reflecting municipalities names	14/12/2018	Finance-Assets	01/08/2018	14/12/2018	In-year procedures
20	Housing Corporation	Financial	COF 49: Investment property: Unable to physically verify certain properties.	Investment property	During the physical verification the auditors experienced a limitation of scope due to the Tlhabane community restricting access to properties selected for verification. Alternative procedures will be considered to confirm existence of the properties; however, the classification and property cannot physically be verified.	This is a result of management not frequently revising the investment property asset register and visiting the locations nor exerting control over the owned properties.	The corporation needs to identify and document an alternate of means to physically verify properties remotely in the absence of physical access to properties in consultation with the Auditor General	14/12/2018	Finance-Assets	01/08/2018	14/12/2018	In-year procedures
NON-CURRENT ASSETS HELD FOR SALE												
21	Housing Corporation	Financial	COF 33: Non-current assets held for sale: Properties not registered in the name of NWHC.	Non-current assets held for sale	Non-current assets held for sale are not registered in the name of the Corporation as per the deeds Search.	Management did not review the list of non-current assets held for sale to ensure that only assets belonging to the Corporation are recorded in the asset register.	A task team is to be formed with key stakeholders to confirm the ownership status of the properties of the North West housing corporation versus title reflecting municipalities names	31/03/2019	Finance-Assets	01/08/2018	14/12/2018	In-year procedures
22	Housing Corporation	Financial	COF 33: Non- current assets held for sale: Properties already sold still included under list of non-current assets held for sale.	Non-current assets held for sale	During our audit we noted that the properties that had been sold at full price as of 31/03/2018 were still included in the list of non-current assets held for sale:	Management did not review the asset register to ensure that only assets belonging to the Corporation were shown in the non-current assets held for sale.	Appropriate cut-off procedures of the asset register is to be conducted on a quarterly basis with liason from the deeds offices	31/03/2019	Finance-Assets	01/08/2018	31/03/2019	In-year procedures
23	Housing Corporation	Financial	COF 33: Non- current assets held for sale: Non- current assets held for sale not measured at lower of carrying value and fair value less costs to sell.	Non-current assets held for sale	We noted that the Corporation did not measure non-current assets held for sale at the lower of their carrying value and their fair value less costs to sell.	Management should measure non-current assets held for sale at the lower of their carrying value and their fair value less costs to sell.	The corporation needs to develop an appropriate Practice Note and Policy for active disposal of non current assets held for sale	31/03/2019	Finance-Internal Control	01/08/2018	14/12/2018	In-year procedures
24	Housing Corporation	Financial	COF 33: Non- current assets held for sale: Non- current assets held for sale not correctly classified.	Non-current assets held for sale	We noted that the list of non-current assets contains properties that do not indicate that a sale is highly probable. Also, the list of non-current assets contains assets that have not been sold within one year from the reporting date since they were listed in 31 March 2017.	Management did not ensure that the list of non-current assets held for sale are correctly classified.	The corporation needs to develop an appropriate Practice Note and Policy for active disposal of non current assets held for sale	31/03/2019	Finance-Internal Control	01/08/2018	14/12/2018	In-year procedures
PAYABLES FROM EXCHANGE TRANSACTIONS												
25	Housing Corporation	Financial	COF 37: Payables: Legacy suspense account not cleared at year end.	Payables from exchange transactions	We noted that there was a balance of R37 117 333 disclosed as legacy suspense account. The suspense account was not cleared at year end.	Management did not ensure that suspense accounts are cleared at year end.	The corporation needs to resolve on how its suspense account is going to be treated and assess validity in inclusion in its financial statements	31/03/2019	Finance-Disclosure	01/08/2018	14/12/2018	In-year procedures
26	Housing Corporation	Financial	COF 46: Payables: Non-submission of information (Journals).	Payables from exchange transactions	Information was not provided within the required timelines as per the engagement letter	This is a result of not maintaining proper record keeping.	Monthly sign-off payables Ledgers including Approvals with supporting documents, is to be reported on	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
27	Housing Corporation	Financial	COF 47: Payables: Individual creditor's reconciliations not performed during the year under review	Payables from exchange transactions	We noted that the entity did not performed individual creditors reconciliations during the year under review	Prior year internal control deficiency identified not addressed.	The corporation needs to prepare monthly creditors reconciliations	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
28	Housing Corporation	Financial	COF 53: Payables: Unrecorded liability and expenditure of Bezuidt Attorney's	Payables from exchange transactions	We noted that invoice 22/2018 dated 31 March 2018 from Bezuidt Attorneys of R486740.00 was not recorded in the payables balance.	This is a result of inadequate review processes by management.	The corporation needs to adopt accrual and monthly cut-off procedures at each month end close for liablities and expenses	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
29	Housing Corporation	Financial	COF 53: Payables: Supplier ledger closing balance does not agree to balances as per payables schedule.	Payables from exchange transactions	Differences were noted in balances per the supplier ledger and balances as per payables listing	This is a result of management not updating supplier ledger throughout the year with supplier transactions in the financial period.	The corporation needs to prepare monthly creditors reconciliations	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
PROVISIONS												
30	Housing Corporation	Financial	COF 41: Provisions: Difference between management's provision calculation and figure disclosed on the AFS	Provisions	During the audit of provisions, a difference between management's calculation and figure disclosed on the AFS was noted.	This is a result of management not reviewing and approving the provision calculation.	Quarterly preparation of provisions schedules and approved reconciliations between the provision schedules, general ledger and financial statements (where relevant) are to be prepared	31/03/2019	Finance-Disclosure	01/08/2018	31/03/2019	In-year procedures
31	Housing Corporation	Financial	COF 41: Provisions: Provision incorrectly classified	Provisions	The entity was not able to make a reliable estimate, furthermore the rates and taxes services have been received for the Tshwane properties rendering that it should've been disclosed as an accrual.	Management did not also attempt to obtain a statement of account from the City of Tshwane within the current financial year. Management did not ensure that provisions complies with Grap 19 par.21	Third-party confirmations for provisions figures are to be obtained on quarterly basis with evidence of attempts to obtain this information	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures

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OTHER IMPORTANT MATTERS

