



## The Honourable Nkwinti, GE (MP) Minister of Rural Development and Land Reform

I have the honour of submitting the Annual Report of the Department of Rural Development and Land Reform for the period 1 April 2011 to 31 March 2012.

Mr PM Shabane  
Director-General  
Date: 31 August 2012

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rural development  
& land reform

Department:  
Rural Development and Land Reform  
REPUBLIC OF SOUTH AFRICA

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part one  
GENERAL INFORMATION



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Rural Development and Land Reform  
REPUBLIC OF SOUTH AFRICA

# Vision, Mission and Values

## Vision

Vibrant, equitable and sustainable rural communities.

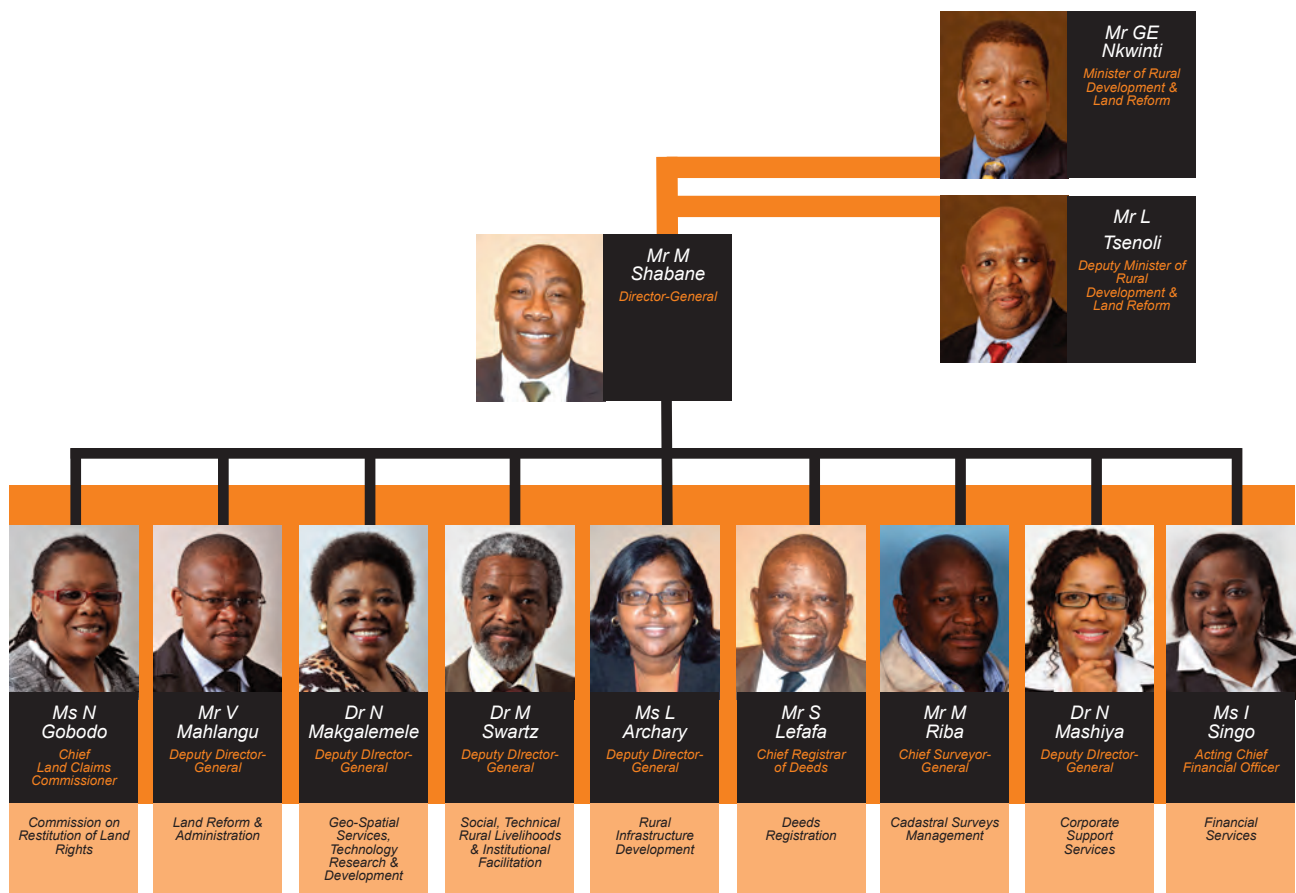
## Mission

To initiate, facilitate, coordinate, catalyse and implement an integrated rural development programme.

## Values

- Batho Pele
- Commitment
- Accountability
- Work ethic
- Innovation

# Organisational Structure



## Legislative Mandates

The overarching mandate of the department is to create and maintain an equitable and sustainable land dispensation, and to act as a catalyst for rural development that ensures rural livelihoods, decent work and continued social and economic advancement for all South Africans.

### Constitutional framework

The entire legislative mandate of DRDLR is derived from Section 25 of the Constitution of the Republic of South Africa, which establishes the framework for the implementation of Land Reform.

### Legislation implemented by the department

The department implements numerous pieces of legislation through its various programmes and sub-programmes.

#### Land Reform

The following pieces of legislation are implemented through the land reform programme (land redistribution, tenure reform and restitution):

- a) **State Land Disposal Act, 1961 (Act No. 48 of 1961).** The Act mainly provides for the disposal of certain State land and acts to prohibit the acquisition of State land by prescription.
- b) **Upgrading of Land Tenure Rights Act, 1991 (Act No. 112 of 1991).** The Act provides for the upgrading and conversion of certain rights into ownership in respect of land, as well as for the transfer of tribal land to full ownership by tribes.
- c) **Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993).** The Act provides for the designation of certain land, the regulation of the subdivision of such land and the settlement of persons thereon. It also provides for the acquisition, maintenance, planning, development, improvement and disposal of property and the provision of financial assistance for land reform purposes.
- d) **Distribution and Transfer of Certain State Land Act, 1993 (Act No. 119 of 1993).** The Act provides for the distribution and transfer of certain land belonging to the State, to persons or descendants of persons who were removed from such land and had, prior to 27 April 1994, submitted applications to the then Advisory Commission on Land Allocation, and the said Commission had confirmed their possible entitlement to such land. The Minister is authorized to designate such land, and to appoint a Land Distribution Commissioner to investigate and make awards to such persons who are found to have legitimate claims to such land.
- e) **Restitution of Land Rights Act, 1994 (Act No. 22 of 1994).** The Act provides for the restitution of rights in land to persons or communities dispossessed of such rights after 19 June 1913, as a result of past racially discriminatory laws or practices. To administer this task, the Act established a Commission on Restitution of Land Rights and a Land Claims Court. The Minister is authorised to purchase, acquire in any other manner or expropriate land or rights in land for the purpose of restitution awards.
- f) **KwaZulu-Natal Ingonyama Trust Act, 1994 (Act No. 3 of 1994).** The Act makes provision for certain land to be held in Trust and to be transferred to affected communities. The affairs of the Trust are administered by the Ingonyama Trust Board which was established in terms of this Act.
- g) **Land Administration Act, 1995 (Act No. 2 of 1995).** The Act provides for the delegation of powers and the assignment of the administration of laws regarding land matters to the provincial governments.

- h) **Interim Protection of Informal Land Rights Act, 1996 (Act No. 31 of 1996).** The Act provides for the temporary protection of certain rights to and interests in land which is not otherwise adequately protected by law, until comprehensive new legislation is in place.
- i) **Land Reform (Labour Tenants) Act, 1996 (Act No. 3 of 1996).** The Act makes provision for the security of tenure of labour tenants, and those persons occupying or using land as a result of their association with labour tenants. It also makes provision for the acquisition of land and rights in land by labour tenants.
- j) **Communal Property Associations Act, 1996 (Act 28 of 1996).** The Act enables communities to form juristic persons, to be known as communal property associations in order to acquire, hold and manage property on a basis agreed to by members of a community in terms of a written constitution; and to provide for matters connected therewith.
- k) **Extension of Security of Tenure Act, 1997 (Act No. 62 of 1997).** The Act makes provision for measures, with State assistance, to facilitate long-term security of land tenure, to regulate the conditions of residence on certain land, and to regulate the conditions on and circumstances under which the right of persons to reside on land may be terminated. The Act further regulates the conditions and circumstances under which persons, whose right of residence has been terminated, may be evicted from land.
- l) **Transformation of Certain Rural Areas Act, 1998 (Act No. 94 of 1998).** The Act provides for the transfer of certain land to municipalities and certain other legal entities, as well as for the removal of restrictions on the alienation of land.

## Geospatial and Cadastral Services

- a) **Deeds Registries Act, 1937 (Act No. 47 of 1937).** This Act makes provision for the administration of the land registration system and the registration of rights in land and it requires that deeds and documents be prepared and lodged in a Deeds Registry by a Conveyancer or Notary Public. These deeds and documents are subjected to three levels of examination by legally qualified personnel who scrutinise the contents for accuracy and compliance with common law, case law and statutory law.
- b) **Physical Planning Act, 1967 (Act No. 88 of 1967).** The main objective of this Act is to promote coordinated environment planning and the utilisation of the Republic's resources. It provides for the control of the zoning and subdivision of land for industrial purposes; and for the reservation of land for use for specific purposes.
- c) **Removal of Restrictions Act, 1967 (Act No. 84 of 1967).** In terms of Section 5 of this Act, the Minister may approach the premier of a province with a request to consider the amendment, suspension or removal of a restriction or obligation on the use of land, when it is in the public interest to do so, and insofar as it is necessary for the Minister carry out any of his or her functions.
- d) **Professional and Technical Surveyors' Act, 1984 (Act No. 40 of 1984).** The Act provides for the establishment of a South African Council for Professional and Technical Surveyors, as well as for the registration of professional surveyors, professional surveyors in training, surveyors, survey technicians and survey technicians in training.
- e) **Sectional Titles Act, 1986 (Act No. 95 of 1986).** The Act provides for the division of buildings into sections and common property, and for the acquisition of separate ownership in sections coupled with joint ownership in common property. It further regulates the transfer of ownership of sections and the registration of sectional mortgage bonds over, and real rights in, such sections. It also makes provision for the establishment of bodies corporate to control common property.
- f) **Physical Planning Act, 1991 (Act No. 125 of 1991).** The Act promotes the orderly physical development of the Republic, and for that purpose, makes provisions for the division of the Republic into regions, and for the preparation of national development plans, regional development plans, regional structure plans and urban structure plans.
- g) **Abolition of Racially Based Land Measures Act, 1991 (Act No. 108 of 1991).** The administration of sections 27A, 27B, 27C, 27D, 27E and Chapter VI were assigned to the Minister. The Act repeals or amends certain laws so as to abolish certain restrictions based on race or membership of a specific population group on the acquisition and utilisation of rights to land. It also provides for the rationalisation or phasing out of certain racially based institutions and statutory and regulatory systems.

- h) **Land Titles Adjustment Act, 1993 (Act No. 111 of 1993).** The Act regulates the allocation or devolution of certain land in respect of which one or more persons claim ownership, but do not have registered title deeds in respect thereof. It empowers the Minister to designate such land and to appoint a Titles Adjustment Commissioner to investigate and make findings on such claims.
- i) **Development Facilitation Act, 1995 (Act No. 67 of 1995).** The Act introduces extraordinary measures to facilitate and speed up the implementation of reconstruction and development programmes and projects in relation to land. It further makes provision for the establishment of development tribunals, in provinces, which have the power to make decisions and resolve conflicts in respect of land development projects.
- j) **Land Survey Act, 1997 (Act No. 8 of 1997).** The Act regulates the survey of land in South Africa.
- k) **Abolition of Certain Title Conditions Act, 1999 (Act No. 43 of 1999).** This Act provides for the abolition of certain conditions in terms of which the consent or permission of the holder of an office under the Republic, the former Union of South Africa or any dominium, colony or republic which preceded the former Union of South Africa, is required for the alienation or transfer of immovable property from one person to another.
- l) **Planning Profession Act, 2002 (Act No. 36 of 2002).** The South African Council for Planners is established under this Act. The Act further makes provision for different categories of planners and the registration of planners, and authorises the identification of areas of work for planners. The Act seeks to protect the public from unethical planning practices and to ensure a high standard of professional conduct and integrity.
- m) **Spatial Data Infrastructure Act, 2003 (Act No. 54 of 2003).** The South African Spatial Data Infrastructure and the Committee for Spatial Information are established under this Act. The Act makes provision for an electronic metadata catalogue and for the determination of standards and prescriptions with regard to the facilitation of the sharing of spatial information. It also makes provision for the capturing and publishing of metadata and seeks to avoid the duplication of spatial information.

## List of legislation tabled in Parliament during 2011/12

1. **Spatial Planning and Land Use Management Bill, 2012.** The purpose of this Bill is to introduce a more uniform regulatory environment for spatial planning and land use management, repeal multiple and conflicting laws, and address the defects in the Development Facilitation Act.

## Entities Reporting to the Minister

The following entities report to the Minister of Rural Development and Land Reform:

Name of entity	Legislation	Nature of Business
Deeds Registration Trading Account	The Deeds Registries Act, No 47 of 1937	The main purpose of the Deeds Registration Trading Account is to finance the operating costs of the various Deeds Registries responsible for the registration of conventional bonds, sectional titles and leaseholds.
Agricultural Land Holding Account	Land Reform: Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993) as amended in 2008	The Agricultural Land Holding Account was established in terms of the Land Reform: Provision of Land and Assistance Act, 1993 (Act No.126 of 1993) as amended in 2008. Section 10(1) (a) gives legal effect to the proactive acquisition of land, where the Minister may, from money appropriated by Parliament for this purpose acquire land for the purposes of this Act. Therefore the State will proactively target land and match this with the demand or need for land.
KwaZulu-Natal Ingonyama Trust Board	The KwaZulu-Natal Ingonyama Trust Act, (Act No. 3 of 1994). This Act was amended by National Act 9 of 1997.	The core business of the Trust is to manage the land for the "material benefit and social wellbeing of the individual members of the tribes". However, no alienation or burdening of the land may occur without the written permission of the relevant traditional or community authority.

## Minister's Statement

The Natives Land Act of 1913 is possibly the single most destructive act in the sorry history of the prejudices and racial favouritism that have so marred the progress of our beautiful country. The act formalized the dispossession of the historic lands of the black people. Black South Africans could no longer buy, lease, or in any other manner, acquire land outside a scheduled area, except by acquiring that land from another black South African; and, white South Africans were prohibited from buying or leasing land from a black person. The effects were devastating, and so debilitated and undermined black aspirations that even now, some eighteen years into a fully democratic dispensation, we are still struggling to cope with the dreadful consequences of this horrendous legislation, and particularly its effect on rural life.



*Minister Gugile Nkwinti, Minister of Rural Development and Land Reform*

The role assigned to our department is to take decisive action to normalize the cruel effects of what could be described as a crime against humanity. I'm talking about people who are not only previously disadvantaged, but who continue to be disadvantaged to this day. It was due to a lack of meaningful progress in this complex and critical area that this department was formed in May 2009. This report effectively covers the third year of the existence of the Department of Rural Development and Land Reform, and I regret to say that our progress has not yet kept pace with our expectations. This sobering realisation has made us determined to redouble our efforts to make a significant difference. The Green Paper on Land Reform, and the various policy proposals extracted from it, is a major step in this regard; and the Draft Green paper on Rural Development, currently going through the cabinet processes, is another step in the same direction.

We believe that sensible and sensitive rural development and land reform could be leveraged to greatly improve the circumstances and living conditions of those living with poverty throughout our country. In fact, in the 2011/12 departmental Annual Performance Plan (APP), we commit ourselves to ensuring an improved quality of life in the rural communities we serve, and declare that the Comprehensive Rural Development Programme (CRDP) is our chosen vehicle to achieve this.

Make no mistake, we have made progress, but it is insufficient compared to the weight of legitimate expectations out there. This report details the ground covered so far and looks ahead to the many challenges that remain. It examines the department's efforts to achieve its strategic goals and objectives as set out in its 2011-14 Strategic Plan and the 2011/12 APP. We are fully aware that to achieve meaningful progress will require a strong resolve, both from the department and from those we are resolved to help emancipate themselves.

The implementation of the CRDP in all nine provinces of the country is starting to deliver results in terms of both infrastructure and enterprise development, and meeting basic human needs. Evaluation studies performed by our Planning, Monitoring and Evaluation unit in the year under review indicate significant progress. Indeed there are pockets of excellence in terms of achievements, and lessons have been learnt to better equip those tasked with confronting the challenges that lie ahead.

I am also pleased to report, for example, significant progress in the area of household level food security. Job creation has been another focal point in our operational model and a total of 9889 employment opportunities were created in all CRDP initiatives. By 31 March 2012 we had around 8000 participants in the NARYSEC programme. To date a total of 3819 CRDP beneficiaries have been skilled and capacitated in technical enterprise development trades, and 464 community based institutions, comprising 27 Councils of Stakeholders and 437 co-operatives. We have started building socio-economic infrastructure that will help those in rural areas to access socio-economic services and open opportunities for economic growth.



We have also advanced our policy and legislative programme. The Green Paper on Land Reform was gazetted in September 2011, and thereafter the department embarked on consultative workshops across the country, inviting inputs from various land reform stakeholders, beneficiaries and people interested in the land reform processes. This Green Paper represents the aspirations of the victims of land dispossession together with the interests of the land owners, and, in fact, all South Africans.

The department has drafted and submitted to Parliament the Spatial Planning and Land Use Management Bill. Following the collapse of apartheid in 1994, South Africa inherited complex, disjointed and discriminatory spatial planning and land use management systems, which resulted in unequal, incoherent and inefficient settlement patterns.

The Bill seeks to repeal and replace the Development Facilitation Act, 1995 (Act No. 67 of 1995) which was promulgated as an interim measure to deal with development planning. On June 18th 2010, the Constitutional Court declared chapters 5 and 6 of the Development Facilitation Act constitutionally invalid. The Court gave Government 24 months to remedy the legislative defect. This Bill is partially in response to that judgment.

The vast majority of the department's work consists of determined attempts to undo the stubborn legacy of the 1913 Natives Land Act, which has proved so very damaging to even the humblest aspirations of the majority of our people. During the year ahead, we will observe the centenary of this infamy, and we intend to mark it with due deference to those most affected, and by calling on all involved to ensure that such outrageous laws can never again pass through the parliament of our country.

Against this background I am privileged to present the report on the performance of our department for the 2011/12 financial year.



*Nkwinti, GE (MP)*  
*Minister of Rural Development & Land Reform*



## Accounting Officer's Overview

I wish to express the gratitude of both the department's management and staff to the Minister and Deputy Minister for their inspirational guidance and leadership. I also wish to pay tribute to the attitude of the entire department for the contribution they have made, and continue to make, in this worthy cause.

Even those close to the department sometimes fail to appreciate the enormity of the task that confronts us. The racial handicaps embodied in the 1913 Native Land Act left the lives of the African people who lived on the land in ruins. They were largely deprived of the right to inherit the lands of their fathers. Most of them were reduced to tenancy, and the few rights that remained for them were rapidly eroded by a stream of apartheid laws that brought an end to any semblance of dignity. Education was systematically downgraded, skills development was non-existent, transportation and services were unheard of. And this state of affairs festered and worsened over 80 years. The people living in the rural areas of this country were hungry, downtrodden and impoverished, and it is estimated that of the 20 million people living in the rural areas today, about 10 million are living in poverty according to the National Development Plan.

This is not something that can be rectified overnight, indeed, as we see it is not something we have been able to put right over 18 years of democracy. But it is something we are determined to put right, and, with the wholehearted backing of other segments of government and the good people of our country, we will prevail, we will make a difference to the lives of those living on the land in rural South Africa.

During 2011 the department tabled its Strategic Plan for 2011-2014. This Annual Report gives an account of our activities for the financial year 2011/2012, in relation to the Strategic Plan and the budget approved by parliament.

### Rural Development

The Comprehensive Rural Development Programme (CRDP) remains the cornerstone of our efforts to turn the tide in the fight against poverty and underdevelopment in the rural areas. Through this programme we seek to deracialise the rural economy and reconfigure the rural landscape. Elements of the CRDP are being rolled out in 180 rural wards across the country.

The National Rural Youth Service Corps (NARYSEC) is an important component of this effort. Youth unemployment in rural areas is high, and the NARYSEC initiative seeks to reduce this. The recruited youth are currently attending Further Education and Training Colleges throughout the country. Once this training is complete these young folk will be deployed in CRDP sites across the country. A number have already been deployed in the establishment of the department's electronic document management system.

We have started to establish agricultural enterprises. So far, 2589 individuals from four communities have been trained in agricultural enterprise management involving a variety of technical skills. This is not enough, but it is a start.

At the beginning of the year under review we set ourselves the target of identifying five technologies suitable for small-farmer production. Our research efforts subsequently identified 14 appropriate technologies, which was very pleasing. We introduced innovative technologies, to good effect, in 44 communities.

The department is busy and its personnel are highly visible. We are providing social infrastructure such as clinics, early childhood development centres, libraries, sports facilities, fencing, and other services in various CRDP wards. Economic



*Mr Mduzuzi Shabane, Director-General of the Department of Rural Development and Land Reform*

infrastructure is complete in some sites and in progress in others. This includes, fencing, livestock handling facilities, pack houses, and low level bridges, among others. In the Eastern Cape construction is well underway on the Inkosi Dalibhunga Mandela Legacy Bridge in Mvezo.

The revitalization of rural towns has started in earnest, as per our efforts in Prince Albert Hamlet in the Witzenberg Municipality and Dysseisdorp in the Greater Oudtshoorn Municipality.