38	Housing Corporation	Financial	COF 43: Contingent liabilities: Same balance included under provisions and contingent liabilities.	Other matters important	We noted that there a balance of R10428977 for Tshwane Metro that was included under contingent liabilities and provisions.	This is a result of management not reviewing AFS.	The monthly review a contingent liabilities to be conducted in line with 3rd party creditor confirmation processes	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
39	Housing Corporation	Financial	COF 43: Contingent liabilities: No appropriate audit evidence provided for contingent liabilities.	Other matters important	We were not provided with appropriate audit evidence to substantiate the contingent liabilities for municipalities	This is a result of management not requesting municipalities' statements timely.	The monthly review a contingent liabilities to be conducted in line with 3rd party creditor confirmation processes	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
40	Housing Corporation	Financial	COF 45: Payables: Creditors written off without approval	Other matters important	During the audit of trade and other payables, we noted that an amount of R 134748.00 owed to the Department of Justice from the prior year was written off in the current year without the approval from Department of Justice as no payment made was made to the department by the corporation.	Management write off the debt owing to the Department of Justice before resolving the dispute.	Approval processes need to be undertaken for creditors written off	31/03/2019	Finance-Internal Control	01/08/2018	14/12/2018	In-year procedures
41	Housing Corporation	Financial	COF 45: Related Parties: Presentation and Disclosure	Other matters important	During the audit of related parties' disclosure, we noted the following: 1. Adv Makinde and Mr. D Matshoba was not included in the under members of key management. 2. Mr. M Radebe was included under members of key management; the official has left the entity before 01 April 2017. 3. No comparative disclosure was disclosed for remuneration of management. 4. Transaction amount entered into with the controlling entity were not disclosed.	Inadequate review of AFS.	A quarterly preperation and review of financial statements is to be undertaken, with up to date disclosure notes	31/03/2019	Finance-Disclosure	01/08/2018	31/03/2019	In-year procedures
42	Housing Corporation	Financial	COF 09: Cash and cash equivalent: Incorrect amount disclosed for cash and cash equivalent.	Other matters important	We noted the differences between the general ledger for the Nedbank account and the bank statement as at 31 March 2018	This is a result of inadequate reconciliation of bank accounts performed at year end and also inadequate review of financial information before submission.	Monthly bank reconciliation is to be prepared and appropriately signed off	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
43	Housing Corporation	Financial	COF 43: Contingent liabilities: Incorrect balance for contingent liabilities disclosed.	Other matters important	We noted the balance for contingent liabilities for municipalities disclosed in the prior year was incorrect	This is a result of management not adequately reviewing the AFS.	The monthly review a contingent liabilities to be conducted in line with 3rd party creditor confirmation processes	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
44	Housing Corporation	Financial	COF 44: Contingent liabilities: Differences noted between contingent liabilities balances disclosed and balances confirmed by Attorneys.	Other matters important	We noted differences between the contingent balance disclosed in the AFS and the balances confirmed by the Attorneys We also note that a case was confirmed for Mmolawa vs. NWHC with a possible financial impact of R80 000 but not disclosed in the AFS.	This is a result of management not confirming litigation balances before preparing AFS.	Monthly update requests of Contingent liability balances are to be obtained from Attorneys and reconciled to ensure consistency in reporting	31/03/2019	Legal and Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
45	Housing Corporation	Financial	COF 44: Contingent liabilities: Cases disclosed not confirmed by Attorneys.	Other matters important	Cases were disclosed in the AFS of the Corporation but were not part of the cases confirmed by the Corporation Attorneys.	This is a result of management not confirming litigation balances before preparing AFS.	Monthly update requests of Contingent liability balances are to be obtained from Attorneys and reconciled to ensure consistency in reporting	31/03/2019	Legal and Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
46	Housing Corporation	Financial	COF 49: Contingent liabilities: Contingent liabilities not complete.	Other matters important	The following potential contingent liabilities were identified during the review of minutes however, they were not included in the contingent liabilities disclosed	This is a result of management not reviewing the list of litigation cases.	Monthly update requests of Contingent liability balances are to be obtained from Attorneys and reconciled to ensure consistency in reporting	31/03/2019	Legal and Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
47	Housing Corporation	Corporate	COF 31: HR: Skills and competencies are not regularly monitored and evaluated.	Other matters important	Management did not conduct skills and competency reviews during the financial year	Management did not perform performance or skill reviews during the year under review.	A skills competency audit to be performed by Departmental heads, based on divisional structures and reported on Annually	31/03/2019	Corporate Services-Internal Control	01/08/2018	31/03/2019	In-year procedures
48	Housing Corporation	Corporate	COF 09: HR: No payroll taxes have been paid over to SARS.	Other matters important	We noted that for S Machaba there was no PAYE and UIF deducted for the month of May 2017. This resulted in a projected misstatement of R704 850.80 and UIF of R 10 349.61. Upon further inquiry with the Finance Manager he confirmed that employees' taxes were not deducted for the months of April 2017 – May 2017, furthermore for the months of April 2017 – August 2017 no payroll taxes were being paid over to SARS, nor was it accrued until such a time arose as to which the payroll taxes could be paid.	This is a result of SARS blocking the PAYE and UIF number of the department which resulted in no returns being submitted from April 2017 – August 2017.	PAYE reconciliations to be performd pre and post payment to SARS	31/03/2019	Corporate Services and Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
49	Housing Corporation	Corporate	COF 31: HR: Payroll reconciliation – differences between the AFS and monthly analysis figure	Other matters important	During the audit of employee costs a difference between the AFS figure and the monthly analysis report's cost to company figure.	This is a result of management not reviewing the monthly analysis.	Payrol reconciliations to be perfomed on a monthly basis for reconciliation purposes	31/03/2019	Corporate Services and Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
50	Housing Corporation	Corporate	COF 31: HR: Difference between the monthly analysis and EMP201 returns	Other matters important	During the audit of employee costs differences between the monthly analysis and EMP201 returns were noted.	This is a result of management not reviewing the monthly analysis and EMP201 reports on a monthly basis	EM201 reconciliations are to be performed on a monthly basis	31/03/2019	Corporate Services and Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
51	Housing Corporation	Corporate	COF 31: HR: Presentation and disclosure of employee costs	Other matters important	No leave accrual value has been specified nor has leave accrual and third-party payments been disclosed separately	This is a result of management not ensuring that a higher-level review has been performed.	Employee cost information is to be prepared on a quarterly basis to support disclosures for quarterly financial statements	31/03/2019	Corporate Services and Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
52	Housing Corporation	Corporate	COF 31: HR: No EMP501 reconciliation has been performed nor has IRP5's been issued	Other matters important	During the audit of employee costs, it was noted the entity did not perform any EMP501 reconciliation for the year under review nor did they generate any IRP5's and IT3(a)'s.	This is a result of management being uncertain from which period they should start deducting tax from the employees and the uncertainty of the financial implication upon submission of the EMP501	EMP501 reconciliations are to be prepared and issued in line with SARS deadlines	31/03/2019	Corporate Services and Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures

REVENUE: RENTAL OF PROPERTIES												
33	Housing Corporation	Financial	COF 51: Revenue and Receivables: Completeness of rental revenue could not be confirmed	Revenue: Rental of properties	The entity did not take effective steps to collect revenue from all its properties. Although the entity performed a regularization process to identity tenants and prospective buyers for all its properties with 5260 occupants being identified, not all tenants have signed rental agreements. The entity can also not determine which specific tenants are paying rentals directly in the bank account. Furthermore, it was noted that the entity has no operational systems in place to recognize all rental revenue as we are unable to determine how much rental income and the related receivables should be recorded during the year under review. The entity did not recognise any rental revenue from their properties except rental revenue from Morula properties. The issue has been raised in the previous two years and was not addressed in the year under review.	Management has not addressed the previous year's finding. Management has not made significant efforts to ensure that tenants have valid contracts and rental is recorded and collected effectively.	An active debtors reguralisation process is to to be formalised into a Practice Note Policy and to be used to enhance Revenue Recognition	31/03/2019	Finance- Property Management (Debtors)	01/08/2018	31/03/2019	In-year procedures
DISCLOSURE: IRREGULAR EXPENDITURE												
33	Housing Corporation	Financial	COF 12: SCM: Services not procured through competitive bidding.	Disclosure: Irregular expenditure	We noted that AIV Property Specialist received payments during the year of R614460 which means that the procurement of the services was supposed to go through tender processes as the amount is above the R500000 threshold. However, we were not provided with tender documentation to determine how the award was made.	The SCM processes were done by the Department of Human Settlement and not North West Housing Corporation.	Irregular expenditure investigations to be undertaken and reported on in line with Regulation	31/03/2019	Supply Chain Management	01/08/2018	14/12/2018	In-year procedures
34	Housing Corporation	Financial	COF 12: SCM: There was no gift register in place during the year under review.	Disclosure: Irregular expenditure	We noted that the entity did not have a gift register in place during the year under review.	This is a result of not maintaining proper record keeping.	A gift register is to be kept by the corporation and updated on a regular basis	31/03/2019	Supply Chain Management	01/08/2018	30/08/2018	In-year procedures
36	Housing Corporation	Financial	COF 13: SCM: Procurement processes not followed for quotations awarded.	Disclosure: Irregular expenditure	Quotations were awarded without the required SCM processes being followed	This is a result of not evaluating quotations under the PPPFA point system and following proper SCM processes.	A review of SCM processes and related Policies is to be undertaken to enhance compliance with Treasury Regulation	31/03/2019	Supply Chain Management	01/08/2018	30/08/2018	In-year procedures
37	Housing Corporation	Financial	COF 21: Procurement and contract management: Procurement processes not followed for quotations awarded.	Disclosure: Irregular expenditure	Quotations were awarded without the required SCM processes being followed	This is a result of not evaluating quotations under the PPPFA point system and following proper SCM processes.	A review of SCM processes and related Policies is to be undertaken to enhance compliance with Treasury Regulation	31/03/2019	Supply Chain Management	01/08/2018	30/08/2018	In-year procedures
38	Housing Corporation	Financial	COF 21: Procurement and contract management: Services not procured through competitive bidding.	Disclosure: Irregular expenditure	We noted that Koikanyang Incorporation received payments during the year of R 891 315.40 which means that the procurement of the services was supposed to go through tender processes as the amount is above the R500000 threshold. However, we were not provided with tender documentation to determine how the award was made.	The SCM processes were done by the Department of Human Settlement and not North West Housing Corporation.	A review of SCM processes and related Policies is to be undertaken to enhance compliance with Treasury Regulation	31/03/2019	Supply Chain Management	01/08/2018	30/08/2018	In-year procedures
39	Housing Corporation	Financial	COF 26: Procurement and contract management – Irregular Expenditure in relation to contracts NWHC 1/2015 and NWHC 2/2015 awarded to Bezuidt Attorneys.	Disclosure: Irregular expenditure	We noted that the two tenders NWHC 1/2015 and NWHC 2/2015 terms of reference prepared by the Acting Chief Operating Officer were similar in nature and there were no reasons provided to indicate the need to separate the two tenders. We were not provided with evidence of delegation of authority to the then Acting Chief Operating Officer to authorize these tenders.	Management of the entity did not ensure that all applicable regulations were followed in the awarding of major tenders which impact the operations of the organisation. The procurement processes followed did not adequately comply with the requirements of law.	Irregular expenditure investigations to be undertaken and reported on in line with Regulation	31/03/2019	Supply Chain Management	01/08/2018	14/12/2018	In-year procedures
DISCLOSURE: PRIOR PERIOD ERROR												
35	Housing Corporation	Financial	COF 10: AFS: Amounts disclosed as prior year error note are incorrect.	Disclosure: Prior period error	We noted that there were differences between amounts disclosed in the prior period error note and our recalculations. The statement of changes in net assets did not include the prior period error amount as per note 28.	This is a result of inadequate review of the annual financial statements.	A schedule for prior year adjustment needs to be kept on an ongoing basis, with appropriate journal approvals for adjustments made	31/03/2019	Finance-Disclosure	01/08/2018	31/03/2019	In-year procedures
36	Housing Corporation	Financial	COF 41: Payables: Payables incorrectly classified as provisions on the prior period error note	Disclosure: Prior period error	Management did not classify payables separately on the prior period error note, management disclosed the figure with the provisions' figure. There is a balance R 87840 114.59 of rates and taxes emanating from the prior year that is for payables.	This is a result of higher management not reviewing the disclosure notes.	3rd Party confirmations for payables are to be conducted on a quarterly basis, with appropriate classifications done after confirmation	31/03/2019	Finance-Disclosure	01/08/2018	31/03/2019	In-year procedures