Bulk water infrastructure has been constructed in KwaZulu-Natal, Northern Cape and North West provinces. Rain harvesting tanks have been distributed throughout the CRDP sites.

## **Land Reform**

The department acquired 392 849.71 hectares of land in the year under review. A total of 257 farms have been recapitalised as part of our Recapitalisation and Development Programme. Through this programme emerging farmers are assisted to achieve acceptable levels of productivity.

During the year under review the department published the Green Paper on Land Reform. In this we seek to re-design the South African land reform landscape. The Green Paper was sent out for public comment. Rather than the 'traditional' approach we chose to engage directly with the stakeholders. We established a National Reference Group (NAREG) to which member organizations sent their representatives to shape the Green Paper and provide comment on the various topics and themes. South African citizens at large were also given an opportunity to tender their comments. The Green Paper process is at the final stage, and we are ready to approach Cabinet for final approval for some of the critical chapters of the Green Paper. The Green Paper will be sent to Cabinet for consideration before it is tabled in parliament.

## **Restitution**

The Commission on Restitution of Land Rights settled a total of 416 claims between April 2011 and March 2012. The settlements benefitted 14437 households and approved 98484 hectares for restoration. The total award cost approved in terms of the settlements was R1,544,170,711.27 and there were 72796 beneficiaries of the process.

## **Geospatial and Cadastral Services**

During the year under review the Spatial Planning and Land Use Management Bill (SPLUMB) and Geomatics Profession Bill were developed, approved and published for public comment.

In our quest to ensure the provision of skills in this sector we have embarked on a programme of training pupil survey officers and we provided bursaries to 210 undergraduates to study surveying or Geomatics at tertiary institutions. This is to ensure continued provision of Cadastral Services to our country.

Currently the turnaround time for registration is seven days; however, the e-Cadastre project which deals with the digitisation of the records of all deeds registries is underway. This project will have a huge impact on the turnaround times and will result in deeds being registered in an average period of two days.

## **Corporate Governance**

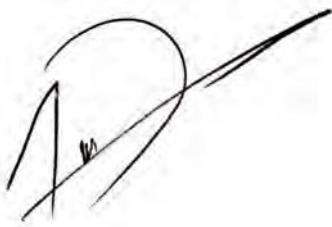
We believe that it is vital that the corporate governance of the department is closely aligned with its priority activities. Consequently, in the period under review the department has embarked on an organisational renewal programme which seeks to address any challenges in this respect.

An interim structure was approved and efforts are underway to streamline the operations. We have dealt with the backlog of staff assessments and have embarked on a drive to ensure that all managers sign Performance Agreements with their

staff by May 2012. End March 2012 was targeted as a date where all branch operational plans would be signed and aligned to the Strategic Plan of the department. To further strengthen effective corporate governance a new Information Communication Technology (ICT) strategy has been formulated. The strategy envisages the provision of sound ICT infrastructure to support the business and operations of the organisation, with access to information and security at the top of the agenda.

## Conclusion

The vast majority of the people we have undertaken to help know nothing of corporate governance, ICT strategies or e-Cadastre projects. In fact many of them don't know where their next meal is coming from; they have placed themselves in our hands. That is the bottom line and that is what we should all remember. There are millions of people depending on us. They are waiting for us to provide them with the means to lead decent lives, to eat square meals, educate their children, make a contribution to their country, and to sleep in peace. It is our responsibility to provide them with the means of achieving these simple goals.



*Mr Mduzi Shabane*  
*Director-General: Department of Rural Development & Land Reform*

# part two

INFORMATION ON  
PREDETERMINED OBJECTIVES



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Department:  
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REPUBLIC OF SOUTH AFRICA

# Overall Performance

## Voted Funds

Main Appropriation R'000	Adjusted Appropriation R'000	Actual Amount Spent R'000	(Over)/Under Expenditure R'000
8, 124 246	8,136, 697	7,997.725	138,972
Responsible Minister	Minister of Rural Development and Land Reform		
Administering Dept	Department of Rural Development and Land Reform		
Accounting Officer	Director-General of Rural Development and Land Reform		

### Aim of vote

The aim of the vote is to create and maintain an equitable and sustainable land dispensation and act as a catalyst in rural development that ensures rural livelihoods, decent work and continued social and economic advancement for all South Africans.

### Strategic Outcome Oriented Goals

1. Sound corporate governance and service excellence through compliance with the legal framework achieved by 2014
2. Reformed policy, legislative and institutional environment by 2014
3. Effective land planning and administration that is biased towards rural areas
4. Institutional arrangements for effective corporate governance and stakeholder participation by 2014
5. Increased access to and productive use of land by 2014
6. Improved access to affordable and diverse food by 2014
7. Improved rural services to support sustainable livelihoods by 2014
8. Improved access to sustainable employment and skills development opportunities by 2014.

### Overview of the service delivery environment for 2011/2012

The focus of service delivery programme for the year under review was guided by the six priority areas identified in the 2011/12 annual performance plan and the performance agreement of the Minister based on the twelve (12) outcomes of government.

To effectively facilitate the contribution of the department towards the process of achieving the outcomes of government, the department saw fit to create a centre of coordination and excellence, called the "Back Office". Over the past year the department has embarked on planning and re-engineering processes to fast track the implementation of its programmes and projects, concurrently re-aligning its organisational structure in order to improve its service delivery model.

In the year under review, the department made progress on the policy and legislation front. The Green Paper on Land Reform was published for public comment, and the Spatial Planning and Land Use Management Bill was presented to the Cabinet Committee and adopted by Cabinet.

Significant efforts were put into ensuring compliance with court rules, bargaining council rules, and implementing the Planning, Monitoring and Evaluation Strategy as well as the Communication Strategy. By the end of the financial year, financial performance represented 98.3% of the 100% linear target. In an effort to improve governance, a Risk Management Strategy was developed; the Risk Management Committee was established and is now functional. One of the services that the department provides is the management of cadastral surveys. In addition to this, by end-March 2012, the department had successfully audited 54% of State land, verified 623 078 of 1 155 508 land parcels, and updated the comprehensive land register.

Another service area in the department is the provision of basic services (water, sanitation, energy) through the Comprehensive Rural Development Programme (CRDP). The department distributed 9331 water harvesting tanks to rural communities. In an effort to contribute towards food security at household level, a total of 947 household food gardens were established in the CRDP sites. Two AgriParks were supported in the Eastern Cape Province at Idutywa and Alice. Three co-operatives already supply the AgriParks with vegetables.

The implementation of the CRDP in all nine provinces is already bearing fruit in terms of meeting basic human needs; and infrastructure and enterprise development needs. Significant progress has been made, particularly in the area of youth employment. A total of 10049 employment and job opportunities were created through the NARYSEC programme and CRD initiatives during the period under review.

The department also provides services in the form of the land restitution programme. In the year under review 209 backlog claims were finalized and 416 claims were settled. The programme strives to ensure that all those who receive land through the restitution programme also receive support, in line with the CRDP approach.

While there were notable successes, there were also challenges, largely beyond the department's control, which hindered its ability to deliver certain services, more especially on the Restitution programme. These are centred on disputes amongst beneficiaries, untraceable claimants, exorbitant land costs, disputes relating to the validity of claims by farmers and protracted negotiations.

Resources have also been aligned for the Recapitalisation and Development Programme (RADP) for all land reform projects, including Land Reform for Agricultural Development (LRAD), Settlement and Production Land Acquisition Grant, and restitution projects. Through the RADP the department has selected strategic partners who are farmers themselves; co-operatives who were previously assisting white farmers, or commodity organisations whose interests are vested in the projects because the sustainability of their businesses depends on agricultural produce.

## **Overview of the organisational environment for 2011/2012**

During the 2011/12 financial year the department developed a new structure aligned to the key deliverables of the new mandate. Key posts have been filled. In addition, partnership agreements with sector departments and the private sector are helping improve the technical capacity required. The Back Office, which is the nerve centre of the department, has been strengthened. The result is improved planning, workflow processes, human resource management, and corporate support to the service delivery arm of the organisation.

There was a change in political leadership, when Deputy Minister Thembelani Nxesi was appointed Minister of Public Works, and was replaced by Deputy Minister Lechesa Tsenoli in October 2011. Mr Tsenoli was previously Chairperson of the National Assembly's Portfolio Committee on Cooperative Governance and Traditional Affairs.

The department conducted an internal client satisfaction survey to determine the levels of satisfaction of employees within the department, and to gain insights into the perceptions of employees about specific human resource related matters, with a view to improving human resource management policies and practices. The department achieved a rating of 51%. The department has initiated an organisational renewal strategy to address the issues that affect service delivery. The department has appointed 68 senior managers and completed the process of filling top management posts, namely Deputy Directors-General for Rural Infrastructure Development, Land Reform and Administration and Chief Land Claims Commissioner to improve capacity at senior management and leadership levels.

## **Key policy developments and legislative changes**

The focus of the department during 2011/12 was the proposal on the Green Paper on Land Reform. The Green Paper on Land Reform envisages a re-configured single, coherent four-tier system of land tenure, which ensures that all South Africans, have reasonable access to land with secure rights, in order to fulfill their basic needs for housing and productive

livelihoods. The land tenure framework is integrating the current multiple forms of land ownership - communal, state, public and private.

The Green Paper proposes three institutions - Land Management Commission, Land Valuer-General, and Land Rights Management Board – to support the new land reform strategy and to make sure that the law is adhered to. These institutions will comply with the Constitution. The Green Paper is part of the process the department has undertaken to undo the land injustice of the past. The department has urged South Africans from all walks of life to make inputs in the consultation process.

## Departmental revenue, expenditure, and other specific topics

### Collection of departmental revenue

The table below provides a breakdown of the sources of revenue:

	2008/09 Actual R'000	2009/10 Actual R'000	2010/11 Actual R'000	2011/2012 Target R'000	2011/2012 Actual R'000	% deviation from target
Non-tax revenue	54,408	38,804	43,511	44,723	34,235	(23.45)
Sales of capital assets	963	498	225	224	1,606	616.96
Financial transactions (Recovery of loans and advances)	10,748	4,745	5,066	5,000	10,309	106.18
<b>TOTAL DEPARTMENTAL RECEIPTS</b>	<b>66,119</b>	<b>44,047</b>	<b>48,802</b>	<b>49,947</b>	<b>46,150</b>	<b>(7.60)</b>

Non-tax Revenue is made up of Sales of Goods and Services other than Capital Assets - R19 070 million; Sales of Scrap, Waste & Other goods - R12 000; Interest, Dividends and Rent on Land - R15 165 million; Sale of Capital Assets - R1 606 million, and Financial Transactions in Assets and Liabilities - R10 309 million.

### Departmental expenditure

The Department of Rural Development and Land Reform expenditure as at 31 March 2012 amounted to R7,998 billion (98.3%) against adjusted appropriation amounting to R8,137 billion. This resulted in an under spending of R138,972 million at the end of 2011/12 financial year. The under spending was mainly due to vacant posts not filled following the moratorium issued during the course of the financial year, to fill positions between salary levels 1 to 12 internally and this process adversely affected the department's attempts to reduce vacancies. This also affected the department's operations, as it had insufficient capacity to implement and monitor the implementation of its programmes.

### Transfer payments

Legislation	
s38(1)(j)(PFMA)	Before transferring any funds (other than grants in terms of the annual Division of Revenue Act or to a constitutional institution) to an entity within or outside government, (those wishing to make such transfers) must obtain a written assurance from the entity that that entity implements effective, efficient and transparent financial management and internal control systems, or, if such written assurance is not or cannot be given, render the transfer of the funds subject to conditions and remedial measures requiring the entity to establish and implement effective, efficient and transparent financial management and internal control systems;



The following table provides a list of institutions and departmental entities that received transfer payments made by the department.

Name of entity or institution	Purpose for the transfer	Actual expenditure R'000
Agricultural Land Holding Account	To fund the pro-active acquisition of the strategically located agricultural land.	2,435,784
Deeds Registration Trading Account	To augment the budget of the trading entity.	143,323
South African Council of Planners	To pay for the department's membership in the council	2,571
KwaZulu-Natal Ingonyama Trust Board	To augment the budget of the board.	13,034

## Public entities

### Deeds Registration Trading Account

The Deeds Registration Trading Account is responsible for the registration of title deeds. The trading account's main source of funding is fees charged on the registration of deeds and on the sale of deeds information. The entity keeps full records of its financial affairs separately from that of the department. The entity's audited annual financial statements are included in Part 3 of this Annual Report.

The performance of this trading account is reflected under Programme 2 in the Pre-determined Objectives section of this report.

### Agricultural Land Holding Account

The Agricultural Land Holding Account was established in terms of the Provision of Land and Assistance Act (Act No. 126 of 1993). The entity receives its funding from the department's appropriated funds. It keeps full records of its financial affairs separately from that of the department. The entity's audited annual financial statements are included in this Annual Report.

The performance of this trading account is reflected under Programme 5 in the Pre-determined Objectives section of this report.

### Ingonyama Trust Board

The Ingonyama Trust Board (ITB) is established in terms of the provisions of the KwaZulu-Natal Ingonyama Trust Act (Act No.3 of 1994). Its core business is to manage land for the material benefit and social wellbeing of the individual members of the tribes. During the period under review the entity witnessed an increase in the number of residential lease applications. The leases provide land tenure security for occupiers and enable them to apply for finance from financial institutions. This contributes to the improved quality of life of people living on this land.

There was also a notable increase in the number of land parcels released for housing projects on the land under the ITB. A total of 34 housing projects were approved by the ITB for in-situ low income subsidised housing projects. In the year under review, the focus of the land audit was on Manguzi and Jozini. An extensive land audit was conducted at Ngwelezane under Inkosi Zungu.

During the 2011/12 financial year, there was a decrease in the number of mining companies paying their royalties directly to the State in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). This has resulted in a drop in royalty income of 30.36% and this had a negative effect of the ITB's net surplus.

### Conditional grants and earmarked funds

The department did not have conditional grants that it transferred to other spheres of government during the 2011/12 financial year.

## Capital investment, maintenance and asset management plan

### Capital investment

The department did not have any capital investments during the period under review.

### Asset Management

The department had 74 properties that it leased both nationally and provincially during the 2011/12 financial year.

### Maintenance

Projects that the Department undertook in 2011/2012 financial year are as follows:

- Cape Town, Mowbray, Van Der Sterr Building: upgrading and installation of back-up generator;
- Cape Town, Surveyor-General, 90 Plein Street: upgrading of kitchen and toilet facilities;
- Pretoria, 184 Jeff Masemola Street: upgrading of power supply and reticulation.

# Programme Performance

The activities of the Department of Rural Development and Land Reform are organised in the following programmes:

**Programme 1: Administration:** Its purpose is to provide strategic and logistical support in the form of executive and corporate services; acquire vehicles for departmental use, oversee departmental capital works, and make a nominal contribution to the Public Sector Education and Training Authority.

**Programme 2: Geospatial and Cadastral Services:** Its purpose is to provide geospatial cadastral surveys, spatial planning information and technical services in support of sustainable land development.

**Programme 3: Rural Development:** Its purpose is to initiate, facilitate, coordinate and catalyse the implementation of a comprehensive rural development programme that leads to sustainable and vibrant rural communities.

**Programme 4: Restitution:** Its purpose is the settlement of land restitution claims under the Restitution of Land Rights Act (Act No.22 of 1994) and the provision of settlement support to beneficiaries.

**Programme 5: Land Reform:** Its purpose is to provide sustainable land reform programmes in South Africa.

## Programme 1: Administration

**Purpose:** The administration programme is responsible for providing strategic and logistical support in the form of executive and corporate services; acquiring of vehicles for departmental use, overseeing departmental capital works, and making a nominal contribution to the Public Sector Education and Training Authority. The programme is comprised of the following sub-programmes:

- The Ministry
- Management
- Corporate Support Services
- Office Accommodation
- Government Motor Transport
- Sector Education and Training Authority
- Capital Works

**Strategic objectives:** The following are the strategic objectives of Programme 1: Administration

- Providing and ensuring effective, efficient and fair human resource management practices;
- Rendering legal services to the entire department;
- Improving service delivery within the department and rural communities through the provision of ICT, knowledge and information management;
- Delivering a comprehensive result based planning, monitoring and evaluation process that drives the organisation and ensure delivery on expected outcomes by 2014;
- Improving effectiveness and efficiency of corporate services by 2014;
- Improving the effectiveness and efficiency of financial services by 2014;
- Developing meaningful rural development and land reform policies and legislation by 2014.

## Performance indicators and targets

In the 2011/12 financial year the department submitted the Green Paper on Land Reform, and this was published for public comment. The Spatial Planning and Land Use Management Bill was presented to the Cabinet Committee and adopted by the Cabinet.

Significant efforts were put into ensuring compliance with court rules, bargaining council rules and legislation of which 98% was achieved, implementing 75% of the Planning, Monitoring and Evaluation Strategy, as well as the Communication Strategy. The department spent 98.3% of the 100% linear targets, implemented to 2.94 level of National Treasury Financial Management Maturity Model Rating, and paid 95.02 % of suppliers within 30 days of receipt of undisputed invoices.

In order to drive the department's Rural Development Strategy and accelerate the Comprehensive Rural Development Programme (CRDP), the department created a centre of coordination and excellence, called the "Back Office". Over the past year the department has embarked on planning and re-engineering processes to fast track the implementation of its programmes and projects, concurrently re-aligning its organisational structure in order to improve its service delivery model.

The vacancy rate is 11.47%, due to attrition, and the stringent requirement of filling posts by Occupational Specific Dispensation (OSD). Legal services support was rendered in respect of several labour disputes, disciplinary matters and litigation. Monitoring and Evaluation, ICT and Communication processes were strengthened and institutionalized.

## Programme 1: Administration

Programme 1: Administration				
	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
% reduction of the vacancy rate	11%	10%	11.47% reduction of the vacancy rate	Departmental vacancy rate could have been better however, due to attrition rate and stringent requirement of filling OSD (Occupational Specific Dispensation) the department could not reach its target.
% client satisfaction rating	New indicator	60% satisfaction rate	51% client satisfaction rating	Inadequate capacity affected the completion of the survey.
% compliance with court rules, bargaining council rules and legislation given the available resources	New indicator	100%	98% compliance with court rules, bargaining council rules and legislation given the available resources.	2% Variance represents complex cases that required external investigation.
Integrated ICT strategy developed and implemented	New indicator	80% implementation of the Integrated ICT strategy	60% ICT strategy has been implemented	Capacity constraints within ICT contributed to the delays in the achievement of targets.
PM&E strategy developed and implemented	New indicator	75% strategy implementation	75% of the PM&E strategy implemented	None
Approved communications strategy for the department	New indicator	75% of the strategy implemented	75% of the strategy implemented	None
Spending according to linear targets of Main Appropriation	98%	100% expenditure	98.3% expenditure	The department experienced challenges with attracting and retaining employees with adequate specialised skills. The 1.7% variance is therefore attributable to compensation of employees and proportionately to goods and services that flow from the production and expenses linked to filled posts. Delays in projects also contributed to the variance.

Programme 1: Administration				
	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Payments of suppliers within 30 days of receipt of undisputed invoices	New indicator	100% payment of invoices	95.02 % invoices were paid within 30 days	The department experienced challenges with supplier banking details validation before payment is finalized therefore 3.4% of invoices were paid after 30 days and 1.56% of invoices due were not yet paid at the end of the year.
National Treasury Financial Management Maturity Model Rating	New indicator	Level 3.5	Level 2.94	The 0.6 variance is mainly attributed to a risk assessment project put on hold. However, the rating improved from 2.7 in 2010/2011 financial year. Information Technology Governance Strategy was approved on 27 March 2012 for full implementation in the new financial year.
Risk Management Strategy	New indicator	Risk Report	Risk Management strategy was approved and implemented. Risk Registers were reviewed by the Risk and Compliance Committee, and recommendations made were implemented	None
Number of policies developed	New indicator	5 policies	Draft Green Paper on Land Reform was developed on May 21 and a draft policy developed.	The department could not attract candidates with appropriate expertise to develop policies.
Number of pieces of legislation developed and approved	8	8 pieces of legislation developed and approved	4 pieces of legislation developed	The department could not attract candidates with appropriate expertise to develop policies; Lengthy consultation process involved prior to approval of legislation.

### Reasons for major variances

The Programme had challenges in terms of reducing the vacancy rate; development of the ICT strategy; development of policy and legislation; due to inadequate human resource capacity resulting from the attrition rate, and difficulty in attracting and retaining employees with adequate specialised skills.

## Programme 2: Geospatial and Cadastral Services

**Purpose:** The Geospatial and Cadastral Services programme is responsible for providing cadastral surveys, spatial planning and information, and technical services in support of sustainable land development.

**Strategic objectives:** The following are the strategic objectives of Programme 2: Geospatial and Cadastral Services

- An integrated land planning and administrative system that promotes equitable, sustainable land use and allocation;
- Surveyed and registered State and Trust land;
- Development of a comprehensive land register;
- Scarce skills training programme by 2014;
- Compliance with land use management policies and legislation ensured by 2014;
- National geospatial information and services, in support of the national infrastructure and sustainable development, provided by 2014;
- 40% increase in technological innovations and indigenous knowledge systems harnessed in rural communities to improve food production by 2014.

### Performance indicators and targets

The department has progressively introduced its e-cadastre project, which is aimed at improving cadastre surveys management and deeds registration, as well as the consolidation of data stores, in preparation for the e-cadastre. The enterprise architecture investigation has been concluded and digital scanning of the microfilm records has commenced.

The highlight was the Programmes' over performance on improvement of turnaround times to register title deeds to six days; and presenting the Spatial Planning and Land Use Management Bill (SPLUMB) to the Cabinet Committee (CabCom) on 14 March 2012. The bill was adopted by Cabinet on 20 March 2012. Significant progress was made through production of 1988 maps, and maintenance of 1 290 reference stations. Coverage of 328 854 km<sup>2</sup> digital aerial imagery and enterprise architecture is on track.

### Budget and policy speech additional indicators

The Budget and policy speech brought in an additional indicator namely "Guidelines to revitalise rural towns developed and implemented" under the **Strategic objective: An integrated land administration system that promotes land allocation.**

Progress was made in implementing this new target, and the guideline was developed. However implementation of the guideline was impeded by budget constraints, and hence the target was only partially achieved.

### Cadastral Survey Management

In 2010, DRDLR initiated a project to identify State-owned land parcels from the ownership register managed by the Deeds Registration Office, by means of a desktop analysis.

The purpose of the project is to compile a comprehensive, accurate, complete and reliable database of all land parcels registered in the Republic of South Africa, in order to improve the comprehensive land register and update the register of land owned by the State, through various organs of State, in various structures. The project was implemented in two phases. The objective of the first phase, the desktop analysis, was to identify State-owned land parcels from the Deeds Ownership Register. The second phase involves the verification of the identified land parcels, by visits to each land parcel and the collection of more information about the land.

The field verification of these land parcels is very important as it will enable the classification of each land parcel based on use. Some State-owned land parcels are networks of national, provincial and municipal roads, and others are residential properties (RDP houses) that have not been transferred to beneficiaries, etc. The Deeds Offices made available a complete ownership database that has just over 8 million records. This database was scrutinized to identify and separate State-owned land parcels from private owned land parcels.

The results of the desktop analysis revealed that there are 1,155,508 State-owned land parcels in the whole of the Republic of South Africa. It must be noted that this project only focuses on land parcels that are surveyed and registered in the name of Government at the Deeds Office, and excludes un-surveyed State land, and other land that may be owned by the State.

Phase two, the field verification, commenced in October 2011 and was scheduled to be completed at the end of March 2012. However, due to delays and challenges experienced during the execution of this phase, it was not possible to meet the deadline. The Chief Surveyor-General requested a three month extension, extending the end date to 30 June 2012. There are approximately 400 personnel involved in the project, which is managed and executed by departmental staff.

## **Job creation**

270 field workers who are matriculants were appointed on contract for the duration of the project.

Field workers are utilizing electronic data collectors that upload the data directly into the database, while others are using the manual process of populating paper forms and later updating it to a central database. The web portal has a user interface that provides an environment for data capturing, monitoring, assigning of tasks and reporting. The hand held gadgets have a navigating function to assist field workers in locating land parcels.

## **Achievement**

As of 31st March 2012 field workers had managed to visit and verify 623.078 land parcels, constituting 54% of the total number of land parcels to be verified. Production has been hampered by a number of factors, ranging from difficulties in locating properties, unavailability of land occupants, and communities in some residential areas preventing field workers from conducting the verification.

## **Registration of Deeds Trading Account**

The Branch: Deeds Registration has progressed with the implementation of the e-cadastre project. This project is aimed at improving cadastral surveys management and deeds registration as well as the consolidation of data stores in preparation for the e-Cadastre.

For many years deeds registration operations were paper based and thus cumbersome with slow registration times. With the gradual implementation of the e-cadastre project many benefits has been realised.

These benefits include the conversion of microfilm and paper records into a digital format. As 31 March 2012, 88 million images had been scanned. This will facilitate the alignment of deeds registries with provincial boundaries, thus eliminating the discriminatory practices of the past within the deeds environment. Furthermore, it will greatly enhance the accuracy and integrity of deeds registration information, as well as shortening the time it takes to deliver title deeds. As at 31 March 2012, a total of 884 615 deeds and documents were registered within an average of six days country wide.



## Programme 2: Geospatial and Cadastral Services

Sub-programme: Cadastral Surveys Management				
	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Average number of days taken to examine cadastral documents	18 days	14 days	21 days	The volume of lodgements increased and the department struggled to increase its human resource capacity to match the demand due to difficulties experienced in filling the professional surveyors posts owing to the OSD.
Extent of land surveyed and approved	New indicator	100% of 30 000 hectares ** (30 000 ha adjusted to 1.5million ha annual target)	66% (993 726.4313ha)	Delays were caused by difficult engagement with resident Chiefs, however direct engagement with Tribal authorities led to alleviation of obstructive factors.
Number of scarce skills training programme	New indicator	1 scarce skills training programme (Survey officers course accredited)	1 programme initiated. The examinations for pupil Cadastral officers were set. The accreditation process of the skills programme is in progress and should be completed by the end of the next financial year	Accreditation process by QCTO and SAQA to be finalised in the next financial year, subsequent to the required full cycle of training to satisfy accreditation criteria.
Updated Comprehensive Land Register	New indicator	50% Complete (Comprehensive Land Register)	54%	None

\*\* The target on Surveyed and registered State land and Trust land was adjusted from 30 000 to 1.5 million hectares per annum.

Sub-programme: National Geo-Spatial Information				
	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Coverage of digital aerial imagery (in square km) and processing ortho-images at 0.5 m ground sample distance by 31 March	New indicator	315 000 km <sup>2</sup>	328 854 km <sup>2</sup>	None
Number of reference stations maintained	New indicator	985 reference stations maintained	1290 reference stations maintained	None
Number of maps of the national map series produced/ revised	New indicator	1660 maps	1988 maps	None



Sub-programme: Spatial Planning & Information				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Spatial Planning and Land Use Management Bill (SPLUMB) implemented	New indicator	Consultation and adoption	Consultation done and Spatial Planning and Land Use Management Bill (SPLUMB) was presented to the Cabinet Committee on 14 March 2012 and was adopted by Cabinet on 20 March 2012	None
Number of Rural Spatial Development Frameworks formulated	25	25 rural SDFs completed	0 SDFs completed	Delays in the procurement process. New projects related to the Bill were started that were more urgent.

## Registration of Deeds Trading Account

Sub-programme: Registration of Deeds Trading Account				
	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of days taken to register title deeds (in accordance with legislation, practice and procedures)	New indicator	7 days	6 working days taken to register the title deeds (in accordance with legislation, practice and procedures)	None
Operational e-cadastre	Enterprise architecture available	Enterprise architecture design available	e-Deeds version 1 completed. Workshops completed e-cadastre not yet operational	Capacity constraints in project management contributed to delay.

### Reasons for major variances

The number of days to examine cadastral documents could not be reduced due to the shortage of scarce skills categories of professionals.

The department is addressing this through provision of scarce skills bursaries. It has also developed a scarce skills training programme, and the accreditation process by QCTO and SAQA is to be finalised in the next financial year, subsequent to the required full cycle of training, to satisfy accreditation criteria.

There were delays in survey and registration of State and Trust land due to difficulties in engaging with resident Chiefs. However the department had direct engagement with Tribal authorities, and this led to the alleviation of obstructive factors.

Enterprise architecture design available, however the E-Survey approval workshop took longer than planned. Functional Requirements Specification and Functional Design Specifications had been redefined to be more detailed, and both have been converted into deliverables.

## Programme 3: Rural Development

**Purpose:** The purpose of the Rural Development programme is to initiate, facilitate, coordinate and catalyse the implementation of a comprehensive rural development programme that leads to sustainable, equitable and vibrant rural communities. Rural Development is structured in two branches, the one is responsible for Social, Technical, Rural Livelihoods and Institutional Facilitation (STRIF), and the other is responsible for Rural Infrastructure Development (RID).

**Strategic objectives:** The following are the strategic objectives of Programme 3: Rural Development

- To reach all the poorest rural wards in all rural municipalities by 2014;
- Establish food gardens and Agriparks in CRDP wards by 2014;
- To skill and capacitate rural communities and land reform beneficiaries in technical enterprise development trades;
- To develop and utilize innovative service delivery models to enhance food production and ensure food security;
- To increase the number of jobs created in CRDP initiatives by 2014;
- To provide economic infrastructure in rural areas effectively reducing spatial inequalities by 5%;
- To provide social infrastructure in rural areas effectively reducing spatial inequalities by 5%;
- To provide ICT infrastructure in rural areas effectively reducing spatial inequalities by 5%;
- To establish village agricultural industries and agricultural enterprises by 2014;
- Establish and support Councils of Stakeholders, cooperatives and community based institutions in each CRDP site by 2012;
- Establish partnerships for economic productivity on CRDP sites;
- Improved disaster management services in rural areas and land reform projects by 2014.

### Social, Technical, Rural Livelihoods and Institutional Facilitation (STRIF)

In an effort to improve food security and facilitate food production the department supported communities in establishing household food gardens. A total of 947 household food gardens have been established in the CRDP sites. A total of 10049 employment opportunities were created through construction and agricultural related enterprises in all CRDP initiatives including the 5460 achieved in the NARYSEC programme. To date a total of 3819 CRDP beneficiaries have been skilled and capacitated in technical enterprise development trade and 464 enterprises, (27 Councils of Stakeholders and 437 co-operatives), together with four partnerships, were established, and are supported in CRDP sites.

### Rural Infrastructure Development (RID)

The branch has succeeded in improving access by rural communities to water, sanitation and energy. This has been achieved through direct intervention by the department, and through improved coordination with other sector departments and partners. In the year under review 3058 households have been assisted with clean drinking water. Bulk water projects including reservoirs in Ndaya, KZN and Disake, NW, were completed.

In addition, a 37km water pipeline from the Orange River to Riemvasmaak in the Northern Cape has been completed. Regarding sanitation, bulk infrastructure has been completed in the Vryheid area in KZN benefitting 903 households, and an additional 564 households have been assisted with sanitation units in the rest of the CRDP areas. This, according to an evaluation undertaken in the Vryheid area, has contributed significantly to improving the dignity of rural communities. Another major achievement has been the connection of 780 households to grid electricity in Msinga. In the Mvezo and Ludondolo villages in the Eastern Cape, the construction of the Inkosi Dalibhunga Mandela Legacy Bridge is underway. Contractors are on site and construction will be completed by December 2012. The project has resulted in job creation and when completed will improve access to surrounding communities and nearby towns, thereby expanding economic opportunities.

In collaboration with the Free State Provincial Government, significant progress has been made in the Diyatalawa CRDP site.

Houses, schools, recreation facilities, roads, solar lighting and agricultural infrastructure have been completed and the main focus has been on creating a "Green village". This has injected new energy into the community, and additional work, including a dairy, is currently underway.

In order to ensure improved productivity and animal and veld management, the branch has completed fencing of 554 km in various areas across the country. Working together with the departments of Agriculture and other branches within the department, assistance is being provided to communities to optimally utilize this land.

Although there have been significant challenges in rolling out the ICT programme, the one programme that has yielded

success is the I-schools programme which has been introduced at 15 schools across the country. Approximately 3500 learners have access to ICT facilities as well as media equipment and already, for example, at Dysseisdorp in the Western Cape, there has been an increase in the pass rate at the schools involved in the programme.

Rural areas are vulnerable to disasters and the department has been working on assisting rural municipalities with disaster mitigation strategies. A total of 41 disaster management help desks were established and nine communities were trained on environmental management measures as well as 82 communities implemented innovative technologies. In its effort to revitalize rural towns, the department significantly upgraded Dysseisdorp, Witzenburg, Diyatalawa and Riemvasmaak.

## Budget and policy indicators

The Budget and policy speech brought in the following five additional indicators namely, bridges constructed; number of low water bridges upgraded; roads constructed in CRDP wards; agricultural infrastructure provided, all under the **Strategic objective:** To provide economic infrastructure in rural areas effectively reducing spatial inequalities by 5%. The fifth indicator, Number of rural towns revitalized; was introduced, under the **Strategic objective:** Revitalise rural towns through the implementation of catalytic projects.

Progress has been made in implementing these new targets. Amongst the five indicators, the target set for bridges constructed was met, whilst the “number of rural towns revitalized” and “roads constructed in CRDP wards (km)” was exceeded.

Partial achievement on “Agricultural infrastructure provided” was recorded. The project was commissioned mid-term, as a result of the Budget and Policy speech, and delays in commissioning resulted in a variance. However the project is on track.

Targets on the upgrading of low water bridges were not met, due to delays in planning processes caused by deployment of new technologies.

All these achievements have contributed to Outcome 7 and the CRDP by meeting basic human needs, as well as providing the economic infrastructure that supports enterprise development and job creation.

## Programme: Rural Development

Programme: Rural Development				
	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of CRDP wards profiled	28	180 wards profiled** (revised to 60)	57 wards profiled	Inter-stakeholder planning around ward profiling took longer than expected.
Number of household profiled	13694	162 000 households profiled **(revised to 54000)	97577 households profiled	None
Number of food gardens established	1918	1800 food gardens established	947 food gardens established	This figure excludes the 3600 ha of household crop fields that were brought to production as part of strengthening rural food security.
Number of Agriparks established	2	5 Agriparks established	0 Agriparks established	The processes of establishing functional Agriparks took longer than a financial year (as was initially anticipated). However production phase for the establishment of Agriparks on 8 sites has been completed.

Programme: Rural Development				
	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of CRDP beneficiaries skilled and capacitated in technical enterprise development trades	1869	3700 CRDP beneficiaries	3819 CRDP beneficiaries skilled and capacitated in technical enterprise development trade	None
Number of service delivery models to enhance food production and ensure food security reviewed	New indicator	1 review	0 review	Implementation has not yet begun. The feasibility study of community technologies for agriculture reveals that there is a need for further analysis prior to implementation.
Number of technologies suitable for small-farmer production identified through research	New indicator	5 appropriate technologies identified	14 appropriate technologies identified	None
Number of community technologies for agricultural incubators implemented	New indicator	2 community technologies for agricultural incubators	0 community technologies for agricultural incubators	Feasibility studies conducted indicated the need for further analysis prior to implementation.
Number of jobs created in all CRDP initiatives	1304	9000 jobs created	4589 jobs created in CRDP initiatives	Some CRDP projects are still at planning phase, thus fewer jobs created.
Number of employment opportunities created through the NARYSEC programme	7956	5000 employment opportunities created	5460 employment opportunities created through the NARYSEC programme	None
Number of kilometers of fencing in CRDP wards	New indicator	430 kilometers of fencing	554 kilometers of fencing in CRDP wards	None
Number of fresh produce markets established in rural towns	New indicator	2 fresh produce markets established	0	This was a collaborative effort with provincial departments of Agriculture (NW & MP). The initial sites agreed upon with provinces was subsequently changed and the feasibility studies and final designs delayed.
Number of viewing sites established	47	15 viewing sites established	5 viewing site established in LP = 1 MP=4	Viewing sites are established at local ward level. Challenges were experienced in the final site selection, as well as the agreements with the relevant sector.
% increase in the number of households profiled with access to sanitation	New indicator	3% increase in the number of households with access to sanitation	10% increase in the number of households with access to sanitation	None
% increase in the number of households profiled with access to electricity	350 households	5% increase in the number of households with access to electricity	10.45% increase in the number of households with access to electricity	None

Programme: Rural Development				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
% increase in the number of profiled households with access to clean water	New indicator	4% increase in the number of households with access to clean water	4.72 % increase in number of households with access to clean water	None
Number of rain water harvesting tanks distributed	New indicator	5000 rainwater harvesting tanks distributed.	9331 rainwater harvesting tanks were distributed	None
Number of e-centers provided	3 e-centers provided	15 e-centers provided	2 e-centres coordinated	Analysis of the e-rural access model selected, indicated challenges in sustainability. The new model brings in the element of enterprise development to ensure sustainability.
Number of wards with improved ICT access	New indicator	10 rural wards with improved ICT access	5 rural wards with improved ICT access	This indicator focused on the i-school programme and the roll-out of digital doorways. The i-school programme required clustering of schools and hence although the number of school reached was met, they were not spread to as many wards as planned. New solar powered digital doorways was only implemented by DST from January.
Number of village agricultural industries established	New indicator	4 village agricultural industries	1 village agricultural industry	Challenge experienced because the establishment of village agricultural industries, is dependent on initiatives such as the enterprise development programme and other activities that will produce the products or raw materials to be processed in an agricultural industry. The department is seeking markets to ensure continuous trade for all agricultural villages to be established.
Number of agricultural enterprises established	45	90 agricultural enterprises	92 agricultural enterprises	None
Number of Council of Stakeholders, cooperatives and community based institutions in each Comprehensive Rural Development Programme site established and supported by 2012	25	180 institutions	464 institutions established	None
Number of partnerships established and operational	1	1 partnership	4 partnerships established and operational	None
Number of disaster management helpdesks established and functional	New indicator	40 helpdesks established	41 disaster management helpdesks established and functional	None

Programme: Rural Development				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of vulnerable rural communities trained on environmental management measures	New indicator	9 rural communities trained	9 rural communities trained	None
Number of communities with innovative infrastructure and service delivery solutions implemented	New indicator	10 Communities	44 communities using innovative technologies	None
Number of communities implementing indigenous knowledge	New indicator	10 Communities	26 Communities	None

\*\* The annual target of "180 profiled reflected in the APP" was set was for the MTEF period, instead of an annual target, and was thus revised to 60.

### Reasons for major variances:

Challenges experienced include the integration of infrastructure plans across all spheres of Government. To deal with these the department has focused on institutionalising the CRDP management system and has developed norms and standards for rural areas that should enhance integrated planning and delivery.

In terms of the CRDP, the provision of basic services is critical in the first phase and to this end progress has been made in the CRDP wards that have been profiled. The department exceeded the targets set for provision of water, energy and sanitation.

Variances were recorded in all indicators dealing with ICT access. This included the e-rural access programme, the viewing sites and the wards to be covered by ICT access. The main reason for variances included sustainability of the models agreed upon as well as challenges with sites selection and agreements with the relevant sectors.

There have also been delays experienced in the construction of the fresh produce markets. This is largely due to the challenges experienced in changes in site identification and the feasibility studies done.

As regards the low water bridges; the intention to deploy new technologies was not widely accepted and created delays in the planning processes.

Targets on households profiling, establishing Agriparks, establishing village agricultural industries and providing agriculture infrastructure were all only partially achieved, due, amongst other reasons, to delays in planning processes.

## Programme 4: Restitution

**Purpose:** The restitution programme is responsible for the settlement of land restitution claims under the Restitution of Land Rights Act (Act No. 22 of 1994), as amended, and the provision of settlement support to beneficiaries.

**Strategic objectives:** The following are the strategic objectives of Programme 4: Restitution

- Restitution of land rights or awards of alternative forms of equitable redress to claimants finalised within MTEF baseline allocation.

### Performance indicators and targets

The highlight was the Programme's over-performance in settlement of 416 new claims (though not finalized). Under-performance was also recorded, although 209 backlog claims were finalized, 360 were targeted.

### Programme: Restitution

Programme: Restitution				
Performance Indicator	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
*Number of claims implemented (backlog)	1318	* 800-budget allows for 360 claims to be implemented (backlog)	209 backlog claims were finalised	Current landowners not accepting the implementation of agreements to settle the backlog claims resulting in re-evaluations and new offers on outstanding claims offered - Untraceable claimants - Matters in Court - Most claims for restoration are claims settled in phases and therefore cannot be finalised until all the phases are settled.
Number of outstanding claims (new)	457	150-budget allows for 90 outstanding claims (new)	416 claims were settled but not yet finalised	- Court Orders and Ministerial directives - Shifted priorities to new claims due to challenges with backlog claims - Ministerial Consultative Forum that took place in May 2011 also had an impact on the settlement of claims

### Reasons for major variances:

The restitution process has been confronted by internal and external challenges. External challenges include community disputes; family disputes; demands for exorbitant amounts for the land that is claimed; boundary disputes between communities; disputes between communities and office bearers in communal property institutions; traditional leadership; and unavailability of resources, both human and financial.

Internal challenges include insufficient capacity to administer the functions of the Commission such as, research claims and deal-making.

The department intends to address the variance by further engagements and negotiations with current landowners, use of radio and newspaper advertisements to locate claimants, court processes to determine interventions, and improved verification processes.

## Programme 5: Land Reform

**Purpose:** To provide sustainable land reform programmes in South Africa.

**Strategic objectives:** The following are the strategic objectives of Programme 5: Land Reform

- 1 140 860 hectares of strategically located land acquired and allocated within MTEF baseline allocation by 2014;
- Recapitalisation and development support provided to black farmers, rural communities and land reform beneficiaries by 2014.

### Performance indicators and targets

Land reform has remained one of the main priorities of government since the new democratic dispensation in 1994. The Land Reform programme forms part of a three pronged strategy which ensures that the Department of Rural Development and Land Reform achieves its objectives. The programme's purpose is to initiate a sustainable land reform programme in South Africa.

The highlight was the Programme's over-performance in redistributing 392,850 hectares of strategically located land. This has aided at least 310 projects and 1211 beneficiaries. The Programme had a target of recapitalising 387 farms in distress, but managed to recapitalise only 257 farms, due to challenges in recruiting experienced strategic partners and mentors. 277 farmers were trained.

### Budget and policy speech additional indicator

The Budget and policy speech also introduced an additional indicator, namely "Number of irrigation schemes revitalised" under the **Strategic objective:** Recapitalisation and development support provided to black farmers, rural communities and land reform beneficiaries by 2014.

Progress has already been made in implementing this new target. The target in the initial indicator was partially achieved as five (i.e Keiskamhoek and Ncora in EC, Laangelooop in MP, Mapela in LP and Mansomini Irrigation scheme in KZN) of the eight targeted irrigation schemes are in the process of being revitalised. The lack of real progress in the remainder was due to challenges ranging from unsuitable soil types for chosen commodities, to lengthy consultation and planning process dynamics within these schemes.