37	Housing Corporation	Financial	COF 41: Provisions: Uncertain difference upon reconciling the prior period error note	Disclosure: Prior period error	Management did not exclude the City of Tshwane's provision amount from the prior period error adjustment figure.	This is a result of higher management not reviewing and approving the prior period error adjustment passed.	A schedule for prior year adjustment needs to be kept on an ongoing basis, with appropriate journal approvals for adjustments made	31/03/2019	Finance-Disclosure	01/08/2018	31/03/2019	In-year procedures

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53	Housing Corporation	Corporate	COF 31: HR: Differences between the monthly analysis and the actual amount paid as per bank statement	Other matters	important	Employee payroll taxes were not deductible from the months of June 2017 – August 2017 which resulted in a variance between the financial system and what has been paid.	The PAYE account number was blocked thus no statutory deductions were deducted, furthermore the payroll system was only implemented in September 2017.	Payroll reconciliations are to be performed on a monthly basis and checked against bank payments before and after payment	31/03/2019	Corporate Services-Internal Control	01/08/2018	31/03/2019	In-year procedures
54	Housing Corporation	Financial	COF 09: F & W: Fruitless and wasteful expenditure incurred.	Other matters	important	Penalties and interest incurred amounting to R35656.98 on the SARS PAYE statement of account of was not disclosed as fruitless and wasteful expenditure on the face of the annual financial statements.	The penalties and interest were omitted due to the request for compromise, which commenced on the 14th of December 2017.	The risk management department is to prepare a register of suppliers that can trigger interest and penalties in to be prepared and monitored to prevent occurance of fruitless and wasteful expenditure	31/03/2019	Finance-Disclosure	01/08/2018	31/03/2019	In-year procedures
55	Housing Corporation	Financial	COF 34: Financial Liabilities: Other financial liabilities disclosed as a current liability	Other matters	important	The entity did not disclose additional information relating to the balance of R23 880 291 that is classified as current in with prescripts of GRAP 101 paragraph 114.	Management did not ensure that the financial liabilities are disclosed in line with GRAP 101 paragraph 114.	A review of classification criteria of liabilities is to be conducted and converted into a practice note for approval	31/03/2019	Finance-Disclosure	01/08/2018	31/03/2019	In-year procedures
56	Housing Corporation	Financial	COF 36: Contract management: No performance monitoring reports in place	Other matters	important	We note that the Corporation does not have performance monitoring reports in place for all its contracts.	There is no contract management function in place at the Corporation.	A dedicated contract management function is to be incorporated both in requesting departments and supply chain management	31/03/2019	Corporate Services-Internal Control	01/08/2018	30/09/2018	In-year procedures
57	Housing Corporation	Financial	COF 34: Non-current assets held for sale: Properties duplicated in the list of non-current assets held for sale.	Other matters	important	We noted that some properties were duplicated in the list of non-current assets held for sale.	Management did not ensure that the list of non-current assets held for sale is accurate.	A review of the asset register is to be conducted on a quarterly basis in order to identify any duplicates. This review will be conducted on a quarterly basis to affirm accuracy	31/03/2019	Finance-Assets	01/08/2018	31/03/2019	In-year procedures
58	Housing Corporation	Financial	COF 39: Irregular expenditure: No proof that irregular expenditure was approved by the board.	Other matters	important	We noted that there was a proposal to the board on 23 February 2018 to condone irregular expenditure of R1,039,975 for a contract of Bezuidt Attorneys contract number NWHC1/2015. We were not provided with evidence that the Accounting Officer/Accounting Authority took effective and appropriate steps against any person found to have caused the irregular expenditure. Also, we were not provided with evidence that the board approved the condonation. Also, we were not provided with evidence that it was reported to the Tender board.	Non-compliance with PFMA and National Treasury regulations.	The corporation will evaluate fruitless and wasteful expenditure incurred in order to learn and prevent reoccurance. Where relevant investigate appropriate actions to be taken for transgressions made.	31/03/2019	Finance-Internal Control	01/08/2018	30/09/2018	In-year procedures
59	Housing Corporation	Financial	COF 49: Non-current assets held for sale: Incorrect note disclosed on non-current assets held for sale.	Other matters	important	The following incorrect note which is not applicable to the Corporation was disclosed on non-current assets held for sale note 6. A sale is highly probable as the appropriate level of management is committed to a plan to sell. The Corporation has: • begun an active programme to locate a buyer and complete the sale • begun to actively market the asset or disposal group at a price that is reasonable compared to its current fair value • made a sale to be completed within one year from the date of classification • begun to carry out actions required to complete the plan, which should indicate that it is not likely that there will be significant changes	This is a result of management not adequately reviewing the AFS.	The corporation will review non-current assets held for sale for probability of sale in order to obtain approval for any appropriate reclassifications to investment property as identified during the audit	31/03/2019	Finance-Internal Control	01/08/2018	14/12/2018	In-year procedures
60	Housing Corporation	Financial	COF 24: Property Plant and Equipment / Revenue - Morula Sun donated movable assets double counted	Other matters	important	The fair valuation model adopted by the housing corporation for Morula Sun considered the value of income for a furnished hotel. Therefore, the movable assets such as television sets, air conditioning units were included as part of the fair valuation of the hotel. However, the entity also recognised these assets separately as movable assets and did a separate valuation and disclosed them as property plant and equipment.	Financial and performance management: Management did not prepare accurate and complete financial and performance reports that are supported and evidenced by reliable information. Management did not fully understand the requirements of the financial reporting framework.	The valuation reports for property plant and equipment and Morula Sun is to be reviewed and assessed for correct treatment	31/03/2019	Finance-Disclosure	01/08/2018	14/12/2018	In-year procedures
61	Housing Corporation	Financial	COF 42: Investment Property: Unable to physically verify certain properties	Other matters	important	During the physical verification the auditors experienced a limitation of scope due to the Tlhabane community restricting access to properties selected for verification. Alternative procedures will be considered to confirm existence of the properties; however, the classification and property cannot physically be verified	This is a result of the Tlhabane community having a dispute with the Corporation.	The corporation is to develop an alternative method for physical verification for instances where physical access to property is prohibited	31/03/2019	Property Management and Finance- Internal Control	01/08/2018	14/12/2018	In-year procedures
62	Housing Corporation	Financial	COF 42: Investment property: Investment property incorrectly classified	Other matters	important	During the audit of investment property, 25 properties have incorrectly been classified.	This is a result of management not frequently revising the investment property asset register and visiting the locations	The physical verification process is to be expanded to also deal with correct property classification and related valuation	31/03/2019	Finance-Assets	01/08/2018	14/12/2018	In-year procedures
63	Housing Corporation	Financial	COF 43: Investment property: Requested Information not submitted	Other matters	important	We were not provided with appropriate audit evidence to substantiate the contingent liabilities for municipalities.	This is a result of management not requesting municipalities' statements timely	A monthly report back on progress on enagements with municipalities on rates and taxes and related liabilities needs to be conducted	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
64	Housing Corporation	Financial	COF 03: SCM: Payment requisition not signed as authorised.	Other matters	important	We noted that the payment requisition form dated 29 November 2017 for Papino Holdings and Trading for R69400 was not signed by the Acting CFO.	Management is not implementing internal controls effectively.	No payments are to be made without having the appropriate approval signatories	31/03/2019	Supply Chain Management	01/08/2018	31/03/2019	In-year procedures

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75	Housing Corporation	Strategic Planning	COF 16: AoPO: Register / list of reported achievement does not agree with the total reported achievement in the Annual Performance Report for Programme 3: Property Management	Other important matters	During our audit for the indicator listed below, we identified a difference between the achievement reported in the Annual Performance Report and the achievement as the register supporting the actual achievement.	Insufficient review of the annual performance reports and the underlying records during reporting period	The portfolio of evidence for AoPO all is to be reviewed independently before sign off and further supported by substantiation from internal audit	31/03/2019	Corporate Services-Internal Control	01/08/2018	31/03/2019	In-year procedures
76	Housing Corporation	Strategic Planning	COF 16: AoPO: Lease agreement concluded for CRU tenants	Other important matters	During the audit of "Number of lease agreements concluded for CRU tenants" indicator under Programme 3, we noted that the following lease agreements concluded were reported as achieved in as at 31 March 2018. A contract will be concluded when both parties sign to agree to terms and conditions of the contract, therefore the later date of the final signature would be the date of concluding the contract. During the audit of "Number of lease agreements concluded for CRU tenants" indicator under Programme 3, we noted that the following lease agreement were reported as achievements made as at 31 March 2018. This achievement does not support the indicator purpose to have an enforceable lease agreement in line with CRU guidelines. The CRU Programme is an initiative of the National Department of Human Settlements (NDoHS). The overall aim of this programme is the provision of secure, stable rental tenure for lower-income persons and households. These units were reserved to be utilized as the office and the other to be occupied by the caretaker who is the employee of the entity.	Insufficient review of the annual performance reports and the underlying records during reporting period.	The portfolio of evidence for AoPO all is to be reviewed independently before sign off and further supported by substantiation from internal audit	31/03/2019	Property Development-Internal Control	01/08/2018	31/03/2019	In-year procedures
77	Housing Corporation	Strategic Planning	COF 32: AoPO: Programme 3 - Indicators not well defined	Other important matters	The following indicators are not clearly well defined, and the output of the achieved performance is not supporting the desired outcome as per the Corporate plan.	Indicators not clearly explained and give managers incentives to carry out activities simply to meet a particular target.	The definitions for APP performance targets and indicators will be conducted through a review process that will involve the Auditor General	31/03/2019	Corporate Services-Internal Control	01/08/2018	31/03/2019	In-year procedures
78	Housing Corporation	Strategic Planning	COF 47: AoPO: Validity of Portfolio of evidence	Other important matters	We noted that this portfolio of evidence does not support the expected achievement for the indicator Based on the above misstatement of invalid properties reported, the indicator is projected to be overstated by 263. 2. Indicator: "Number of tenants regularized" The following tenants were included in the portfolio of evidence and reported as achieved during the year under review. We noted that portfolio of evidence was not dated to confirm that achievement was achieved in the current year.	Portfolio of evidence not adequately review.	The portfolio of evidence for AoPO all is to be reviewed independently before sign off and further supported by substantiation from internal audit	31/03/2019	Corporate Services and Property Development	01/08/2018	31/03/2019	In-year procedures
79	Housing Corporation	Financial	COF 03: SCM: Supply Chain Management policy deficiencies.	Other important matters	We also noted that the SCM policy doesn't include local content procurement processes and processes for application of exemptions with the department of trade and industry (DTI).	This is a result of not ensuring that the SCM policy is in line with National Treasury regulations 16A	The SCM process will incorporate an element of local procurement in its evaluation process	31/03/2019	Supply Chain Management	01/08/2018	31/03/2019	In-year procedures
80	Housing Corporation	Financial	COF 03: SCM: Annual procurement plan not submitted to National Treasury.	Other important matters	1. We were not provided with evidence that the annual procurement plan was submitted to National Treasury by 31 March. 2. There is no alignment between the procurement plan and the annual performance plan. We were not provided with evidence that quarterly SCM reports were submitted to the relevant Treasury.	This is a result of not complying with National Treasury regulations.	The SCM process is to ensure that the Procurement Plan is submitted to national Treasury for the 2017/18 financial year, and to ensure that the procurement plan for the 2018/19 is done in line with the budgetary processes and on time for submission	31/03/2019	Supply Chain Management	01/08/2018	30/09/2018	In-year procedures
81	Housing Corporation	Financial	COF 03: SCM: Quotation not evaluated under the preference point system.	Other important matters	We noted that the entity procured garden services on 29 November 2017 from Papino Holdings and Trading for R69400 however, it was not evaluated as per the preference point system.	This is a result of not evaluating quotations under the PPPFA point system.	PPPFA a procurement process form is to be incorporated as part of the SCM process in line with the PFMA regulation	31/03/2019	Supply Chain Management	01/08/2018	31/08/2018	In-year procedures
82	Housing Corporation	Financial	COF 11: SCM: Non-submission of information	Other important matters	We issued a request for information number 23 on 13 June 2018 for a list of suppliers that received payments in the year under review including the banking details and VAT numbers however, we received the list of suppliers without banking details and VAT numbers. Also, the list we received for the payments in current financial period was not complete as the submitted annual financial statements has a balance of R21 812 171 for general expenses and the list we received has R11 842 315.	Inadequate review of information submitted to Auditors.	A schedule of active suppliers is to be kept in a register format by SCM processes	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