### Programme: Land Reform

Programme: Land Reform				
	Baseline (Actual Output) 2010/11	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of hectares acquired	322 844 ha	303,612ha	392,850 hectares acquired	None
Number of farms recapitalised	411	387 farms	257 farms recapitalised	Not all farms are appealing to strategic partners; hence the low level of interest by experienced strategic partners. The system of strategic partners and mentorship is currently being reviewed.
Number of farmers capacitated through agricultural training programmes	New indicator	40 farmers	277 farmers	None



**Reasons for major variances:**

The department further acknowledges that there are challenges faced by RADP, such as, procurement of strategic partners and mentors, and lack of understanding of RADP by strategic partners and mentors. Consequently, the system of strategic partners and mentorship is currently being reviewed.

A new process of contracting strategic partners and mentors involving beneficiaries; Direct sourcing instead of the normal tender process will be looked at. The initiation of that process is expected to occur during the financial year 2012/2013, as well as the process of selectively registering experienced black farmers to take over roles in the strategic partnership and mentorship programme. It is hoped that all these new initiatives will address some of the shortfall of RADP.



# part three

## ANNUAL FINANCIAL STATEMENTS



rural development  
& land reform

Department:  
Rural Development and Land Reform  
REPUBLIC OF SOUTH AFRICA

# Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2012.

## Audit Committee members and attendance

The Audit Committee for the year under review ("the Committee") was constituted in terms of Section 38 of the PFMA and Treasury Regulation 3.1.2, and consisted of four external members. The Committee consisted of the members listed hereunder, which should meet at least four times per annum in accordance to their approved charter. During the current year eight meetings were held.

Name of member	Number of meetings attended
Mr K. Buthelezi (Chairperson)	8
Mr L. Mangquku	8
Ms K. Moloko	4
Ms T. Moja (from 2011-07-15)	6

## Audit Committee responsibility

The Committee reports that it has adopted appropriate formal terms of reference as contained in its Audit Committee Charter in line with the requirements of Section 38(1) (a) of the Public Finance Management Act, No.1 of 1999 and Treasury Regulations 3.1. The Committee has regulated its affairs in compliance with this charter and has as far as possible discharged its responsibilities as contained therein.

## The effectiveness of internal control

In line with the PFMA requirements and King III Report on Corporate Governance recommendations, Internal Audit and Risk Management provide the Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, comprehensive internal audits, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The system of internal control was not entirely effective for the year under review. Deficiencies in and/or deviations from the system of internal control were reported by the internal auditors and the Auditor-General South Africa. In certain instances, the matters reported previously have not been fully and satisfactorily addressed. The delays in implementing management action plans on internal and external audit reports have been escalated to the Accounting Officer and Executive Authority by the Audit Committee and management has made a commitment to address these shortcomings.

The Audit Committee has noted the issues raised in the reports of the Auditor-General South Africa on the financial statements of the Department of Rural Development and Land Reform, Deeds Registration Trading Account and Agricultural Land Holdings Account. The Audit Committee has tasked management to prepare a comprehensive plan to indicate how the Department will address the issues and report progress regularly to the Committee.

## Matters for specific focus by the Committee (2012/2013)

It is of crucial importance that the following most significant issues within the financial and performance reporting domains of the department receive on-going attentive focus in order to effect qualitative administration and financial management within the department:

- reported performance against predetermined objectives;
- immovable tangible capital asset management;
- risk management;
- prevention of potential fraud and corruption;

- information technology; and
- corrective action on reported audit findings.

The Committee was not always satisfied with the content and quality of quarterly reports prepared and issued by the department in terms of the Public Finance Management Act and presented to the Committee during the year under review. Improvement on the quarterly performance reporting, especially the availability of supporting evidence to validate the integrity of performance reported, remains essential.

## **Review and evaluation of Annual Financial Statements**

The Committee has:

- reviewed the department's interim financial statements;
- reviewed and discussed the annual financial statements of the Department of Rural Development and Land Reform, Deeds Registration Trading Account and Agricultural Land Holdings Account to be included in the annual report, with the Auditor-General South Africa, the Accounting Officer and management;
- reviewed the Auditor-General's management letters and management's responses thereto;
- reviewed and discussed the report and audit opinion of the Auditor-General with the Auditor-General South Africa, the Accounting Officer and management;
- noted that there were no changes in accounting policies and practices;
- reviewed the information on predetermined objectives to be included in the annual report;
- reviewed the department's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from the audit.


The Committee concurs with and accepts the Auditor-General of South Africa's report on the annual financial statements of the Department of Rural Development and Land Reform, Deeds Registration Trading Account and Agricultural Land Holdings Account, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General South Africa.

## **Internal Audit**

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Department in its audits.

## **Auditor-General South Africa**

We have met with the Auditor-General South Africa to ensure that there are no unresolved issues.



Mr K. Buthelezi  
Chairperson of the Audit Committee  
Date: 31 July 2012

# Report of the Accounting Officer

Report of the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa for the year ended 31 March 2012.

## 1.1 Important policy decisions and strategic issues facing the department

The Green Paper on Land Reform was approved for public comments by Cabinet during August 2011. During the year under review the Department had a consultative process with the National Reference Groups across the country.

The paper proposes an improved land tenure framework, integrating the current multiple forms of land ownership into a four-tier tenure system. The proposals made thus far suggest that land is a State asset; therefore the current arrangements where land was held in the trading account with the intention of disposing it to beneficiaries in the short term will no longer apply. The department found it prudent to disclose such land as Property Plant and Equipment owned by the State rather than inventory as previously disclosed. The revised estimates were updated accordingly in the accounting policies.

The Spatial Planning and Land Use Management Bill (the SPLUMB), which was initially approved by Cabinet in April 2011 for public comments, has now been approved by Cabinet in March 2012 after extensive public participation for introduction to Parliament. The National Council of Provinces (NCOP) has already started considering this Bill for passage into law.

In addition to other objectives, including the addressing of equity and efficiency in our spatial planning and land use management systems, the SPLUMB is a response to the Constitutional Court judgment of 18 June 2010 declaring as constitutionally invalid Chapters V and VI of the Development Facilitation Act 67 of 1995 (the DFA). The Order of constitutional invalidity was suspended for 24 months to enable Government to remedy the defects or enact a new law. Despite efforts to do so, the Government and Parliament could not finalise the passage of a new law before the expiration of the deadline. The State was also not successful in an application to the Constitutional Court for an extension to this deadline for those provinces where there are no alternatives to the DFA in order to ensure that no legal vacuum exists in processing land development applications.

## 1.2 Comment on significant events that have taken place during the year

From 01 April 2011, the Commission has been rationalised to create better synergy with, and clearer lines of accountability to the department in its day-to-day operations. This streamlining of authority structure has resulted in greater clarity with respect to role-relationships. The Director-General, in so far as the finances of the department are concerned, is fully accountable, while the Chief Land Claims Commissioner (CLCC) remains the responsible authority.

These changes were informed by lessons learnt during the implementation of the Restitution Programme over the years, with one objective of improving performance and providing service delivery. The Quality Control Committee was established to ensure that all submissions are vetted for validity, accuracy and completeness of information before they are submitted for approval. This committee has played a meaningful role in expediting settlement of restitution claims.

## 1.3 Major projects undertaken during the year

In 2010, DRDLR initiated a project to identify State-owned land parcels from the ownership register managed by the Deeds Registration Office by means of a desktop analysis. The purpose of the project was to compile a comprehensive, accurate, complete and reliable database of all land parcels registered in the Republic of South Africa in order to improve the comprehensive land register and update the register of land owned by the State, through various organs of State in various structures. As at 31 March 2012, 623.078 land parcels that constitute 54% of the total number of 1,155,508 State-owned land parcels were verified. The field work commenced in October 2011, it is expected that the project will be finalised by 30 June 2012.

During the year, the department started an electronic document management project which focuses on identifying; scanning and capturing of all Land Reform and Restitution project files. About 16 000 000 documents were scanned to create a national and regional land claim related information database.

As with any system and database, data-clean-up to close gaps to ensure data integrity is on-going. The database has functionality for on-going capturing and scanning of new documents and files. Each DRDLR District office has been provided with a capability to do this on an on-going basis. The department will soon have a clearer picture of the nature and quantity of claims and land reform projects nationally at a “click of a button”.

The construction of the Inkosi Dalibhunga Mandela Legacy River Bridge and access road between Mvezo village and the N2 turn-off in the King Sabata Dalindyebo local municipality in the Eastern Cape has commenced and it is progressing well.

### 1.4 Spending trends

Spending for the year amounted to R7.9 billion representing 98.3% of the final appropriation (2010/11: R7.1 billion and 97.7%), which reflects an increased spending of 0.6% or R875 million. Unspent funds of R138 million (1.7%) remained attributable to challenges with the attracting and retaining of employees with adequate specialised skills, as well as delays in projects. The variances per programmes are detailed in the notes to the appropriation statements.

### 1.5 Virement

Virement was affected to accommodate excess expenditure in the relevant programmes as per the table below. The shifting of funds was approved by the delegated authority in accordance with section 44 of the Public Finance Management Act, Act 1 of 1999.

FROM		AMOUNT R'000	TO	
<b>3 Rural Development</b>		<b>35,000</b>		<b>Reasons</b>
Rural Infrastructure Development	Compensation of employees	5,000	1 Corporate Support Services	Augmentation compensation of employees during the financial year 2011/2012 the 9 CD: PSSC offices plus their directorates moved to the Branch CSS, without sufficient funds allocated for compensation of employees. The Director: Financial Management indicated that the shortfall will be addressed during year end closure. The officials was transferred from various offices in the department.
Social, Technical, Rural Livelihoods and Institutional Facilitation	Goods and services	30,000	2 Cadastral Services Management - Deeds	Deficit on E-Cadastre project - Departmental Agencies and Accounts

FROM		AMOUNT R'000	TO	
<b>4 Restitution</b>		<b>35,000</b>		<b>Reasons</b>
	Compensation of employees	1,000	1	Financial Services Augmentation compensation of employees.
		13,000	1	Financial Services Augmentation of a shortfall on office accommodation: Goods and services.
		3,000	1	Corporate Support Services Augmentation of shortfall under Goods and services during the financial year 2011/2012 the 9 CD: PSSC offices plus their directorates moved to the Branch CSS, without sufficient funds allocated for compensation of employees. The Director: Financial Management indicated that the shortfall will be addressed during year end closure. The officials were transferred from various offices in the department.
		7,000	1	Corporate Support Services Augmentation on bursaries to non-employees: Current households during the financial year 2011/2012 the 9 CD: PSSC offices plus their directorates moved to the Branch CSS, without sufficient funds allocated for compensation of employees. The Director: Financial Management indicated that the shortfall will be addressed during year end closure. The officials was transferred from various offices in the department.
		1,108	2	Cadastral Services Management Deeds Deficit on e-Cadastre project: Departmental Agencies and Accounts.
		79,134	5	Land Reform Grants for Restitution Recapitalisation projects.

## 1.6 Fruitless and wasteful

The amount of interest paid disclosed in the Annual Financial Statements represents a reduction of new incidents from R73, 406 million in 2010/11 financial year to R6.7 million in the year under review.

Investigations are in progress regarding the fruitless and wasteful expenditure that was incurred as a result of negligence by officials in implementing court orders. Those officials who are found to be responsible will be disciplined accordingly.

## 2. Service rendered by the department

### 2.1. Tariff policy

The Deeds Trading Account Schedule of Fees of Office is prescribed by regulation 84 of the Deeds Registries Act, 1937 (Act 47 of 1937) (the Schedule), and is published on the Government Notice after approval by the Minister of Rural Development and Land Reform.

The Fees of Office for the Surveyor-General is prescribed by regulation 27 of the Land Survey Act, 1997 (Act 8 of 1997) (the Schedule), and is published on the Government Notice after approval by the Minister of Rural Development and Land Reform and National Treasury.

## 2.2. Free Services

The department provides map tricks kits, map work teaching aids and map packs to the Department of Education for distribution to disadvantaged schools that teach geography.

## 2.3. Inventory

All stores were disclosed within the annexures on Inventory.

## 3. Capacity constraints

The department is constantly monitoring and improving its processes in respect of filling of vacancies in order to minimise the negative impact of vacancies on service delivery as reflected in the Human Resource table. The department had a vacancy rate of 11.47% from its 4 840 funded posts which is mainly attributable to senior management posts which were not filled during the year under review.

The posts of the Chief Land Claims Commissioner (CLCC); the Deputy Land Claims Commissioner (DLCC); the Regional Land Claims Commissioner (RLCC); the Deputy-Director General: Land Reform and Administration; the Deputy-Director General: Rural Infrastructure Development and the Chief Information Officer which were in the acting capacity for the greater part of the financial year have since been filled, though attrition rate remained the same for other occupational levels.

Driven by the change in mandate, the department decided to equip the officials for the new challenges by embarking on a process to ensure that all officials with adequate skills are placed correctly within the establishment before outside advertisements are considered. Although this process is long and laborious it has gone a long way in addressing oversupply of skills in certain units and undersupply in others.

Where it is not feasible to appoint the officials internally, consultants are used mainly in the area of infrastructure development.

## 4. Utilisation of donor funds

The following amount as disclosed under aid assistance is received from international donors via the reconstruction and development fund (RDP). The utilisation of funds is based on a technical assistance agreement and internal policies and procedures of the department.

### European Union

The total amount of R14.4 million was received during the year under review, of which R14.1 million was utilised, leaving a balance of R384 000 which will be used in the 2012/13 financial year. R10.8 million hereof was utilised for the second phase of the Eastern Cape berry growers for the establishment of the three large blueberries out growers at Keiskammahoek. The amount of R3.6 million was received and utilised for activities of the Employment Creation Fund that is administered by the Department of Trade and Industry. The Department of Trade and Industry was used as a conduit through which the R3.6 million funding from European Union was received by the department.

### Belgium

The department received an amount of R2.8 million of which R43 000 was spent during the year under review for the post settlement support to beneficiaries of the Land Reform programme. The balance of R2.7 million will be utilised in the 2012/13 financial year in line with the projections made.

## 5. Trading entities and Public Entities

### 5.1 The Deeds Registration Trading Account:

The Deeds Registrars are established in terms of the Deeds Registries Act, 1937 (Act No.47 of 1937). The main source of funding is fees charged on the registration of deeds and on the sale of deeds information. The entity keeps full records of the financial affairs separately from that of the department. Shortfalls in the account, if any, are appropriated from savings in the budget of the department under Programme 2. The entity's audited annual financial statements are included in this Annual Report.



## 5.2 Agricultural Land Holding Account

The Agricultural Land Holding Account was established in terms of the Land Reform: Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993). The entity receives its funding from the department's appropriated funds. It keeps full records of its financial affairs separately from that of the department. The entity's audited annual financial statements are included in this Annual Report.

## 5.3 Ingonyama Trust Board

The Ingonyama Trust is established in terms of the provisions of the Kwazulu-Natal Ingonyama Trust Act (Act No.3 of 1994). Its core business is to manage land for the material benefit and social wellbeing of the individual members of the tribes.

## 6. Organisations to whom transfer payments have been made

The department made the following transfers payments, in addition to the payments made in point 5.

Beneficiary	R'000
Municipalities – vehicle licenses	96
South African Council of Planners	2,571
Independent Development Trust	40,176
Agricultural Research Council	15,174
Free State Department of Agriculture and Rural Development	2,822
Free State Department of Human Settlements	10,113
KwaZulu-Natal Agricultural Development Trust	22,478
Coega Development Corporation	11,228

## 7. Public Private Partnerships

The department has entered into a Public Private Partnership (PPP) to relocate all of its Tshwane staff into one office campus, located on the old Berea sports ground. Negotiations with the preferred bidder have been progressing and were essentially finalised. However the reserve bidder requested information from the department via the Promotion for Information Act and then under the Promotion for Administrative Justice Act. The department complied with these requests and successfully won a court application against interdicting the project.

Due to a policy funding shift in National Treasury, the department has been restructuring the funding package and has been in negotiations with the preferred bidder to finalise the new funding package. The negotiations are also taking into account the lenders concern for a further review application. It is envisaged that the project will be submitted to National Treasury in the 2012/13 financial year for their concurrence prior to signing the contract with the preferred bidder.

## 8. Corporate governance arrangements

The risk management has been approached differently from the year under review. The membership of the Risk and Compliance Committee has improved. The chairperson of the Risk and Compliance Committee is the external member and is assisted by one external member with the Director-General and Deputy Directors-General as internal members.

The Committee had three meetings in the year under review. The charter, policies and the risk management strategy were approved. Recommendation of the review of risk registers was adopted, although there were some delays in the implementation, the risk assessment is still going ahead as planned.

The department completed the review process of the Fraud Prevention policy and has an updated Fraud Prevention Plan and fraud risk registers for all the branches and provincial offices.

Attracting the appropriate skills to oversee Business Continuity remains a challenge but the recruitment of the relevant staff is underway.

The Audit Committee and Internal Audit respectively operate in accordance with the approved audit committee charter and internal audit charter. During the year under review the position of the Chief Audit Executive was filled. The Audit Committee provides oversight over the functioning of Internal Audit.

## **9. Discontinued activities/activities to be discontinued**

There were no activities discontinued in the current year.

## **10. New Proposed /Activities**

The new activities to be introduced will be informed by the outcome of the Green Paper consultations.

## **11. Asset Management**

All assets that meet the recognition criteria in terms of the National Treasury Reporting Framework are recorded in the asset register of the department and no major challenges were experienced.

The department holds certain land in trust for specific tribes. The said land is not recognised as an asset of the department however a register of such land is kept for control purposes.

## **12. Events after reporting date**

No significant events have occurred between the financial reporting date to the date of this letter that would require adjustment to, or disclosure in, the financial report.

## **13. Information on predetermined objectives**

The department adopted the National Treasury's Framework for Strategic Plans and Annual Performance Plans for the first time in the year under review. A lot of effort has gone into the process of developing indicators that are reliable, well defined and verifiable. The technical indicator description document has been developed and will be made available to the users when the annual report is tabled.

The following has since been developed, approved and implemented with regard to Performance Monitoring and Evaluation:

- Framework
- Policy
- Strategy, and
- Programme Performance monitoring guidelines

The monitoring of the performance of each programme will be done according to the approved framework.

## **14. Standing Committee on Public Accounts (SCOPA) resolution**

The department appeared before SCOPA to account for the findings of the Auditor-General on their financial statements for the 2010/2011 financial year. There were no resolutions received, however the areas of concerns raised by the committee which among others include capacity issues were addressed and the weaknesses in the Information Technology Systems also being addressed.

## **15. Prior modification to audit reports**

During the last audit period, the Auditor-General produced two separate reports which demonstrated a difference of 21 747 land records between those shown in the asset register of the department and those which were registered in various historical names of the State in the Deeds Registry. At the end of the audit there were only 617 land records which needed further research. The research was successfully completed.

In addition to the above exercise, the department obtained a download of all land records registered in the Deeds Registry up to September 2011. There were 68 million land records obtained which were then analysed against the asset register of the department and that of the Department of Public Works.

Whilst every effort was made to identify all land records that may have been omitted in the immovable asset register of the department, the exercise had not been satisfactorily completed at the time of the submission of the Annual Financial Statements. A possibility therefore exists that there could be discrepancies between the number of land records existing in the Deeds Registry and those in the immovable asset register.

In addition to the comparison of Deeds Registry data with the immovable asset register, the department undertakes detailed research on identified discrepancies in order to link them with approved Surveyor-General diagrams and all forms of ownership documents which are registered in the Deeds Offices. The same exercise is done on any land record which is already in the asset register, which had never been researched in this manner before. At the time of submission of Annual Financial Statements, the department had only completed this type of research on 14 000 records only. A possibility therefore exists that certain inaccuracies may be found in the balance of the land records.

## 16. Exemptions and deviations received from National Treasury

The Agricultural Land Holding Trading Account obtained permission from National Treasury to utilise Directive 4 on first time adoption of General Recognised Accounting Practices for the valuation and measurement of assets. The 2011/12 financial year was the last year of this transitional period; and the department has put measures in place to ensure full compliance with the requirements of Generally Recognised Accounting Practice (GRAP)

## 17. Interim Financial Statements

The department submitted the interim financial statements in a manner prescribed by National Treasury. Reconciliations of major accounts were done; any weaknesses identified were addressed during the year.

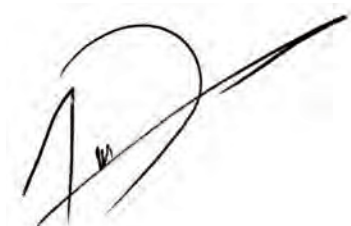
## 18. Investigations

On request from the department, the President approved Proclamation No. R 8 of 2011 in February 2011 for the Special Investigations Unit (SIU) to conduct investigations into the Land Reform programme. To date possible irregularities totalling approximately R495 million are under investigation in Western Cape, North West, Gauteng Province and KwaZulu-Natal. Numerous farms and assets in excess of R60 million have been seized as proceeds of crime through the assistance of the Asset Forfeiture Unit (AFU) and SAPS. Four departmental officials have been arrested along with a KZN businessman. Disciplinary action was instituted against the officials in question, of which one employee was dismissed. The remaining hearings are still in progress. More arrests and disciplinary actions are to follow.

During the year under review the department received 21 reported allegations for investigations, which are in various stages of investigation. The department is in the process of capacitating its fraud investigation ability to fast-track investigations, and has also approached the SIU for assistance in the Land Restitution and Deeds Programmes, to which the SIU submitted motivations to the Department of Justice for proclamations to be issued by the President to authorise such investigations.

## 19. Approval

The Annual Financial Statements set out on pages 51 to 92 have been approved by the Accounting Officer.



Mduduzi Shabane  
Accounting Officer  
31 May 2012

# Report of the Auditor-General

Report of the Auditor-General to Parliament on vote no.33: Department of Rural Development and Land Reform

## Report on the Financial Statements

### Introduction

1. I have audited the financial statements of the Department of Rural Development and Land Reform set out on pages 51 to 92 which comprise the appropriation statement, the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the Departmental financial reporting framework prescribed by the National Treasury 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 officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### Basis for qualified opinion

#### Immovable tangible capital assets

6. The Department of Rural Development and Land Reform is required inter alia to record:
  - all land vested with the national government and situated in the former TBVC states, including tribal land located in such a state;
  - all land vested with the national government and situated in the former self-governing territories, including tribal land located in such territory, but excluding land referred to in, and governed by, the KwaZulu-Natal Ingonyama Trust Act, 1994 (Act No. 3 of 1994);

- all former South African Development Trust land unless title clearly resides with another party in terms of specific legislation; and
- all land held for land reform purposes.

Although the department did a significant amount of work to correct the misstatements identified in the prior year's modified opinion, the department still did not have adequate systems in place to maintain records for all state land in the immovable tangible capital asset register of the department which resulted in an incomplete and inaccurate register being maintained.

Furthermore a number of limitations and differences were noted during a comparison between the department's immovable capital asset register and the extraction from the Deeds Registration System. At the date of this report, the department was still investigating the differences identified. I was therefore unable to determine whether any further adjustments were necessary to the amount disclosed for immovable tangible capital assets.

Consequently, I could not satisfy myself about the completeness and accuracy of the properties recorded in the immovable tangible capital asset note disclosed in note 35 to the financial statements. The department's records also did not permit the application of alternative procedures to confirm the completeness and accuracy of the immovable tangible capital assets.

### **Qualified opinion**

7. In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Department of Rural Development and Land Reform as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the Departmental Financial Reporting Framework prescribed by the National Treasury and in the manner required by the PFMA.

### **Emphasis of matter**

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Significant uncertainties**

9. Attention is drawn to note 20 to the financial statements, relating to claims instituted against the department amounting to R2 402 million. These claims are subject to the outcome of legal proceedings. The ultimate outcome of these matters cannot be determined at present as the final decision might be in favour or against the Department. As a result no provision for any liability (interest and legal costs) that may result has been made in the financial statements of the Department.
10. As disclosed in note 20.1 to the financial statements the department has a possible liability towards the claimants in terms of the Restitution of Lands Rights Act, 1994 (Act No. 22 of 1994). The total amount of claims verified and on route for approval in terms of section 42D of this Act amounts to approximately R790 million.
11. As disclosed in note 20.1 to the financial statements, the department has a possible obligation to pay municipal rates on properties of the department. The municipalities may levy municipal rates on properties within their areas in accordance with their rates policies for current and prior years. The ultimate outcome of what may be levied cannot be presently determined and no provision for any liability, in respect of municipal rates, that may result has been made in the financial statements.

### **Additional matter**

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

## **Basis of accounting**

12. The financial reporting framework prescribed by the National Treasury and applied by the department is a compliance framework. The wording of my opinion on a compliance framework should reflect that the financial statements have been prepared in accordance with this framework. Section 20(2) (a) of the PAA, however, requires me to express an opinion on the fair presentation of the financial statements. The wording of my opinion therefore reflects this requirement.

## **Report on other legal and regulatory requirements**

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

## **Predetermined objectives**

14. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 16 to 35 of the annual report.
15. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

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

## **Usefulness of information**

### **Measurability**

#### **Performance indicators not well defined**

16. The National Treasury Framework for managing programme performance information (FMPPPI) requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 46% of the indicators relevant to the Rural Development and Land Reform programmes were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the lack of oversight responsibility and understanding regarding the development of performance indicators.

## **Reliability of selected programmes in the annual performance report**

### **Validity**

#### **Reported performance not valid**

17. The National Treasury Framework for managing programme performance information (FMPPPI) requires that processes and systems which produce the indicator should be verifiable. A total of 30% of the actual reported performance relevant to the selected programmes differed materially when compared to the source information and evidence provided. This was due to a lack of monitoring and review for the recording of actual achievements by senior management.

### **Accuracy**

#### **Reported performance not accurate**

18. The National Treasury Framework for managing programme performance information (FMPPPI) requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy of the actual reported performance relevant to 30% of the Rural Development programme. This was due to the supporting documentation not agreeing to the reported targets.

## **Additional matter**

19. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

## **Achievement of planned targets**

20. Of the total number of planned targets, only 30 targets were achieved during the year under review. This represents 45% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process and the institution not considering relevant systems and evidential requirements during the annual strategic planning process.

## **Compliance with laws and regulations**

21. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

## **Strategic planning and performance management**

22. The accounting officer did not ensure that the department had and maintained an effective, efficient and transparent system of internal control regarding performance management, which described and represented how the institution's processes of performance planning, monitoring, measurement, review and reporting were conducted, organised and managed as required by section 38(1)(a)(i) and (b) of the PFMA.

## **Annual financial statements**

23. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 40(1) of the PFMA. Material misstatements of operating leases, commitments, contingent liabilities, investments, cash and bank and accounts payable identified by the auditors in the submitted financial statements were subsequently corrected but the uncorrected misstatement of immovable assets resulted in the financial statements receiving a qualified opinion.

## **Expenditure management**

24. The accounting officer did not take effective steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section sections 38(1)(c)(ii) and 39(1)(b) of the PFMA as disclosed in note 26 and 27 of the financial statements

## **Asset management – transfer of assets**

25. The accounting officer did not take reasonable steps to monitor changes in the immovable tangible capital asset register when immovable assets which are registered in historical names associated with the department are confirmed to vest in various provincial governments in terms of item 28(1) of schedule 6 of the Constitution of the Republic of South Africa.

## **Internal control**

26. I considered internal control relevant to my audit of the financial statements, and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, findings on the annual performance report and the findings on compliance with laws and regulations

## **Leadership**

27. Management did not implement effective controls to ensure completeness and accuracy of the immovable capital tangible assets timeously. Furthermore, effective policies and procedures relating to some of the critical financial aspects and performance information were not in place. This further contributed to material adjustments made on the financial statements and the annual performance report.

28. Lack of effective monitoring and evaluation over action plans and related commitments to address previously reported root causes resulted in recurrence on numerous findings that were reported in the prior year.

### Financial and performance management

29. Management did not implement controls over daily and monthly processing and reconciliation of transactions relating to disclosure notes and performance information resulting in material adjustments to the financial statements and report on performance information after submission for audit.
30. Management did not prepare regular accurate and complete performance reports that are supported and evidenced by reliable information.

### Governance

31. A comprehensive information technology risk assessment was not performed and a detailed information technology risk register was not in place.

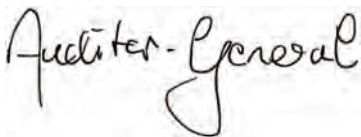
## Other reports

### Investigations in progress

32. As at 31 March 2012, there were 32 cases under investigation by internal audit. These investigations related to:
- allegations of irregularities related to the verification of and payments to beneficiaries in land claim projects
  - allegations of irregularities related to land reform projects
  - allegations of irregularities related to procurement fraud
  - allegations of irregularities related to asset management issues
33. As at 31 March 2012, the Special Investigating Unit is investigating 36 cases relating to allegations of irregularities in certain land reform projects.
34. The financial impact of the above investigations has not been quantified at this stage as the investigations are still in progress.

### Investigations completed

35. As at 31 March 2012, internal audit had completed 4 investigations for the period under review. These investigations related to:
- allegations of irregularities related to the verification of and payments to beneficiaries in land claim projects
  - allegations of irregularities related to procurement fraud



Pretoria  
31 July 2012





## Appropriation Statement

for the year ended 31 March 2012

Appropriation per programme									
APPROPRIATION STATEMENT	2011/12						2010/11		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1. ADMINISTRATION</b>									
Current payment	885,150	(15,339)	21,892	891,703	888,244	3,459	99,6%	673,768	660,121
Transfers and subsidies	12,930	13,007	7,108	33,045	32,057	988	97,0%	14,426	14,161
Payment for capital assets	13,403	2,332	-	15,735	13,539	2,196	86,0%	21,574	14,666
Payment for financial assets	-	-	-	-	404	(404)		-	322
	911,483	-	29,000	940,483	934,244	6,239		709,768	689,270
<b>2. GEOSPATIAL AND CADASTRAL SERVICES</b>									
Current payment	464,629	(7,140)	(35,020)	422,469	420,802	1,667	99,6%	399,902	328,536
Transfers and subsidies	81,560	52	66,128	147,740	147,350	390	99,7%	32,728	32,471
Payment for capital assets	9,713	7,088	-	16,801	14,081	2,720	83,8%	16,108	10,772
Payment for financial assets	-	-	-	-	755	(755)		-	301
	555,902	-	31,108	587,010	582,988	4,022		448,738	372,080
<b>3. RURAL DEVELOPMENT</b>									
Current payment	899,943	(102,622)	(35,000)	762,321	683,710	78,611	89,7%	350,659	346,894
Transfers and subsidies	-	90,763	-	90,763	90,763	-	100,0%	-	35
Payment for capital assets	1,925	11,859	-	13,784	11,618	2,166	84,3%	10,772	10,529
Payment for financial assets	-	-	-	-	305	(305)		-	10
	901,868	-	(35,000)	866,868	786,396	80,472		361,431	357,468
<b>4. RESTITUTION</b>									
Current payment	412,431	(22,753)	(25,108)	364,570	349,506	15,064	95,9%	419,889	413,026
Transfers and subsidies	2,083,351	(112,683)	(79,134)	1,891,534	1,889,218	2,316	99,9%	2,576,473	2,576,321
Payment for capital assets	1,511	135,436	-	136,947	136,202	745	99,5%	777,859	776,120
Payment for financial assets	-	-	-	-	1,364	(1,364)		-	1,366
	2,497,293	-	(104,242)	2,393,051	2,376,290	16,761		3,774,221	3,766,833
<b>5. LAND REFORM</b>									
Current payment	475,398	(92,663)	-	382,735	367,152	15,583	95,9%	392,297	387,114
Transfers and subsidies	2,777,944	91,617	79,134	2,948,695	2,944,993	3,702	99,9%	1,598,514	1,544,538
Payment for capital assets	16,809	1,046	-	17,855	5,268	12,587	29,5%	8,413	4,750
Payment for financial assets	-	-	-	-	394	(394)		-	803
	3,270,151	-	79,134	3,349,285	3,317,807	31,478		1,999,224	1,937,205
<b>Subtotal</b>	<b>8,136,697</b>	<b>-</b>	<b>-</b>	<b>8,136,697</b>	<b>7,997,725</b>	<b>138,972</b>	<b>98.3%</b>	<b>7,293,382</b>	<b>7,122,856</b>
<b>TOTAL</b>	<b>8,136,697</b>	<b>-</b>	<b>-</b>	<b>8,136,697</b>	<b>7,997,725</b>	<b>138,972</b>	<b>98.3%</b>	<b>7,293,382</b>	<b>7,122,856</b>
<b>Reconciliation with statement of financial performance</b>									
<b>ADD</b>									
Departmental receipts				<b>46,150</b>				<b>48,802</b>	
Direct Exchequer receipts									
NRF Receipts				<b>17,225</b>				<b>21,172</b>	
Aid assistance									
<b>Actual amounts per statement of financial performance (total revenue)</b>				<b>8,200,072</b>				<b>7,363,356</b>	
<b>ADD</b>									
Aid assistance					14,103				10,327
Prior year unauthorised expenditure approved without funding									
<b>Actual amounts per statement of financial performance (total expenditure)</b>					<b>8,011,828</b>				<b>7,133,183</b>

Appropriation per economic classification									
	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	1,307,226	(124,612)	(34,216)	1,148,398	1,094,326	54,072	95.3%	1,012,465	946,678
Goods and services	1,830,325	(115,905)	(39,020)	1,675,400	1,613,886	61,514	96,3%	1,224,050	1,122,897
Interest and rent on land	-	-	-	-	6,723	(6,723)		-	67,195
<b>Transfers and subsidies</b>									
Provinces and municipalities	122	23,474	-	23,596	23,418	178	99.2%	154	112
Departmental agencies and accounts	2,158,772	404,914	66,108	2,629,794	2,629,793	1	100.0%	1,065,554	1,065,498
Universities & Technikons									
Foreign governments and international organisations	1,280	(85)	-	1,195	1,194	1	99.9%	1,306	1,148
Public corporations and private enterprises	-	51,405	-	51,405	51,404	1	100,0%	1	-
Non-profit institutions	2,571	12,935	-	15,506	15,506	-	100,0%	2,425	2,425
Households	2,793,040	(409,887)	7,128	2,390,281	2,383,066	7,215	99,7%	3,152,701	3,098,344
Gifts and donations									
<b>Payments for capital assets</b>									
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	42,342	26,198	-	68,540	43,155	25,385	63,0%	61,681	43,275
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and subsoil assets	-	132,412	-	132,412	132,032	380	99,7%	772,438	772,438
Software and other intangible assets	1,019	(849)	-	170	-	170	89,4%	607	-
<b>Payments for financial assets</b>	-	-	-	-	3,222	(3,222)		-	2,846
<b>Total</b>	<b>8,136,697</b>	<b>-</b>	<b>-</b>	<b>8,136,697</b>	<b>7,997,725</b>	<b>138,972</b>	<b>98.3%</b>	<b>7,293,382</b>	<b>7,122,856</b>

Detail per sub-programme - Programme 1: Administration	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1.1 MINISTRY</b>									
Current payment	20,305	(54)	-	20,251	19,893	358	98,2%	18,968	18,774
Transfers and subsidies	6	-	-	6	-	6		6	-
Payment for capital assets	420	(6)	-	414	192	222	46,4%	560	434
Payment for financial assets	-	-	-	-	24	(24)		-	197
<b>1.2 MANAGEMENT</b>									
Current payment	124,361	(27,858)	-	96,503	95,065	1,438	98,5%	54,812	51,915
Transfers and subsidies	-	170	-	170	170	-	100,0%	-	-
Payment for capital assets	969	402	-	1,371	1,137	234	82,9%	1,601	1,069
Payment for financial assets	-	-	-	-	30	(30)		-	1
<b>1.3 CORPORATE SERVICES</b>									
Current payment	586,535	8,392	5,892	600,819	599,157	1,662	99,7%	469,484	459,152
Transfers and subsidies	12,923	12,837	7,108	32,868	31,887	981	97,0%	14,419	14,161
Payment for capital assets	8,361	4,970	-	13,331	12,210	1,121	91,6%	19,413	13,163
Payment for financial assets	-	-	-	-	350	(350)		-	124
<b>1.4 OFFICE ACCOMMODATION</b>									
Current payment	137,818	249	16,000	154,067	154,066	1	100,0%	121,689	121,688
<b>1.5 GOVERNMENT MOTOR TRANSPORT</b>									
Payment for capital assets	3,653	(3,034)	-	619	-	619		-	-
<b>1.6 SECTOR EDUCATION TRAINING AUTHORITY</b>									
Transfers and subsidies	1	-	-	1	-	1		1	-
<b>1.7 CAPITAL WORKS</b>									
Current payment	16,131	3,932	-	20,063	20,063	-	100,0%	8,815	8,592
<b>Total</b>	<b>911,483</b>	<b>-</b>	<b>29,000</b>	<b>940,483</b>	<b>934,244</b>	<b>6,239</b>	<b>99,3%</b>	<b>709,768</b>	<b>689,270</b>

Programme 1 per economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	417,304	(57,500)	5,892	365,696	364,446	1,250	99,7%	259,675	251,925
Goods and services	467,846	42,161	16,000	526,007	523,929	2,078	99,6%	414,093	409,275
Interest and rent on land	-	-	-	-	-	-		-	-
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	19	3	-	22	9	13	40,9%	19	10
Departmental agencies and accounts	1	-	-	1	-	1		1	-
Public corporations & private enterprises	-	11,228	-	11,228	11,228	-	100,0%	-	-
Households	12,910	1,776	7,108	21,794	20,820	974	95,5%	14,406	14,152
<b>Payment for capital assets</b>									
Machinery and equipment	13,394	2,332	-	15,726	13,408	2,318	85,3%	21,487	13,543
Land and subsoil assets	-	-	-	-	-	-		-	-
Software and other intangible assets	9	-	-	9	-	9		87	-
<b>Payments for financial assets</b>									
	-	-	-	-	404	(404)		-	366
<b>Total</b>	<b>911,483</b>	<b>-</b>	<b>29,000</b>	<b>940,483</b>	<b>934,244</b>	<b>6,239</b>	<b>99,3%</b>	<b>709,768</b>	<b>689,271</b>

Detail per sub-programme - Programme 2: Geospatial and Cadastral Surveys	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation %	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000
<b>2.1 CADASTRAL SURVEYS</b>									
Current payment	245,854	17,502	(16,020)	247,336	248,197	(861)	100.3%	201,770	168,885
Transfers and subsidies	107	34	20	161	148	13	91.9%	134	631
Payment for capital assets	3,395	5,956	600	9,951	8,302	1,649	83.4%	6,901	4,681
Payment for financial assets	-	-	-	-	645	(645)		-	161
<b>2.2 NATIONAL GEO SPATIAL INFORMATION</b>									
Current payment	130,068	(21,157)	(9,000)	99,911	98,549	1,362	98.6%	111,973	94,746
Transfers and subsidies	1,667	18	-	1,685	1,308	377	77.6%	2,253	1,554
Payment for capital assets	5,193	567	(600)	5,160	4,269	891	82.7%	4,752	3,026
Payment for financial assets	-	-	-	-	53	(53)		-	43
<b>2.3 SPATIAL PLANNING</b>									
Current payment	88,707	(3,485)	(10,000)	75,222	74,056	1,166	98.4%	86,159	64,905
Transfers and subsidies	-	-	-	-	-	-		-	-
Payment for capital assets	1,125	565	-	1,690	1,510	180	89.3%	4,455	3,065
Payment for financial assets	-	-	-	-	57	(57)		-	97
<b>2.4 REGISTRATION OF DEEDS TRADING ACCOUNT</b>									
Transfers and subsidies	77,215	-	66,108	143,323	143,323	-	100.0%	27,916	27,861
<b>2.5 SOUTH AFRICAN COUNCIL FOR PLANNERS</b>									
Transfers and subsidies	2,571	-	-	2,571	2,571	-	100.0%	2,425	2,425
<b>Total</b>	<b>555,902</b>	<b>-</b>	<b>31,108</b>	<b>587,010</b>	<b>582,988</b>	<b>4,022</b>	<b>99.3%</b>	<b>448,738</b>	<b>372,080</b>

Programme 2 per economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation %	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000
<b>Current payments</b>									
Compensation of employees	303,750	-	(10,000)	293,750	292,440	1,310	99.6%	290,559	241,181
Goods and services	160,879	(7,140)	(25,020)	128,719	128,514	205	99.8%	109,343	87,355
Interest and rent on land	-	-	-	-	2	(2)		-	-
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	5	22	-	27	4	23	14.8%	5	2
Departmental agencies and accounts	77,215	-	66,108	143,323	143,323	-	100.0%	27,916	27,861
Universities & technikons	-	-	-	-	-	-		-	-
Foreign governments and international organisations	1,280	(85)	-	1,195	1,194	1	99.9%	1,306	1,148
Non-profit institutions	2,571	-	-	2,571	2,571	-	100.0%	2,425	2,425
Households	489	115	20	624	258	366	41.3%	1,076	1,035
<b>Payment for capital assets</b>									
Machinery and equipment	8,703	7,945	-	16,648	13,927	2,721	83.7%	15,601	10,772
Software and other intangible assets	1,010	(857)	-	153	-	153	100.0%	507	-
<b>Payments for financial assets</b>									
	-	-	-	-	755	(755)		-	301
<b>Total</b>	<b>555,902</b>	<b>-</b>	<b>31,108</b>	<b>587,010</b>	<b>582,988</b>	<b>4,022</b>	<b>99.3%</b>	<b>448,738</b>	<b>372,080</b>

Detail per sub-programme - Programme 3: Rural Development	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>3.1 RURAL DEVELOPMENT NATIONAL OFFICE</b>									
Current payment	231,291	76,318	-	307,609	278,284	29,325	90.5%	193,094	191,562
Transfer and subsidies	-	55,350	-	55,350	55,350	-	100.0%	-	-
Payment for capital assets	1,581	4,583	-	6,164	4,981	1,183	80.8%	10,137	10,108
Payment for financial assets	-	-	-	-	190	(190)		-	10
<b>3.2 RURAL DEVELOPMENT PROVINCIAL OFFICES</b>									
Current payment	668,652	(178,940)	(35,000)	454,712	405,426	49,286	89.2%	157,565	155,332
Transfers and subsidies	-	35,413	-	35,413	35,413	-	100.0%	-	35
Payment for capital assets	344	7,276	-	7,620	6,637	983	87.1%	635	421
Payment for financial assets	-	-	-	-	115	(115)		-	-
<b>Total</b>	<b>901,868</b>	<b>-</b>	<b>(35,000)</b>	<b>866,868</b>	<b>786,396</b>	<b>80,472</b>	<b>90.7%</b>	<b>361,431</b>	<b>357,468</b>