83	Housing Corporation	Financial	COF 36: Contract management: Supplier paid in excess of 15% of the original contract.	Other important matters	We noted that the Corporation entered into a contract with My Africa Properties for the provision of a debtor's system in 2006 and the contract expired. Subsequently, the Corporation has been extending the contract and the amount has exceeded the 15% threshold of the original contract.	Contract extension amount paid has exceeded the 15% threshold.	Contract Management Processes and department will be set up with a specific focus of ensuring that towards contract end date a needs analysis is conducted and that a new procurement process is undertaken within prescribed timelines	31/03/2019	Supply Chain Management and Finance	01/08/2018	31/03/2019	In-year procedures

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66	Housing Corporation	Financial	COF 29: Expenditure: Duplication of payments made to Bezuidt Attorneys and Koikanyang Inc.	Other important matters	Payments listed below for consulting and professional fee's expenditure appear to have been processed and paid twice for the same invoice.	Management has not designed and implemented internal controls to mitigate duplicate payments. Staff does not perform reconciliations.	Payments of similar amounts are to be investigated for possibility of duplications	31/03/2019	Finance-Internal Control	01/08/2018	30/09/2018	In-year procedures
67	Housing Corporation	Financial	COF 29: Expenditure: Cut – off - Expenditure not recorded in the correct financial year	Other important matters	The following invoices dated in the previous financial year were recorded and recognised in the current financial year under review.	Management has not designed an effective and efficient system over invoices and payments. Controls over recording and reconciliations are not working effectively.	Month-end cut of procedures are to be performed to ensure appropriate accruals for expenditure	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
68	Housing Corporation	Financial	COF 37: Expenditure: Incorrect journal processed	Other important matters	We noted journal number GJ18-138 dated 31/03/2018 was processed to reverse invoice number 53/17 dated 22/03/2017 from Vere Attorneys for an amount of R 32391.00. The journal was invalid as at 31/03/2018 the amount was still payable. And the same journal was processed to reverse invoice number INV01-1938 from Koikanyang Attorneys for an amount of R 60536.96 dated 28/03/2018.	Inadequate review of journal before posting journals.	Appropriate review an evidence of signature is to be provided before the passing of any journals	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
69	Housing Corporation	Financial	COF 37: Expenditure: Foreign exchange transaction not accounted correctly.	Other important matters	a. During the audit of expenditure, we noted a foreign transaction entered into with Palladium was incorrectly recorded in the general ledger. Upon recalculating the amount, we noted the difference: b. No foreign exchange loss was recognised by the entity:	The entity used the incorrect spot rate and did not disclose the exchange loss difference.	Exchange spot rates and to be approved before application in financial records	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
70	Housing Corporation	Financial	COF 37: Expenditure: Auditors' remuneration expenditure understated	Other important matters	During an audit of expenditure for Auditors' Remuneration, we noted that the audit fees were understated by the amount of R 161795.19 which is as follows: • Journal number GJ18-064 was passed on the 31/03/2018 and reverse invoice number INV296248 issued on 30/04/2017 from AGSA for the amount of R 128318.62. The payment in respect to the invoice was processed and paid by the department on behalf of the entity on the 22/05/2017. This journal is invalid as no error or omission was identified to be corrected. • Invoice number INV308274 received from AGSA dated 31/01/2018 for R 32 694.29 was not recognized to the entity's book. • Interest accumulated of R 782.28 was not recognized.	Management has not designed an effective and efficient system over invoices and payments. Controls over recording and reconciliations are not working effectively.	Month-end cut of procedures are to be performed to ensure appropriate accruals for expenditure	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
71	Housing Corporation	Financial	COF 37: Expenditure: Cut – off - Expenditure not recorded in the correct financial year	Other important matters	Invoice in respect to previous financial year were recorded and recognised in the current financial year under review.	Management has not designed an effective and efficient system over invoices and payments. Controls over recording and reconciliations are not working effectively.	Month-end cut of procedures are to be performed to ensure appropriate accruals for expenditure	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
72	Housing Corporation	Financial	COF 48: Payables: Unrecorded liability of Morula Sun's rates & taxes	Other important matters	Upon receival of the Morula Sun rates and taxes statement of account it was noted that there is an amount of R 1301763.12 outstanding which relates to the financial year under audit. The amount was not included in the payables balance	This is a result of management not ensuring that they receive rates and taxes statements of account on a timely manner.	Creditors reconciliations are to be performed on monthly basis	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
73	Housing Corporation	Financial	COF 48: Payables: SARS unrecorded liability	Other important matters	During the audit of employee costs, it was noted that there was no payable was recognized for the PAYE liability.	This is a result of management only recognizing the expense once the payment has been made	The reconciliation process for PAYE is to also incorporate any accrual of Receivables or Payables as a result of PAYE	31/03/2019	Corporate Services-Internal Control	01/08/2018	31/03/2019	In-year procedures
74	Housing Corporation	Strategic Planning	COF 29: Expenditure: Suppliers not paid within 30 days	Other important matters	As per National Treasury Instruction Note Number 34 issued on the 30 November 2011 stated that "Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgement". Contrary to the requirements above, the following invoices were not paid within 30 days from the receipt of the invoice:	Financial and performance management: Management did not implement controls over daily and monthly processing and reconciling of transactions	Financial and performance management: Management did not implement controls over daily and monthly processing and reconciling of transactions	31/03/2019	Corporate Services-Internal Control	01/08/2018	14/12/2018	In-year procedures

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84	Housing Corporation	Financial	COF 18: Requested information not submitted -Revenue & Receivable from exchange transaction.	Other important matters	Information was not provided within the required timelines as per the engagement letter	This is a result of not maintaining proper record keeping.	Debtors regularisation process needs to be instituted within the current year, particularly focusing on active debtors and debtors that have valid contracts, with the rigourous process of enhancing revenue from impaired and uncollected debtors	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