Programme 3 per economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	100,469	-	(5,000)	95,469	79,350	16,119	83.1%	25,241	23,555
Goods and services	799,474	(102,622)	(30,000)	666,852	609,569	57,283	91.4%	325,418	323,258
Interest and rent on land	-	-	-	-	-	-		-	81
<b>Transfers and subsidies to:</b>									
Departmental agencies & accounts	-	37,652	-	37,652	37,652	-	100.0%	-	-
Public corporations & private enterprises	-	40,176	-	40,176	40,176	-	100.0%	-	-
Non-profit institutions	-	12,935	-	12,935	12,935	-	100.0%	-	35
<b>Payment for capital assets</b>									
Machinery and equipment	1,925	11,859	-	13,784	6,409	7,375	46.5%	10,772	10,528
<b>Payments for financial assets</b>									
	-	-	-	-	305	(305)		-	10
<b>Total</b>	<b>901,868</b>	<b>-</b>	<b>(35,000)</b>	<b>866,868</b>	<b>786,396</b>	<b>80,472</b>	<b>90.7%</b>	<b>361,431</b>	<b>357,468</b>

Detail per sub-programme - Programme 4: Restitution	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>4.1 RESTITUTION NATIONAL OFFICE</b>									
Current payment	50,373	(9,053)	-	41,320	34,490	6,830	83.5%	45,423	43,056
Transfers and subsidies	2	115	-	117	111	6	94.9%	64	61
Payment for capital assets	675	234	-	909	826	83	90.9%	265	213
Payment for financial assets	-	-	-	-	28	(28)		-	20
<b>4.2 RESTITUTION REGIONAL OFFICES</b>									
Current payment	362,058	(13,700)	(25,108)	323,250	315,016	8,234	97.5%	374,466	369,970
Transfers and subsidies	226	202	-	428	225	203	52.6%	153	7
Payment for capital assets	836	135,202	-	136,038	135,376	662	99.5%	5,859	4,172
Payment for financial assets	-	-	-	-	1,336	(1,336)		-	1,346
<b>4.3 RESTITUTION GRANTS</b>									
Transfers and subsidies	2,083,123	(113,000)	(79,134)	1,890,989	1,888,882	2,107	99.9%	2,576,256	2,576,253
Payment for capital assets	-	-	-	-	-	-		771,735	771,735
Payment for financial assets	-	-	-	-	-	-		-	-
<b>Total</b>	<b>2,497,293</b>	<b>-</b>	<b>(104,242)</b>	<b>2,393,051</b>	<b>2,376,290</b>	<b>16,761</b>	<b>99.3%</b>	<b>3,774,221</b>	<b>3,766,833</b>

Programme 4 per economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	250,606	(25,112)	(25,108)	200,386	179,381	21,005	89.5%	209,600	204,714
Goods and services	161,825	2,359	-	164,184	163,669	515	99.7%	210,289	141,384
Interest and rent on land	-	-	-	-	6,457	(6,457)		-	66,928
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	10	236	-	246	170	76	69.1%	10	7
Households	2,083,341	(112,919)	(79,134)	1,891,288	1,889,048	2,240	99.9%	2,576,463	2,576,314
<b>Payment for capital assets</b>									
Building & other fixed structures	-	-	-	-	-	-		-	-
Machinery and equipment	1,511	3,024	-	4,535	4,169	366	91.9%	6,124	4,385
Land & subsoil assets	-	132,412	-	132,412	132,032	380	99.7%	771,735	771,735
<b>Payments for financial assets</b>									
	-	-	-	-	1,364	(1,364)		-	1,366
<b>Total</b>	<b>2,497,293</b>	<b>-</b>	<b>(104,242)</b>	<b>2,393,051</b>	<b>2,376,290</b>	<b>16,761</b>	<b>99.3%</b>	<b>3,774,221</b>	<b>3,766,833</b>

Detail per sub-programme - Programme 5: Land Reform	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>5.1 LAND REFORM NATIONAL OFFICE</b>									
Current payment	149,566	(37,026)	-	112,540	107,430	5,110	95.5%	96,469	95,096
Transfers and subsidies	-	23,204	-	23,204	23,152	52	99.8%	-	1,016
Payment for capital assets	2,197	401	-	2,598	1,059	1,539	40.8%	619	564
Payment for financial assets	-	-	-	-	29	(29)		-	13
<b>5.2 LAND REFORM PROVINCIAL OFFICE</b>									
Current payment	325,832	(55,637)	-	270,195	259,722	10,473	96.1%	295,411	291,682
Transfers and subsidies	88	213	-	301	332	(31)	110,3%	120	416
Payment for capital assets	14,612	645	-	15,257	4,209	11,048	27,6%	7,091	3,483
Payment for financial assets	-	-	-	-	365	(365)		-	788
<b>5.3 LAND REFORM GRANTS</b>									
Transfers and subsidies	696,300	(299,063)	79,134	476,371	472,691	3,680	99.2%	560,756	505,469
Payment for capital assets	-	-	-	-	-	-		703	703
<b>5.4 KWAZULU-NATAL INGONYAMA TRUST BOARD</b>									
Transfers and subsidies	6,834	6,200	-	13,034	13,034	-	100.0%	9,157	9,157
<b>5.5 LAND REFORM EMPOWERMENT FACILITY</b>									
Transfers and subsidies	1	-	-	1	-	1		1	-
<b>5.6 COMMUNAL LAND RIGHTS PROGRAMME</b>									
Current payment	-	-	-	-	-	-		417	336
Payment for financial assets	-	-	-	-	-	-		-	-
<b>5.7 AGRICULTURAL LAND HOLDING ACCOUNT</b>									
Transfers and subsidies	2,074,721	361,063	-	2,435,784	2,435,784	-	100.0%	1,028,480	1,028,480
Payment for financial assets	-	-	-	-	-	-		-	2
<b>Total</b>	<b>3,270,151</b>	<b>-</b>	<b>79,134</b>	<b>3,349,285</b>	<b>3,317,807</b>	<b>31,478</b>	<b>99.1%</b>	<b>1,999,224</b>	<b>1,937,205</b>

Programme 5 per economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	235,097	(42,000)	-	193,097	178,709	14,388	92.5%	227,390	225,303
Goods and services	240,301	(50,663)	-	189,638	188,205	1,433	99.2%	164,907	161,625
Interest and rent on land	-	-	-	-	264	(264)		-	186
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	88	23,213	-	23,301	23,235	66	99.7%	120	93
Departmental agencies and accounts	2,081,556	367,262	-	2,448,818	2,448,818	-	100.0%	1,037,637	1,037,637
Public corporations and private enterprises	-	1	-	1	-	1		1	-
Non-profit institutions	-	-	-	-	-	-		-	-
Households	696,300	(298,859)	79,134	476,575	472,940	3,635	99.2%	560,756	506,808
<b>Payment for capital assets</b>									
Machinery and equipment	16,809	1,038	-	17,847	5,242	12,605	29.4%	7,697	4,047
Land and subsoil assets	-	-	-	-	-	-		703	703
Software and other intangible assets	-	8	-	8	-	8		13	-
<b>Payments for financial assets</b>	-	-	-	-	394	(394)		-	803
<b>Total</b>	<b>3,270,151</b>	<b>-</b>	<b>79,134</b>	<b>3,349,285</b>	<b>3,317,807</b>	<b>31,478</b>	<b>99.1%</b>	<b>1,999,224</b>	<b>1,937,205</b>



## Notes to the Appropriation Statement for the year ended 31 March 2012

### 1. Detail of transfers and subsidies as per Appropriation Act (after Virement):

Detail of these transactions can be viewed in the note on Transfers and subsidies, disclosure notes and Annexure 1 (A-H) to the Annual Financial Statements.

### 2. Detail of specifically and exclusively appropriated amounts voted (after Virement):

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.

### 3. Detail on payments for financial assets

Detail of these transactions per programme can be viewed in the note on Payments for financial assets to the Annual Financial Statements.

### 4. Explanations of material variances from Amounts Voted (after Virement):

4.1 Per Programme	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Variance as a % of Final Appropriation %
Administration	940,483	934,248	6,235	0.7%
Geospatial and Cadastral Services	587,010	582,988	4,022	0.7%
Rural Development	866,868	786,392	80,476	9.3%
Restitution	2,393,051	2,376,290	16,761	0.7%
Land Reform	3,349,285	3,317,807	31,478	0.9%

Under Rural Development there was an under spending at Goods and Services due to delays in projects.

4.2 Per Economic classification	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Variance as a % of Final Appropriation %
<b>Current payments</b>				
Compensation of employees	1,148,398	1,094,326	54,072	4.7%
Goods and services	1,675,400	1,608,365	67,035	4.0%
Interest and rent on land	-	6,723	(6,723)	0.0%
<b>Transfers and subsidies</b>				
Provinces and municipalities	23,596	23,418	178	0.8%
Departmental agencies and accounts	2,629,794	2,629,793	1	0.0%
Public corporations and private enterprises	51,405	5,1404	1	0.0%
Foreign governments and international organisations	1,195	1,194	1	0.1%
Non-profits institutions	15,506	15,506	-	0.0%
Households	2,390,281	2,383,066	7,215	0.3%
<b>Payments for capital assets</b>				
Machinery and equipment	68,540	48,524	20,016	29.2%
Land and subsoil assets	132,412	132,032	380	0.3%
Software and other intangible assets	170	152	18	10.6%
<b>Payments for financial assets</b>	-	3,222	(3,222)	0.0%

Main under spending is at Compensation of employees, Goods and Services and Machinery and equipment.

Under spending at Machinery and equipment due to Government Garage - Vehicles not being acquired and equipment not being delivered and paid for before the end of financial year.

## Statement of Financial Performance

for the year ended 31 March 2012

PERFORMANCE	Note	2011/12 R'000	2010/11 R'000
<b>REVENUE</b>			
Annual appropriation	1	8,136,697	7,293,382
Departmental revenue	2	46,150	48,802
Aid assistance	3	17,225	21,172
<b>TOTAL REVENUE</b>		<b>8,200,072</b>	<b>7,363,356</b>
<b>EXPENDITURE</b>			
Current expenditure			
Compensation of employees	4	1,094,326	946,678
Goods and services	5	1,613,886	1,122,897
Interest and rent on land	6	6,723	67,195
Aid assistance	3	14,103	10,327
<b>Total current expenditure</b>		<b>2,729,038</b>	<b>2,147,097</b>
<b>Transfers and subsidies</b>			
Transfers and subsidies	8	5,104,381	4,167,527
<b>Total transfers and subsidies</b>		<b>5,104,381</b>	<b>4,167,527</b>
<b>Expenditure for capital assets</b>			
Tangible capital assets	9	175,187	815,713
Software and other intangible assets	9	-	-
<b>Total expenditure for capital assets</b>		<b>175,187</b>	<b>815,713</b>
<b>Payments for financial assets</b>	7	3,222	2,846
<b>TOTAL EXPENDITURE</b>		<b>8,011,828</b>	<b>7,133,183</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>188,244</b>	<b>230,173</b>
<b>Reconciliation of Net Surplus/(Deficit) for the year</b>			
Voted funds			
Annual appropriation		138,972	170,526
		138,972	170,526
Departmental revenue and NRF Receipts	16	46,150	48,802
Aid assistance	3	3,122	10,845
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>188,244</b>	<b>230,173</b>

## Statement of Financial Position

as at 31 March 2012

POSITION	Note	2011/12 R'000	2010/11 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>293,919</b>	<b>256,864</b>
Fruitless and wasteful expenditure	10	596	596
Cash and cash equivalents	11	254,938	233,839
Prepayments and advances	12	17,049	1,940
Receivables	13	21,336	20,489
<b>Non-current assets</b>		<b>32,512</b>	<b>16,112</b>
Investments	14	32,512	16,112
<b>TOTAL ASSETS</b>		<b>326,431</b>	<b>272,976</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>289,735</b>	<b>252,621</b>
Voted funds to be surrendered to the Revenue Fund	15	138,972	170,526
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	16	2,914	6,344
Payables	17	144,727	64,906
Aid assistance unutilised	3	3,122	10,845
<b>TOTAL LIABILITIES</b>		<b>289,735</b>	<b>252,621</b>
<b>NET ASSETS</b>		<b>36,696</b>	<b>20,355</b>
		<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>Represented by:</b>			
Capitalisation reserve		32,512	16,112
Recoverable revenue		4,184	4,243
<b>TOTAL</b>		<b>36,696</b>	<b>20,355</b>

## Statement of Changes in Net Assets

for the year ended 31 March 2012

NET ASSETS	Note	2011/12 R'000	2010/11 R'000
<b>Capitalisation Reserves</b>			
Opening balance		16,112	16,112
Other movements		16,400	-
Closing balance		<b>32,512</b>	<b>16,112</b>
<b>Recoverable revenue</b>			
Opening balance		4,243	9,370
Transfers:		<b>(59)</b>	<b>(5,127)</b>
Irrecoverable amounts written off	7.3	(8)	(17)
Debts revised		-	(6,109)
Debts recovered (included in departmental receipts)		(1,187)	(2,641)
Debts raised		1,136	3,640
Closing balance		<b>4,184</b>	<b>4,243</b>
<b>TOTAL</b>		<b>36,696</b>	<b>20,355</b>

## Cash Flow Statement

for the year ended 31 March 2012

CASH FLOW	Note	2011/12 R'000	2010/11 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		8,198,466	7,363,131
Annual appropriated funds received	1.1	8,136,697	7,293,382
Departmental revenue received	2	44,544	48,577
Aid assistance received	3	17,225	21,172
Net (increase)/decrease in working capital		63,865	96,784
Surrendered to Revenue Fund		(220,106)	(571,871)
Surrendered to RDP Fund/Donor		(10,845)	-
Current payments		(2,729,038)	(2,147,097)
Payments for financial assets		(3,222)	(2,846)
Transfers and subsidies paid		(5,104,381)	(4,167,527)
<b>Net cash flow available from operating activities</b>	<b>18</b>	<b>194,739</b>	<b>570,574</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	9	(175,187)	(815,713)
Proceeds from sale of capital assets	2.3	1,606	225
(Increase)/decrease in investments		(16,400)	-
<b>Net cash flows from investing activities</b>		<b>(189,981)</b>	<b>(815,488)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in net assets		16,341	(5,127)
<b>Net cash flows from financing activities</b>		<b>16,341</b>	<b>(5,127)</b>
Net increase/(decrease) in cash and cash equivalents		21,099	(250,041)
Cash and cash equivalents at beginning of period		233,839	483,880
<b>Cash and cash equivalents at end of period</b>	<b>19</b>	<b>254,938</b>	<b>233,839</b>

## Accounting Policies

### for the year ended 31 March 2012

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 1 of 2010.

#### 1. Presentation of the Financial Statements

##### 1.1 Basis of preparation

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid.

##### 1.2 Presentation currency

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

##### 1.3 Rounding

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

##### 1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

##### 1.5 Comparative figures - Appropriation Statement

A comparison between actual amounts and final appropriation per major classification of expenditure is included in the Appropriation Statement.

#### 2. Revenue

##### 2.1 Appropriated funds

Appropriated funds comprises of departmental allocations.

Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Unexpended appropriated funds are surrendered to the National Revenue Fund. Any amounts owing to the National Revenue Fund at the end of the financial year are recognised as payable in the statement of financial position.

Any amount due from the National Revenue Fund at the end of the financial year is recognised as a receivable in the statement of financial position.

##### 2.2 Departmental revenue

All departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the National Revenue Fund, unless stated otherwise.

Any amount owing to the National Revenue Fund is recognised as a payable in the statement of financial position.

No accrual is made for amounts receivable from the last receipt date to the end of the reporting period. These amounts are however disclosed in the disclosure note to the annual financial statements.

### 2.3 Aid assistance

Aids assistance is recognised as revenue when received

All in-kind aid assistance is disclosed at fair value on the date of receipt in the annexures to the Annual Financial Statements

The cash payments made during the year relating to aid assistance projects are recognised as expenditure in the statement of financial performance when final authorisation for payments is effected on the system (by no later than 31 March of each year)

The value of the assistance expensed prior to the receipt of funds is recognised as a receivable in the statement of financial position.

Inappropriately expensed amounts using aid assistance and any unutilised amounts are recognised as payables in the statement of financial position.

Any unutilised amounts as at 31 March are recognised as a payable in the statement of Financial Position. These amounts are then surrendered to the National Revenue Fund.

## 3. Expenditure

### 3.1 Compensation of employees

#### 3.1.1 Salaries and wages

Salaries and wages are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Other employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements at its face value and are not recognised in the statement of financial performance or position.

#### 3.1.2 Social contributions

Employer contributions to post employment benefit plans in respect of current employees are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the employer department.

Employer contributions made by the department for certain of its ex-employees (such as medical benefits) are classified as transfers to households in the statement of financial performance.

### 3.2 Goods and services

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

The expense is classified as capital if the goods and/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently R5, 000). All other expenditures are classified as current.

Rental paid for the use of buildings or other fixed structures is classified as *goods and services* and not as *rent on land*.

### 3.3 Interest and rent on land

Interest and rental payments are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

### 3.4 Payments for financial assets

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or under spending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but an estimate is included in the disclosure notes to the financial statements amounts.

All other losses are recognised when authorisation has been granted for the recognition thereof.

### 3.5 Transfers and subsidies

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

Included in the Transfers payments to households are prepayments to conveyors pending registration of properties. They are expensed as per the exemption received from the Office of the Accountant-General on the 24 July 2008.

### 3.6 Unauthorised expenditure

When confirmed unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

Unauthorised expenditure approved with funding is derecognised from the statement of financial position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure in the statement of financial performance on the date of approval.

### 3.7 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

#### 3.8 Irregular expenditure

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

## 4. Assets

### 4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held.

### 4.2 Prepayments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made and are derecognised as and when the goods/services are received or the funds are utilised.

Prepayments and advances outstanding at the end of the year are carried in the statement of financial position at cost.

### 4.3 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off.

Receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentials irrecoverable are included in the disclosure notes.

### 4.4 Investments

Capitalised investments are shown at cost in the statement of financial position.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the disclosure notes.

### 4.5 Inventory

Inventories that qualify for recognition must be initially reflected at cost. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition.



All inventory items at year-end are reflected using the FIFO cost formula.

#### 4.6 Capital assets

##### 4.6.1 Movable assets

###### Initial recognition

A capital asset is recorded in the asset register on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the movable capital asset is stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.

All assets acquired prior to 1 April 2002 are included in the register R1.

###### Subsequent recognition

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as "expenditure for capital assets" and is capitalised in the asset register of the department on completion of the project.

Repairs and maintenance is expensed as current "goods and services" in the statement of financial performance.

##### 4.6.2 Immovable assets

###### Initial recognition

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the immovable capital asset is stated at R1 unless the fair value for the asset has been reliably estimated.

###### Subsequent recognition

Work-in-progress of a capital nature is recorded in the statement of financial performance as "expenditure for capital assets". On completion, the total cost of the project is included in the asset register of the department that is accountable for the asset.

Repairs and maintenance is expensed as current "goods and services" in the statement of financial performance.

#### 5. Liabilities

##### 5.1 Payables

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

##### 5.2 Contingent liabilities

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

##### 5.3 Contingent assets

Contingent assets are included in the disclosure notes to the financial statements when it is probable that an inflow of economic benefits will flow to the entity.

##### 5.4 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

##### 5.5 Accruals

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

##### 5.6 Employee benefits

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

## 5.7 Lease commitments

### Finance lease

Finance leases are not recognised as assets and liabilities in the statement of financial position. Finance lease payments are recognised as an expense in the statement of financial performance and are apportioned between the capital and interest portions. The finance lease liability is disclosed in the disclosure notes to the financial statements.

### Operating lease

Operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes to the financial statement.

## 5.8 Impairment and other provisions

The department tests for impairment where there is an indication that a receivable, loan or investment may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at year-end. Impairments on investments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows / service potential flowing from the instrument.

Provisions are disclosed when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

## 6. Receivables for departmental revenue

Receivables for departmental revenue are disclosed in the disclosure notes to the annual financial statements.

## 7. Net Assets

### 7.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National Revenue Fund when the underlining asset is disposed and the related funds are received.

### 7.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

## 8. Related party transactions

Specific information with regards to related party transactions is included in the disclosure notes.

## 9. Key management personnel

Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

## 10. Public private partnerships

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the disclosure notes.

## Notes to the Annual Financial Statements

for the year ended 31 March 2012

### 1. Annual Appropriation

#### 1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act (and the Adjustments Appropriation Act) for National Departments (Voted funds) and Provincial Departments:

	2011/12			2010/11
	Final Appropriation R'000	Actual Funds Received R'000	Funds not requested/ not received R'000	Appropriation received R'000
Administration	940,483	911,483	29,000	770,768
Geospatial and Cadastral Services	587,010	555,902	31,108	486,738
Rural Development	866,868	901,868	(35,000)	342,431
Restitution	2,393,051	2,497,293	(104,242)	3,574,221
Land Reform	3,349,285	3,270,151	79,134	2,119,224
<b>Total</b>	<b>8,136,697</b>	<b>8,136,697</b>	-	<b>7,293,382</b>

### 2. Departmental revenue

	Note	2011/12 R'000	2010/11 R'000
Sales of goods and services other than capital assets	2.1	19,070	18,424
Interest, dividends and rent on land	2.2	15,165	25,088
Sales of capital assets	2.3	1,606	225
Transactions in financial assets and liabilities	2.4	10,309	5,065
<b>Departmental revenue collected</b>		<b>46,150</b>	<b>48,802</b>

#### 2.1 Sales of goods and services other than capital assets

	Note	2011/12 R'000	2010/11 R'000
Sales of goods and services produced by the department	3	19,058	18,420
Sales by market establishment		954	1,027
Administrative fees		15,167	14,603
Other sales		2,937	2,790
Sales of scrap, waste and other used current goods		12	4
<b>Total</b>		<b>19,070</b>	<b>18,424</b>

#### 2.2 Interest, dividends and rent on land

	Note	2011/12 R'000	2010/11 R'000
Interest	2	10,867	19,268
Rent on land		4,298	5,820
<b>Total</b>		<b>15,165</b>	<b>25,088</b>

#### 2.3 Sale of capital assets

	Note	2011/12 R'000	2010/11 R'000
Tangible assets	2	1,606	225
Land and subsoil assets	34	1,606	225
<b>Total</b>		<b>1,606</b>	<b>225</b>

#### 2.4 Transactions in financial assets and liabilities

	Note	2011/12 R'000	2010/11 R'000
Receivables	2	704	876
Other Receipts including Recoverable Revenue		9,605	4,189
<b>Total</b>		<b>10,309</b>	<b>5,065</b>

**3. Aid assistance**

**3.1 Aid assistance received in cash from RDP**

	2011/12 R'000	2010/11 R'000
<b>Local</b>		
Opening Balance	-	-
Revenue	3,600	-
Expenditure	(3,600)	-
<b>Closing Balance</b>	<b>-</b>	<b>-</b>
<b>Foreign</b>		
Opening Balance	10,845	-
Revenue	13,625	21,172
Expenditure	(10,503)	(10,327)
Current	(10,503)	(10,327)
Surrendered to the RDP	(10,845)	-
<b>Closing Balance</b>	<b>(3,122)</b>	<b>10,845</b>

**3.2 Total assistance**

	2011/12 R'000	2010/11 R'000
Opening Balance	10,845	-
Revenue	17,225	21,172
Expenditure	(14,103)	(10,327)
Current	(14,103)	(10,327)
Surrendered / Transferred to retained funds	(10,845)	-
<b>Closing Balance</b>	<b>3,122</b>	<b>10,845</b>

**3.3 Analysis of balance**

	2011/12 R'000	2010/11 R'000
Aid assistance unutilised	3,122	10,845
Other sources	3,122	10,845
<b>Closing balance</b>	<b>3,122</b>	<b>10,845</b>

**4. Compensation of employees**

**4.1 Salaries and Wages**

	2011/12 R'000	2010/11 R'000
Basic salary	750,130	660,015
Performance award	21,262	4,732
Service Based	3,102	2,414
Compensative/circumstantial	21,326	19,287
Periodic payments	1,456	900
Other non-pensionable allowances	152,132	133,048
<b>Total</b>	<b>949,408</b>	<b>820,396</b>

**4.2 Social contributions**

	2011/12 R'000	2010/11 R'000
<b>Employer contributions</b>		
Pension	96,143	83,347
Medical	48,579	42,746
Bargaining council	196	189
<b>Total</b>	<b>144,918</b>	<b>126,282</b>
<b>Total compensation of employees</b>	<b>1,094,326</b>	<b>946,678</b>
Average number of employees	3,716	3,393

**5. Goods and services**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Administrative fees		19,091	13,292
Advertising		40,496	46,134
Assets less than R5,000	5.1	10,004	8,472
Bursaries (employees)		2,476	2,423
Catering		12,841	8,023
Communication		40,362	41,141
Computer services	5.2	115,468	95,964
Consultants, contractors and agency/outsourced services	5.3	496,307	375,723
Entertainment		12	15
Audit cost – external	5.4	13,584	12,427
Fleet services		-	1
Inventory	5.5	25,656	45,416
Operating leases		134,264	108,686
Owned and leasehold property expenditure	5.6	93,218	51,282
Rental and hiring		2,394	-
Transport provided as part of the departmental activities		1,605	962
Travel and subsistence	5.7	229,244	149,666
Venues and facilities		44,635	25,958
Training and staff development		25,396	14,484
Other operating expenditure	5.8	306,832	122,828
<b>Total</b>		<b>1,613,886</b>	<b>1,122,897</b>

**5.1 Assets less than R5,000**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>Tangible assets</b>	5	9,997	8,472
Buildings and other fixed structures		3	-
Biological assets		1	-
Machinery and equipment		9,993	8,472
Intangible assets		7	-
<b>Total</b>		<b>10,004</b>	<b>8,472</b>

**5.2 Computer services**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
SITA computer services	5	27,144	25,083
External computer service providers		88,324	70,881
<b>Total</b>		<b>115,468</b>	<b>95,964</b>

**5.3 Consultants, contractors and agency/outsourced services**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Business and advisory services	5	148,764	158,417
Infrastructure and planning		70,845	37,083
Legal costs		58,367	57,620
Contractors		160,591	81,039
Agency and support/outsourced services		57,740	41,564
<b>Total</b>		<b>496,307</b>	<b>375,723</b>

**5.4 Audit cost – External**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Regularity audits	5	13,568	12,260
Performance audits		-	121
Investigations		16	-
Other audits		-	46
<b>Total</b>		<b>13,584</b>	<b>12,427</b>

## 5.5 Inventory

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Learning and teaching support material	5	167	192
Food and food supplies		887	579
Fuel, oil and gas		34	80
Other consumable materials		4,303	25,491
Maintenance material		1,191	1,539
Stationery and printing		19,062	17,517
Medical supplies		13	18
<b>Total</b>		<b>25,657</b>	<b>45,416</b>

## 5.6 Property payments

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Municipal services	5	28,651	20,860
*Other		64,567	30,422
<b>Total</b>		<b>93,218</b>	<b>51,282</b>

\* Expenditure of office buildings leased with DPW

## 5.7 Travel and subsistence

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Local	5	227,409	148,504
Foreign		1,835	1,162
<b>Total</b>		<b>229,244</b>	<b>149,666</b>

## 5.8 Other operating expenditure

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Learnerships	5	294,005	106,991
Professional bodies, membership and subscription fees		190	111
Resettlement costs		1,540	1,362
Other		11,097	14,364
<b>Total</b>		<b>306,832</b>	<b>122,828</b>

## 6. Interest and rent on land

		<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Interest paid		6,723	67,195
<b>Total</b>		<b>6,723</b>	<b>67,195</b>

## 7. Payments for financial assets

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Material losses through criminal conduct		-	-
Other material losses written off	7.1	3,045	2,829
Debts written off	7.2	177	17
<b>Total</b>		<b>3,222</b>	<b>2,846</b>

### 7.1 Other material losses written off

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>Nature of losses</b>			
Damaged Rental vehicles- Officials did not forfeit state cover	7	2,782	1,991
No Show Accommodation-Officials did not forfeit state cover		253	77
Other		10	761
<b>Total</b>		<b>3,045</b>	<b>2,829</b>

7.2 Debts written off

	Note	2011/12 R'000	2010/11 R'000
<b>Nature of debts written off</b>			
Breach of contract	7	100	
Salary Debt		60	-
Other		3	-
Tax Debts		14	-
Surveyor-General Office		-	17
<b>Total</b>		<b>177</b>	<b>17</b>

8. Transfers and subsidies

	Note	2011/12 R'000	2010/11 R'000
Provinces and municipalities	Annex 1A	23,418	112
Departmental agencies and accounts	Annex 1B	2,629,793	1,065,498
Foreign governments and international organisations	Annex 1D	1,194	1,148
Public corporations and private enterprises	Annex 1C	51,404	-
Non-profit institutions	Annex 1E	15,506	2,425
Households	Annex 1F	*2,383,066	3,098,344
<b>Total</b>		<b>5,104,381</b>	<b>4,167,527</b>

\* Included in the Transfer payments to households are prepayments to conveyors pending registration of properties, they are expensed as per the exemption received from the office of the Accountant-General on the 24 July 2008. At 31 March 2012 the extent of the prepayments to conveyors for land purchases amount to R519 527 million.

9. Expenditure for capital assets

	Note	2011/12 R'000	2010/11 R'000
<b>Tangible assets</b>			
Machinery and equipment	33	43,155	43,275
Land and subsoil assets	35	132,032	772,438
<b>Software and other intangible assets</b>			
Other intangibles	34	-	-
<b>Total</b>		<b>175,187</b>	<b>815,713</b>

9.1 Analysis of funds utilised to acquire capital assets - 2011/12

	Voted funds R'000	Aid assistance R'000	Total R'000
<b>Tangible assets</b>			
Machinery and equipment	43,155	-	43,155
Land and subsoil assets	132,032	-	132,032
<b>Software and other intangible assets</b>			
Intangible asset	-	-	-
<b>Total</b>	<b>175,187</b>	<b>-</b>	<b>175,187</b>

9.2 Analysis of funds utilised to acquire capital assets – 2010/11

	Voted funds R'000	Aid assistance R'000	Total R'000
<b>Tangible assets</b>			
Machinery and equipment	43,275	-	43,275
Land and subsoil assets	772,438	-	772,438
<b>Total</b>	<b>815,713</b>	<b>-</b>	<b>815,713</b>

10. Fruitless and wasteful expenditure

10.1 Reconciliation of fruitless and wasteful expenditure

	2011/12 R'000	2010/11 R'000
Opening balance	596	596
Less: Amounts condoned	-	-
Less: Amounts transferred to receivables for recovery	-	-
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<u>596</u>	<u>596</u>
<b>Analysis of awaiting condonement per economic classification</b>		
Current	<u>596</u>	<u>596</u>
<b>Total</b>	<u><u>596</u></u>	<u><u>596</u></u>

11. Cash and cash equivalents

	2011/12 R'000	2010/11 R'000
Consolidated Paymaster General Account	254,818	233,670
Disbursements	-	45
Cash on hand	<u>120</u>	<u>124</u>
<b>Total</b>	<u><u>254,938</u></u>	<u><u>233,839</u></u>

12. Prepayments and advances

	2011/12 R'000	2010/11 R'000
Travel and subsistence	65	54
Advances paid to other entities	<u>16,984</u>	<u>1,886</u>
<b>Total</b>	<u><u>17,049</u></u>	<u><u>1,940</u></u>

13. Receivables

	Note	R'000 Less than one year	R'000 One to three years	2011/12 R'000 Older than three years	R'000 Total	2010/11 R'000 Total
Claims recoverable	13.1	6,467	9	-	6,476	796
Recoverable expenditure	13.2	1,083	1,548	4,398	7,030	12,222
Staff debt	13.3	1,310	1,930	3,428	6,667	6,534
Other debtors	13.4	408	630	125	1,163	937
<b>Total</b>		<u>9,268</u>	<u>4,117</u>	<u>7,951</u>	<u>21,336</u>	<u>20,489</u>

13.1 Claims recoverable

	Note	2011/12 R'000	2010/11 R'000
National departments	13	65	81
Provincial departments		116	165
Public entities		<u>6 295</u>	<u>550</u>
<b>Total</b>		<u><u>6,476</u></u>	<u><u>796</u></u>

13.2 Recoverable expenditure (disallowance accounts)

	Note	2011/12 R'000	2010/11 R'000
Sal: Disallowances account: CA	13	-	110
Disallowance: miscellaneous		3,497	7,634
Disallowance: Damaged GG Vehicle		3,492	4,475
Sal: Tax Debt		-	3
Sal: Medical Aid		14	-
Disallowance Accounts: CA		<u>27</u>	<u>-</u>
<b>Total</b>		<u><u>7,030</u></u>	<u><u>12,222</u></u>



13.3 Staff debt		2011/12 R'000	2010/11 R'000
	<i>Note</i>		
Salary Debt	13	2,005	2,020
Bursary Debt		3,348	3,244
Subsidised Motor Scheme		324	200
Telephone Debt		70	76
Cell Phone Debt		62	60
Misconduct		228	209
Government Garage Motor Vehicle Accident		136	157
Other debts		494	568
<b>Total</b>		<u>6,667</u>	<u>6,534</u>

13.4 Other debtors		2011/12 R'000	2010/11 R'000
	<i>Note</i>		
Transport Payment Suspense: CL	13	795	937
Sal:Income Tax:CL		368	-
<b>Total</b>		<u>1,163</u>	<u>937</u>

14. Investments		2011/12 R'000	2011/12 R'000
<b>Non-Current</b>			
<b>Shares and other equity</b>			
Bambanani United Exports (Pty) LTD		16,400	16,400
Inala Farms (PTY) LTD		16,112	16,112
<b>Total</b>		<u>32,512</u>	<u>32,512</u>

Analysis of non-current investments		2011/12 R'000	2011/12 R'000
Opening Balance		* 16,112	16,112
Additions in cash		16,400	-
<b>Closing balance</b>		<u>32,512</u>	<u>16,112</u>

\* The Inala Farm( Pty) Ltd is in the process of being liquidated, hence the net-asset value of this investment has been reduced to zero. It will be written off once the liquidation has been finalised

15. Voted funds to be surrendered to the Revenue Fund		2011/12 R'000	2010/11 R'000
	<i>Note</i>		
Opening balance		170,526	536,370
Transfer from statement of financial performance		138,972	170,526
Add: Unauthorised expenditure for current year	15	-	-
Paid during the year		(170,526)	(536,370)
<b>Closing balance</b>		<u>138,972</u>	<u>170,526</u>

16. Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund		2011/12 R'000	2010/11 R'000
Opening balance		6,344	(6,957)
Transfer from Statement of Financial Performance		46,150	48,802
Paid during the year		(49,580)	(35,501)
<b>Closing balance</b>		<u>2,914</u>	<u>6,344</u>

17. Payables – current		2011/12 R'000	2010/11 R'000
	<i>Note</i>		
Clearing accounts	17.1	71,745	64,291
Other payables	17.2	72,982	615
<b>Total</b>		<u>144,727</u>	<u>64,906</u>

**17.1 Clearing accounts**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Payable: Adv:N/Dept:Adv Acc:CL (Restitution claims returned)	17	71,745	64,291
<b>Total</b>		71,745	64,291

**17.2 Other payables**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Salaries: Pension Fund: CL	17	-	53
Salaries: Medical: CL		-	8
Salaries: Bargaining Council		-	-
Transport Suspense Account: CL		561	554
Restitution projects accounts - ABSA		72,421	-
<b>Total</b>		72,982	615

**18. Net cash flow available from operating activities**

	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Net surplus/(deficit) as per Statement of Financial Performance	188,244	230,173
Add back non cash/cash movements not deemed operating activities	6,495	340,401
(Increase)/decrease in receivables – current	(847)	90,128
(Increase)/decrease in prepayments and advances	(15,109)	3,802
Increase/(decrease) in payables – current	79,821	2,854
Proceeds from sale of capital assets	(1,606)	(225)
Expenditure on capital assets	175,187	815,713
Surrenders to Revenue Fund	(220,106)	(571,871)
Surrenders to RDP Fund/Donor	(10,845)	-
<b>Net cash flow generated by operating activities</b>	194,739	570,574

**19. Reconciliation of cash and cash equivalents for cash flow purposes**

	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Consolidated Paymaster General account	254,818	233,670
Disbursements	-	45
Cash on hand	120	124
<b>Total</b>	254,938	233,839

## Disclosure Notes to the Annual Financial Statements

for the year ended 31 March 2012

These amounts are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.

### 20. Contingent liabilities and contingent assets

#### 20.1 Contingent liabilities

Nature	Liable to	Note	2011/12 R'000	2010/11 R'000
Housing loan guarantees	Employees	Annex 3A	105	198
Claims against the department		Annex 3B	*2,402,613	1,171,652
Other departments (interdepartmental unconfirmed balances)		Annex 5	-	959
<b>Total</b>			<b>2,402,718</b>	<b>1,172,809</b>

\* Excluded in the amount are:

Restitution claims which are still at validation stage. The validation of the merits of the claim may result in a possible obligation which can be confirmed after the negotiation process. After finalisation of negotiations an award may be made by the Minister in accordance with S42D of the Restitution of Land Rights Act. The award may constitute restoration of land, financial compensation or a combination of both options. The submissions which have been vetted for substantial compliance and which are ready for Minister's consideration are valued at R789,817,082 as at 31 March 2012. Upon approval, this will result in a commitment to the Department.

Interest and legal costs that may arise from claims against the state is not disclosed as contingent liability as the occurrence of the obligations depends on the handing down of an order by a court that the Department is liable for payment and only in instances where the Department is not appealing or reviewing the order.

There is a possible obligation to pay municipal rates on properties of the Department of Rural Development and Land Reform. The municipality may levy rates on properties within their areas in accordance with their rates policies. Whilst a number of municipalities do publish municipal valuation rolls, which provide values of properties, such valuation rolls do not indicate the applicable rate per property. Municipalities undertake various processes, which result in a rate being levied and an invoice being dispatched to the owner. Until an owner receives the first invoice for rates levied on a particular property, he or she is unlikely to know precisely what the rate obligation will be. The department is dependent on the information received from municipalities in this regard in determining the amount owing in respect of rates, and bases the disclosure of this obligation on invoice information received by year-end.

#### 20.2 Contingent assets

Nature of contingent asset	Note	2011/12 R'000	2010/11 R'000
Legal claims by the department		20,849	14,760
Assets seized during forfeiture order by the Assets Forfeiture Unit		*35,081	-
<b>Total</b>		<b>55,930</b>	<b>14,760</b>

\* The total value of the assets seized during the forfeiture order by the Assets Forfeiture Unit amounted to R 35 million, whilst the preservation order amounted to R57 million

### 21. Commitments

	Note	2011/12 R'000	2010/11 R'000
<b>Current expenditure</b>			
Approved and contracted		79,601	39,770
Approved but not yet contracted		1,119,658	1,097,340
		1,199,259	1,137,110
<b>Capital expenditure</b>			
Approved and contracted		3,480	3,151
Approved but not yet contracted		5,022,446	5,438,631
		5,025,926	5,441,782
<b>Total Commitments</b>		<b>6,225,185</b>	<b>6,578,892</b>

Included in commitments are projects older than 3 years (R1billion) this is due to changes of Restitution settlement options, community, tribal and family disputes and untraceable claims. Interest might be charged on settlement of some of these claims in terms of Section 80 of PFMA as prescribed by the Minister of Finance.

22. Accruals

Listed by economic classification	2011/12 R'000			2010/11 R'000
	30 Days	30+ Days	Total	Total
Goods and services	53,212	3,877	57,089	17,680
Other	36	-	36	83
<b>Total</b>	<b>53,248</b>	<b>3,877</b>	<b>57,125</b>	<b>17,763</b>

Listed by programme level	Note	2011/12 R'000		2010/11 R'000
				Total
Administration			10,745	6,113
Geospatial and Cadastral Surveys			2,992	475
Rural Development			33,974	2,371
Restitution			3,387	2,291
Land Reform			6,027	6,513
<b>Total</b>			<b>57,125</b>	<b>17,763</b>

	Note	2011/12 R'000		2010/11 R'000
				Total
Confirmed balances with departments	Annexure 5		123	-
Confirmed balances with other government entities	Annexure 5		8,311	-
<b>Total</b>			<b>8,434</b>	<b>-</b>

23. Employee benefits

	Note	2011/12 R'000		2010/11 R'000
				Total
Leave entitlement			42,193	30,633
Service bonus (Thirteenth cheque)			30,685	55,785
Performance awards			17,229	15,210
Capped leave commitments			21,289	28,333
<b>Total</b>			<b>111,395</b>	<b>129,961</b>

24. Lease commitments

24.1 Operating leases expenditure

	2011/12		Total
	Buildings and other fixed structures	Machinery and equipment	
	R'000	R'000	R'000
Not later than 1 year	112,304	10,059	122,363
Later than 1 year and not later than 5 years	229,617	2,097	231,714
Later than five years	-	-	-
<b>Total lease commitments</b>	<b>341,921</b>	<b>12,156</b>	<b>354,077</b>

	2010/11		Total
	Buildings and other fixed structures	Machinery and equipment	
	R'000	R'000	R'000
Not later than 1 year	88,559	10,104	98,663
Later than 1 year and not later than 5 years	148,560	6,322	154,882
Later than five years	-	-	-
<b>Total lease commitments</b>	<b>237,119</b>	<b>16,426</b>	<b>253,545</b>

\* The lease commitments for lease of office accommodation/buildings, facilities were based on the actual lease tariff and escalation rate per annum as outlined in the signed lease agreements. Some of contracts were expired and the Department of Public Works leases the buildings on a month to month basis.