85	Housing Corporation	Financial	COF 28: Receivables: Receivables from exchange transactions – Overstatement (Churches).	Other important matters	During the year under review, the entity signed offer of purchase with prospective buyers for 19 properties (Land) to the value of R4445339.00. The following was identified in respect of the above offers. i. Receivables from exchange transaction were raised for 6 properties were full purchase price were paid as of 31 March 2018 to the value of R 1614716.00, no debtors need to be raised in respect for the properties. ii. Receivables from exchange transaction were raised based on the full purchase price for 3 properties were deposit to the value of R 161000.00 were already paid as of 31 March 2018, this deposit was not considered when raising debtors. iii. Receivables from exchange transaction raised for the 10 properties to the value of R 2563317.00, the transaction does not meet the conditions as receivables to be expected to be received in the future as the conditions to raise revenue was not met.	Management did not review all the underlying documents during the preparation of financial statements. The entity does not have adequate staff to process and review transactions during the year.	The revenue recognition policy is to be expanded to look into the appropriate revenue value to be recognised and accrual of outstanding amounts	31/03/2019	Supply Chain Management and Finance	01/08/2018	31/03/2019	In-year procedures
86	Housing Corporation	Financial	COF 35: Receivables: Incorrect GRAP statement used to assess impairment on receivables from exchange transaction	Other important matters	Management has assessed its receivables from exchange transaction for impairment as at the year end, however, the GRAP standard applied by the entity stipulate that the GRAP 26 standard should not be used for assets within the scope of GRAP 104. The financial assets of the entity are within the scope of the standard of GRAP on financial Instruments (GRAP 104) and is supported by the disclosed accounting policy.	Non-compliance with GRAP standard.	The revenue recognition policy needs to be expanded to incorporate methods to conduct an impairment test in line with appropriate GRAP statements	31/03/2019	Debtors and Finance	01/08/2018	31/03/2019	In-year procedures
87	Housing Corporation	Financial	COF 35: Receivables: No monthly reconciliation performed for debtors.	Other important matters	During the audit of receivables from exchange transactions, we noted that the entity did not perform monthly reconciliations in respect of debtors account raised.	Monthly debtors' reconciliation not performed as the entity is still in the process of implementing debtors' system.	Monthly debtors reconciliations needs to be conducted, with an efficient mechanism (even automated process) being obtained as the debtors book of the Corporation increases in size	31/03/2019	Debtors and Finance	01/08/2018	31/03/2019	In-year procedures
88	Housing Corporation	Financial	COF 35: Receivables: Prior year omitted debtors	Other important matters	During the audit of receivables from exchange transactions we noted that prior year balance was adjusted to recognize debtors omitted in the prior year. For the following debtors, we noted that debtors were raised based on the amount paid in the current year, debtor account was not raised as per signed offer of purchase agreement.	Inadequate review of AFS and underlying support.	A schedule for prior year adjustment needs to be kept on an ongoing basis, with appropriate journal approvals for adjustments made	31/03/2019	Debtors and Finance	01/08/2018	31/03/2019	In-year procedures
89	Housing Corporation	Financial	COF 40: Receivables: Receivables from exchange transaction: Presentation and Disclosure	Other important matters	During the audit of receivables from exchange transactions, we noted that the following disclosure as required by GRAP 104 paragraph 129 was not disclosed: • Analysis of the age of receivables from exchange transaction, • Analysis of receivables from exchange transaction which were individually determined to be impaired including the factors the entity considered in determining impairment.	Non-Compliance with GRAP 104 standard.	The revenue recognition and debtors practice note is to be expanded to incorporate appropriate disclosure requirements for receivables	31/03/2019	Debtors and Finance	01/08/2018	31/03/2019	In-year procedures
90	Housing Corporation	Financial	COF 40: Receivables: Receivables from exchange transaction: Journals	Other important matters	Journals to effect the changes was not passed to the entity financial records. The net effect of the error corrected is R 935557.99, the entity processed journal as restate opening balances of R 488287.00	Furthermore, journal GJ18-102 is misstated to the amount of R 220476.99 Information processed in the entity financial system not reviewed.	Journals are to be preapproved with supporting documents before being processed in accounting records	31/03/2019	Debtors and Finance	01/08/2018	31/03/2019	In-year procedures

91	Housing Corporation	Financial	COF 40: Receivables: No procedures in place to manage overdue account	Other important matters	we noted that the entity does not have procedures in place to manage overdue account. We noted that the entity employed the service of Bezuidt Attorneys to regularized and collect money due from the tenants. However, we noted that there is no evidence that the attorneys did execute the process of collecting the money overdue.	Entity does not have debtors' policy and adopted procedures to manage their debtors.	The revenue recognition and debtors practice note is to incorporate treatment of long outstanding debtors including follow-ups and raising of bad debt provisions	31/03/2019	Debtors and Finance	01/08/2018	31/03/2019	In-year procedures
92	Housing Corporation	Financial	COF 17: Revenue: Rental revenue understated	Other important matters	We noted that the entity does not have procedures in place to manage overdue account. We noted that the entity employed the service of Bezuidt Attorneys to regularized and collect money due from the tenants. However, we noted that there is no evidence that the attorneys did execute the process of collecting the money overdue.	Revenue was recognised on the actual amount received at the bank.	A reconciliation process between amount received in the bank account and allocation to debtors is to be implemented	31/03/2019	Debtors and Finance	01/08/2018	31/03/2019	In-year procedures
93	Housing Corporation	Financial	COF 17: Revenue: Understatement of Revenue from non- exchange transaction	Other important matters	revenue of Reprieve from SARS recognised was understated by R 2 298 388.00.	Management did not review the financial statements to ensure all liabilities and revenue is correctly accounted for.	A review of other income is to be analysed and reported on on a quarterly basis	31/03/2019	Debtors and Finance	01/08/2018	31/03/2019	In-year procedures
94	Housing Corporation	Financial	COF 17: Revenue: NWHC recognised revenue on properties that are not owned by the corporation	Other important matters	During the year under review, the NWHC signed 'offer to purchase documents' with different churches. NWHC recognised revenue in respect of the transactions. The following land sold to churches does not belong to the corporation and we could not identify the owners. This land forms part of contingent assets as disclosed in the financial statements.	Management did not apply the correct recognition criteria on revenue	A task team is to be formed with key stakeholders to confirm the ownership status of the properties of the North West housing corporation versus title reflecting municipalities names	31/03/2019	Debtors and Finance	01/08/2018	14/12/2018	In-year procedures
95	Housing Corporation	Financial	COF 17: Revenue: NWHC recognised revenue on sale of properties before all conditions per GRAP requirement were met	Other important matters	NWHC recognized revenue for the sale of properties were all GRAP conditions were not satisfied.	Management's places reliance in prospective buyers.	The revenue recognition and debtors practice note is to incorporate treatment of long outstanding debtors including follow-ups and raising of bad debt provisions	31/03/2019	Debtors and Finance	01/08/2018	31/03/2019	In-year procedures
96	Housing Corporation	Financial	COF 19: Revenue: Rental revenue understated – Morula Property	Other important matters	During the audit of rental revenue for Morula property, revenue was not accrued and recognised as per the signed lease agreement. Furthermore, debtor accounts were not raised for Morula property as the tenant had defaulted on their contractual obligation. Receivable from exchange transaction is understated.	Revenue was recognised on the actual amount received at the bank	A register of active and valid contracts needs to be kept and reconciled to revenue accruals to ensure completeness of Revenue	31/03/2019	Debtors and Finance	01/08/2018	31/03/2019	In-year procedures
97	Housing Corporation	Financial	COF 19: Revenue: Interest accrued – Housing debtors – Interest calculation not supported	Other important matters	During the audit of interest accrued (Housing debtors) revenue we noted that NWHC have signed contracts (Deeds of sale) in respect to the following debtors, however none of the contracts stipulate the interest conditions. In addition, the entity does not have debtors' policy in place to manage the overdue account. Based on the schedule management submitted for interest we noted that different interest rates were levied to debtors' accounts. The total interest accrued for housing debtors to the value of R 354 883.00 could not be confirmed. Requested debtors' statements in respect for the selected interest was not submitted for audit purpose.	Management could not provide the evidence to support their calculations.	The debtors regularisation process needs to be expanded to include the instalment debtors book where interest is charged. An appropriate basis for interest charges to customers needs to be adopted and approved by the board in line with the risk profile of debtors. This needs to address the inconsistencies in interest charges on debtors.	31/03/2019	Debtors and Finance	01/08/2018	31/03/2019	In-year procedures

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98	Housing Corporation	Financial	COF 19: Revenue: No supporting documentation for journals processed.	Other important matters	We noted the following journals do not indicate corresponding entries and the accounts affected.	This is a result of inadequate review of the journals processed.	Journals are to be preapproved with supporting documents before being processed in accounting records	31/03/2019	Debtors and Finance	01/08/2018	31/03/2019	In-year procedures
99	Housing Corporation	Financial	COF 30: Revenue: Presentation and Disclosure	Other important matters	During the audit of revenue from exchange and non-exchange transactions, we noted that the adopted accounting policies disclosed in the signed 2017/2018 Annual financial statement refer the entity as a municipality. And repeating of sentences, such as on page 40 "Transfers", The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an assets and satisfy the criteria for recognition as an asset. In addition, interest revenue (bank) and interest accrued –Housing debtors were merged together in the face of financial statement and disclosed as interest received – investment, these interest does not have the same characteristic and should be presented as separate line item.	Management did not adequately review the accounting policies and annual financial statement to ensure they are free from errors.	Revenue Recognition and Debtors practice note is to be expanded to include disclosure requirements for Revenue and Debtors	31/03/2019	Debtors and Finance	01/08/2018	31/03/2019	In-year procedures
100	Housing Corporation	Financial	COF 51: Subsequent Event: Incorrect event disclosed as event after reporting date	Other important matters	As per note number 32 "Events after the reporting date" a disclosure was made regarding the decision made by EXCO during 2017/2018 financial year to incorporate the North West Housing Corporation (NWHC) into Bokone Bophirima Peoples' Economic Growth Agency (PEGA). We noted that this matter is not events after reporting date, but events before year end.	Inadequate review of AFS.	Disclosure review processes to include appropriate treatment of events after balance sheet date	31/03/2019	Finance-Disclosure	01/08/2018	31/03/2019	In-year procedures
101	Housing Corporation	Financial	COF 50: Cash flow: Cash flow discrepancies.	Other important matters	We noted the following discrepancies in the cash flow calculations: 1. There is a balance of R232774669 classified as other non-cash items included in the calculation of the cash flow 2. There is a balance described as a gain on discontinued operations of R7059697 3. Proceeds from sale of investment property of R7059697 does not reconcile to note 3 as disclosed in the AFS. 4. Employee costs balance included in the cash flow has a difference of R388606 with the balance disclosed in the statement of financial performance.	This is a result of management not reviewing the AFS.	A full set of quarterly financial statements is to be prepared, with full disclosure notes	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures

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102	Housing Corporation	Financial	COF 52: General IT Controls: General IT control deficiencies.	Other matters important	We noted that the following general IT control deficiencies: Security management 1. There is no anti-virus in place 2. There are no patch management procedures and processes in place User Access management 1. The Corporation does not have a formally approved process to manage the process of granting access to users on the financial system. Program change management The Corporation does not have a documented and approved processes to manage upgrades made to the financial system.	Management did not ensure that there are general IT controls in place which cover user access management and program change management and also there is no anti-virus and patch management procedures and process in place.	IT management controls to include general controls - e.g. security management and user access and include application controls	31/03/2019	Corporate Services,IT control-Internal Control	01/08/2018	31/03/2019	In-year procedures
103	Housing Corporation	Financial	COF 50: Statement of changes in net assets: Casting error for amount disclosed in the statement of changes in net assets.	Other matters important	We noted the following casting error for the amount disclosed in the statement of changes in net assets	This is a result of inadequate reviews by management of the AFS.	The quarterly financial statements are to have evidence of review before being submitted	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
106	Housing Corporation	Financial	COF 29: Expenditure: Cut – off - Expenditure not recorded in the correct financial year	Other matters important	The following invoices dated in the previous financial year were recorded and recognised in the current financial year under review. The invoice above in relation to the Auditor General was also recorded under "Consulting and Professional fees" instead of "Audit fees hence were incorrectly classified.	Management has not designed an effective and efficient system over invoices and payments. Controls over recording and reconciliations are not working effectively.	Month-end cut of procedures are to be performed to ensure appropriate accruals for expenditure	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures
107	Housing Corporation	Financial	COF 53: Expenditure: Unrecorded expenditure	Other matters important	It was noted that the following invoices were recorded as payables but were not recorded as expenditure in current financial period under review:	This is a result of inadequate review processes by management.	The corporation needs to adopt accrual and monthly cut-off procedures at each month end close for liabilties and expenses	31/03/2019	Finance-Internal Control	01/08/2018	31/03/2019	In-year procedures

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