**24.2 Finance leases expenditure\*\***

**2011/12**

Not later than 1 year  
 Later than 1 year and not later than 5 years  
 Later than five years

**Total lease commitments**

LESS: finance costs

**Total present value of lease liabilities**

Machinery & equipment R'000	Total R'000
2,545	2,545
2,718	2,718
-	-
<b>5,263</b>	<b>5,263</b>
(346)	(346)
<b>4,917</b>	<b>4,917</b>

**2010/11**

Not later than 1 year  
 Later than 1 year and not later than 5 years  
 Later than five years

**Total lease commitments**

LESS: finance costs

**Total present value of lease liabilities**

Machinery & equipment R'000	Total R'000
1,471	1,471
572	572
-	-
<b>2,043</b>	<b>2,043</b>
(116)	(116)
<b>1,927</b>	<b>1,927</b>

**25. Receivables for departmental revenue**

Interest, dividends and rent on land  
 Transfers received (incl conditional grants to be repaid)  
**Total**

2011/12 R'000	2010/11 R'000
104,035	79,976
69,246	16,210
<b>173,281</b>	<b>96,186</b>

**25.1 Analysis of receivables for departmental revenue**

Opening balance  
 Less: amounts received  
 Add: amounts recognised  
**Closing balance**

2011/12 R'000	2010/11 R'000
96,186	76,495
(14,158)	(22,521)
91,253	42,212
<b>173,281</b>	<b>96,186</b>

**26. Irregular expenditure**

**26.1 Reconciliation of irregular expenditure**

Opening balance  
 Add: Irregular expenditure – relating to prior years  
 Add: Irregular expenditure – relating to current year  
 Less: Amounts condoned  
**Irregular expenditure awaiting condonation**

2011/12 R'000	2010/11 R'000
47,313	4,177
1,021	-
7,835	45,536
-	(2400)
<b>56,169</b>	<b>47,313</b>

**Analysis of awaiting condonation per age classification**

Current year  
 Prior years

**Total**

7,835	43,136
48,334	4,177
<b>56,169</b>	<b>47,313</b>

**26.2 Details of irregular expenditure**

**Incident**

Non-Compliance with Supply Chain  
 Overspent on Restitution Projects

**Total**

**Disciplinary steps taken/criminal proceedings**

DRDLR to determine recoverability  
 DRDLR to determine recoverability

**2011/12  
R'000**

1,900  
 5,935  
**7,835**

27. Fruitless and wasteful expenditure

27.1 Reconciliation of fruitless and wasteful expenditure

	2011/12 R'000	2010/11 R'000
Opening balance	76,730	3,324
Fruitless and wasteful expenditure – relating to current year	6,723	73,406
Less: Amounts condoned	-	-
Less: Amounts transferred to receivables for recovery	-	-
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>83,453</b>	<b>76,730</b>

27.2 Analysis of awaiting condonation per economic classification

Classification	2011/12 R'000	2010/11 R'000
Current	80,735	74,012
Capital	2,595	2,595
Transfers and subsidies	123	123
<b>Total</b>	<b>83,453</b>	<b>76,730</b>

27.3 Analysis of Current year's fruitless and wasteful expenditure

Incident	Disciplinary steps taken/criminal proceedings	2010/11 R'000
Interest paid on late payments	Departmental investigation in progress	3,093
Interest paid as compelled by the court order	Departmental investigation in progress	3,630
<b>Total</b>		<b>6,723</b>

\* The Finance Compliance Committee has been established to ensure the accuracy and validity of the expenditure incurred. The expenditure could not be condoned as the matter has been referred to State Attorney for legal opinion as responsible officials are no longer employees of the Department.

28. Related party transactions

Payments made	2011/12 R'000	2010/11 R'000
<b>Transfers:</b>		
Deeds Trading Account	-	27,861
Agricultural Land Holding Account	-	1,028,480
Ingonyama Trust Board	-	9,157
	-	<b>1,065,498</b>
<b>Balances</b>		
Receivables	6,295	550
Payables	(8,311)	(181)
<b>Total</b>	<b>(2,016)</b>	<b>369</b>

\* Deeds Trading Account and Agricultural Land Holding Account are trading entities which operate within the administration of the Department. The Ingonyama Trust Board is Schedule 3 Listed Public entity which reports to the Minister of Rural Development and Land Reform.

29. Key management personnel

	No. of Individuals	2011/12 R'000	2010/11 R'000
Political office bearers	2	3,492	2,836
Officials:			
Level 15 to 16	12	11,426	15,172
Level 14	58	41,738	26,359
Family members of key management personnel		-	-
<b>Total</b>		<b>56,656</b>	<b>44,367</b>

30. Impairment

Impairment	2011/12 R'000	2010/11 R'000
Investments	16,112	-
	<b>16,112</b>	<b>-</b>

31. Provisions

	2011/12 R'000	2010/11 R'000
Lease Debtors	5,172	12,687
Provision for doubtful Debts(Interest due to Conveyances")	30,639	21,145
Other	15,849	15,714
Investments	-	16,112
<b>Total</b>	<b>51,660</b>	<b>65,658</b>

32. Non-adjusting events after reporting date

No such events were identified.

33. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance  R'000	Curr Year Adjustments to prior year balances  R'000	Additions  R'000	Disposals  R'000	Closing Balance  R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>275,012</b>	<b>244</b>	<b>45,004</b>	<b>(4,324)</b>	<b>315,936</b>
Transport assets	10,021	-	-	(817)	9,204
Computer equipment	188,174	1,058	26,965	(3,203)	212,994
Furniture and office equipment	56,205	12,274	8,192	(261)	76,410
Other machinery and equipment	20,612	(13,088)	9,847	(43)	17,328
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>275,012</b>	<b>244</b>	<b>45,004</b>	<b>(4,324)</b>	<b>315,936</b>

33.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash  R'000	Non-cash  R'000	(Capital Work in Progress, current costs and finance lease payments)  R'000	Received current, not paid (Paid current year, received prior year)  R'000	Total  R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>43,155</b>	<b>-</b>	<b>-</b>	<b>1,849</b>	<b>45,004</b>
Transport assets	-	-	-	-	-
Computer equipment	25,717	-	-	1,248	26,965
Furniture and office equipment	7,622	-	-	570	8,192
Other machinery and equipment	9,816	-	-	31	9,847
<b>TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>43,155</b>	<b>-</b>	<b>-</b>	<b>1,849</b>	<b>45,004</b>

### 33.2 Disposals

#### DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>(817)</b>	<b>(3,507)</b>	<b>(4,324)</b>	<b>248</b>
Transport assets	(817)	-	(817)	247
Computer equipment	-	(3,203)	(3,203)	1
Furniture and office equipment	-	(261)	(261)	-
Other machinery and equipment	-	(43)	(43)	-
<b>TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>(817)</b>	<b>(3,507)</b>	<b>(4,324)</b>	<b>248</b>

### 33.3 Movement for 2010/11

#### MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>239,770</b>	<b>42,531</b>	<b>7,289</b>	<b>275,012</b>
Transport assets	14,486	-	4,465	10,021
Computer equipment	165,981	23,785	1,592	188,174
Furniture and office equipment	51,095	5,389	279	56,205
Other machinery and equipment	8,208	13,357	953	20,612
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>239,770</b>	<b>42,531</b>	<b>7,289</b>	<b>275,012</b>

### 33.4 Minor assets

#### MINOR ASSETS OF THE DEPARTMENT AS AT 31 MARCH 2012

	Number of Minor Assets (‘000)	Machinery and equipment R'000	Total R'000
<b>Opening balance</b>	29	41,693	41,693
Current year adjustment to Prior Balances	-	(288)	(288)
Additions	4	9,802	9,802
Received current but not paid	-	(424)	(424)
<b>Disposals</b>	-	(424)	(424)
<b>TOTAL</b>	<b>33</b>	<b>50,783</b>	<b>50,783</b>

#### MINOR ASSETS OF THE DEPARTMENT AS AT 31 MARCH 2011

	Number of Minor Assets (‘000)	Machinery and equipment R'000	Total R'000
<b>Opening balance</b>	34	6,321	6,321
Current year adjustment to Prior Balances	(9)	27,099	27,099
Additions	5	8,472	8,472
Received current but not paid	-	171	171
<b>Disposals</b>	(1)	(370)	(370)
<b>TOTAL</b>	<b>29</b>	<b>41,693</b>	<b>41,693</b>



34. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Current Year Adjustments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	-	-	-	-	-
TOTAL INTANGIBLE CAPITAL ASSETS	-	-	-	-	-

ADDITIONS IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	Non-cash	Development work in progress current costs	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	-	-	-	-	-
TOTAL INTANGIBLE CAPITAL ASSETS	-	-	-	-	-

34.1 Movement for 2010/11

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance	Current Year Adjustments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	69,479	-	-	69,479	-
TOTAL INTANGIBLE CAPITAL ASSETS	69,479	-	-	69,479	-

35. Immovable Tangible Capital Assets

MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Curr Year Adjustments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
LAND AND SUBSOIL ASSETS					
Agricultural Land	1,519,038	133,104	140,970	(247,589)	1,545,523
TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS	1,519,038	133,104	140,970	(247,589)	1,545,523

35.1 Additions

ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>LAND AND SUBSOIL ASSETS</b>					
Land	132,032	-	-	8,938	140,970
<b>TOTAL ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>132,032</b>	<b>-</b>	<b>-</b>	<b>8,938</b>	<b>140,970</b>

35.2 Disposal

ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received Actual
	R'000	R'000	R'000	R'000
<b>LAND AND SUBSOIL ASSETS</b>				
Land	-	247,589	247,589	1 357
<b>TOTAL ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>-</b>	<b>247,589</b>	<b>247,589</b>	<b>1 357</b>

35.1 Movement for 2010/11

MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000
<b>LAND AND SUBSOIL ASSETS</b>	<b>746,600</b>	<b>772,438</b>	<b>-</b>	<b>1,519,038</b>
Land	746,600	772,438	-	1,519,038
<b>TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>746,600</b>	<b>772,438</b>	<b>-</b>	<b>1,519,038</b>

35.4 Immovable assets valued at R1

IMMOVABLE ASSETS VALUED AT R1 IN THE ASSET REGISTER AS AT 31 MARCH 2012

	Land and subsoil assets R'000	Total R'000
R1 Immovable assets		
<b>Opening Balance</b>	25	25
Adjustment to opening balance	-	-
<b>TOTAL</b>	<b>25*</b>	<b>25</b>

IMMOVABLE ASSETS VALUED AT R1 IN THE ASSET REGISTER AS AT 31 MARCH 2011

	Land and subsoil assets R'000	Total R'000
R1 Immovable assets		
<b>TOTAL</b>	<b>25</b>	<b>25</b>

\* The state land in the former Republics of Transkei, Bophuthatswana, Venda and Ciskei (TBVC States); former Self-Governing Territories of Kangwane, KwaNdebele, Gazankulu, QwaQwa and Lebowa; and the former South African Development Trust vests in the Department of Rural Development and Land Reform. In cases where such land vests in a provincial government and a certificate envisaged in Item 28(1) of Schedule 6 of the Constitution (Act No. 108 of 1996) has been issued to confirm the vesting of such land to a relevant provincial government, the Department continues to recognise that asset until the Title Deed has been endorsed to confirm provincial vesting.

## Annexures to the Annual Financial Statements

for the year ended 31 March 2012

### ANNEXURE 1A

#### STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT			2010/11	
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act	
												R'000
Municipal rates & taxes	-	-	23,376	23,376	23,322	-	-	-	-	-	-	-
Levies vehicle licences	46	-	158	204	96	-	-	-	-	-	-	112
	46	-	23,534	23,580	23,418	-	-	-	-	-	-	112

### ANNEXURE 1B

#### STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENT/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER			2010/11
	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act	
								R'000
Ingonyama Trust Board	6,834	-	6,200	13,034	13,034	100%	9,157	
Registration of Deeds Trading Account	10,406	-	132,917	143,323	143,323	100%	27,861	
Agricultural Land Holdings Account	2,750,564	-	(314,780)	2,435,784	2,435,784	100%	1,028,480	
Agricultural Research Council	-	-	15,174	15,174	15,174	100%	-	
Kwazulu Natal Agricultural Development Trust	-	-	22,478	22,478	22,478	100%	-	
	2,767,804	-	(138 011)	2,629,793	2,629,793		1,065,498	

### ANNEXURE 1C

#### STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATION AND PRIVATE ENTERPRISES

FOREIGN GOVERNMENT/ INTERNATIONAL ORGANISATION	TRANSFER ALLOCATION				TRANSFER			2010/11
	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act	
								R'000
<b>Transfers</b>								
COEGA Development Corporation	-	-	11,228	11,228	11,228	100%	-	
Independent Development Trust	-	-	40,176	40,176	40,176	100%	-	
<b>Total</b>	-	-	51,404	51,404	51,404		-	

**ANNEXURE 1D**

**STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS**

FOREIGN GOVERNMENT/ INTERNATIONAL ORGANISATION	TRANSFER ALLOCATION				TRANSFER		2010/11
	Adjusted Appropriation	Roll Overs	Adjust- ments	Total Available	Actual Transfer	% of Available funds Transferred	Appro- priation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
United Nations	1,320	-	(125)	1,195	1,194	100%	1,148
<b>Total</b>	<b>1,320</b>	<b>-</b>	<b>(125)</b>	<b>1,195</b>	<b>1,194</b>		<b>1148</b>

**ANNEXURE 1E**

**STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS**

NON-PROFIT INSTITUTIONS	TRANSFER ALLOCATION				TRANSFER		2010/11
	Adjusted Appropriation	Roll Overs	Adjust- ments	Total Available	Actual Transfer	% of Available funds Transferred	Appro- priation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
Free State Department of Agriculture and Rural Development	-	-	10,113	10,113	10,113	100%	2,425
Free State Department of Human Settlements	-	-	2,822	2,822	2,822	100%	-
South African Council for Planners	2,571	-	-	2,571	2,571	100%	-
<b>Total</b>	<b>2,571</b>	<b>-</b>	<b>12,935</b>	<b>15,506</b>	<b>15,506</b>		<b>2,425</b>

**ANNEXURE 1F**

**STATEMENT OF TRANSFERS TO HOUSEHOLDS**

HOUSEHOLDS	TRANSFER ALLOCATION				TRANSFER		2010/11
	Adjusted Appropriation	Roll Overs	Adjust- ments	Total Available	Actual Transfer	% of Available funds Transferred	Appro- priation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
Restitution Grants (Beneficiaries) Land Reform Grants (Beneficiaries)	2,083,123	-	(192,134)	1,890,989	1,888,882	100%	2,576,254
Social benefits Bursaries (Non- Employees)	696,300	-	(219,929)	476,371	472,691	99%	505,499
Social benefits (Severance Package)	13,253	-	7,555	20,808	20,349	98%	14,455
Social benefits (Leave Gratuity)	6	-	33	39	36	92%	1,270
	319	-	1,770	2,089	1,108	53%	866
<b>Total</b>	<b>2,793,001</b>	<b>-</b>	<b>(402,705)</b>	<b>2,390,296</b>	<b>2,383,066</b>		<b>3,098,344</b>

**ANNEXURE 1G  
STATEMENT OF AID ASSISTANCE RECEIVED**

NAME OF DONOR	PURPOSE	OPENING			CLOSING
		BALANCE R'000	REVENUE R'000	EXPENDI- TURE R'000	BALANCE R'000
European union Independent Development Trust (conduit of funds received from European Union)	Establishment of large blueberry out Grower	10,845	-	10,460	385
	Establishment of large blueberry out Grower	-	3,600	3,600	-
Belgium	Post settlement and development support for Land Reform beneficiaries	-	2,780	43	2,737
<b>Total</b>		<b>10,845</b>	<b>6,380</b>	<b>14,103</b>	<b>3,122</b>

**ANNEXURE 2A  
STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO NATIONAL/PROVINCIAL PUBLIC ENTITIES**

Name of Public Entity	State Entity's PFMA Schedule type (state year-end if not 31 March)	% Held 10/11	% Held 09/10	Number of shares held		Cost of investment R'000		Net Asset value of investment R'000		Profit/(Loss) for the year R'000		Losses guaran- teed  Yes/No
				2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	
				<b>National/ Provincial Public Entity</b>								
Inala Farm (Pty) Ltd		100%	100%	100	100	16,112	16,112	-	-	-	-	-
Bambanani United		-	-	50	-	16,400	-	-	-	-	-	-
<b>TOTAL</b>		<b>100%</b>	<b>100%</b>	<b>150</b>	<b>100</b>	<b>32,512</b>	<b>16,112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**ANNEXURE 2B  
STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES (CONTINUED)**

	Nature of business	Cost of investment R'000		Net Asset value of Investment R'000		Amounts owing to Entities R'000		Amounts owing by Entities R'000	
		2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
		<b>Controlled entities</b>							
Inala Farms (Pty) Ltd	Land Reform Project	16,112	16,112	-	-	-	-	-	-
<b>TOTAL</b>		<b>16,112</b>	<b>16,112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**ANNEXURE 3A**

**STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2011 – LOCAL**

	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2011	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2012	Guaranteed interest for year ended 31 March 2012	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Stannic	Motor vehicles	-	-	-	-	-	-	-	-
	<b>Subtotal</b>	-	-	-	-	-	-	-	-
	Housing								
ABSA			94	-	94	-	-	-	-
MEEG Bank			38	-	-	-	38	-	-
Old Mutual Div									
Nedbank			13	-	-	-	13	-	-
Standard Bank			54	-	-	-	54	-	-
	<b>Subtotal</b>	-	<b>199</b>	-	<b>94</b>	-	<b>105</b>	-	-
	<b>TOTAL</b>	-	<b>199</b>	-	<b>94</b>	-	<b>105</b>	-	-

**ANNEXURE 3B**

**STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2011**

Nature of Liability	Opening Balance 1 April 2011 R'000	Liabilities incurred during the year R'000	Liabilities paid/cancelled/reduced during the year R'000	Liabilities recoverable (Provide details hereunder) R'000	Closing Balance 31 March 2012 R'000
<b>Claims against the department</b>					
Action proceedings against the department to make a payment to his family alone	65	59,935	-	-	60,000
Application to interdict the commission from making payment	380	-	380	-	-
Application compelling commission to pay grant money to CPA's account	-	10,000	-	-	10,000
Breach of agreement	3,828	53	-	-	3,881
Breach of contract and sued for interest	797	-	-	-	797
Breach of contract and compelling specific performance	1,696	-	-	-	1,696
Claim for losses incurred as a result of fire	27,669	-	-	-	27,669
Claimant dispute claim of just and equitable compensation	158,618	-	2,782	-	155,836
Claimant disputing that her claim is for tenancy but for ownership	4,113	-	-	-	4,113
Claimants allege to have bought the property through a nominee	3,500	-	-	-	3,500
Commission disputes feasibility and claim for specific performance	15,678	-	-	-	15,678
Commission disputes validity of the contract with applicant	-	4,019	-	-	4,019
Commission were compelled to pay 2nd 50% of purchase price and interest	-	1,002	-	-	1,002
Compel restitution claimed property to have conditions – Cape Town	600	-	600	-	-
Consultants are claiming payment for services rendered	1,164	-	-	-	1,164
Contractual claim	-	291	-	-	291
Current owner want to be paid more than the valuation amount on an approved S42d matter	2,000	2,500	-	-	4,500
Department dispute Alexcor claim of just and equitable compensation	164,896	-	-	-	164,896

**ANNEXURE 3B**  
**STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2011 (CONTINUED)**

<b>Nature of Liability</b>	<b>Opening Balance 1 April 2011 R'000</b>	<b>Liabilities incurred during the year R'000</b>	<b>Liabilities paid/cancel- led/reduced during the year R'000</b>	<b>Liabilities recovera-ble (Provide details hereunder) R'000</b>	<b>Closing Balance 31 March 2012 R'000</b>
<b>Claims against the department</b>					
Grants claim	-	1,000	-	-	1,000
Interdict against the commission from making payment to Ebrahim family	1,500	-	315	-	1,185
Interest on failure to pay 2nd 50%	253	-	-	-	253
Labour dispute	266	-	183	-	83
Land claim(PLAS)	147	-	-	-	147
Lease rentals claim	-	1 516	-	-	1 516
Liquidator issued summons against commission	-	15,252	-	-	15,252
Matter going on appeal as claimants want restoration	-	791,289	-	-	791,289
Matter settled for capital amount but a claim for interest is still outstanding	126	-	126	-	-
Negligence	100	-	-	-	100
Parties not in agreement about the valuation price hence dispute	1,696	-	1,696	-	-
Personal claim (Labour dispute)	202	-	-	-	202
Personal claim (motor vehicle accident)	56	-	56	-	-
Personal claim (violation of privacy, defamation of character)	5 000	-	5000	-	-
Rates claims	-	-	282	-	282
Restitution claim	18,500	427	-	-	18,927
Failure to pay for services rendered	1,014	-	1,014	-	-
State refused to by paper development thus restoration not feasible	-	41,000	-	-	41,000
Summons issued for interest on failure to honour legal agreement	147	-	-	-	147
The claim is for alleged under compensation to the Ballot & Crowter family	6,000	-	936	-	5,064
Dispute on the property settled to the Matsafeni Trust by a non-claimant	109	-	-	-	109
Other	751,532	404,950	89,358	-	1,067,124
<b>Subtotal</b>	<b>1,171,652</b>	<b>1,333,516</b>	<b>102,555</b>	<b>-</b>	<b>2,402,613</b>
<b>TOTAL</b>	<b>1,171,652</b>	<b>1,333,516</b>	<b>102,555</b>	<b>-</b>	<b>2,402,613</b>



**ANNEXURE 4  
CLAIMES RECOVERABLE**

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>						
Agriculture, Forestry and Fisheries	-	-	-	24	-	24
Provincial & Local Government	-	-	-	-	-	-
Department of Correctional Services	-	-	-	33	-	33
Public Works	-	-	-	-	-	-
COO and Traditional Affairs	-	-	8	8	8	8
Home Affairs	-	-	5	-	5	5
Department of Health: Free State	-	-	-	28	-	28
Government Employees Pension Fund	-	-	-	35	-	35
Government Employees Administration Agency	-	-	23	-	23	23
Department of Education: KZN	-	-	-	14	-	14
Department of Finance: KZN	-	-	-	19	-	19
Department of Justice	-	-	29	-	29	29
Department of Health: Mpumalanga	-	-	-	35	-	35
Environmental Affairs & Tourism	-	-	-	-	-	-
Department of Economic Development and Tourism: NW	-	-	-	34	-	34
Health	-	-	-	-	-	-
Mpumalanga: Human Settlement	-	-	16	-	16	-
South African Police Services	-	-	-	1	-	-
Limpopo: COO and Traditional Affairs	-	-	14	-	14	-
Limpopo; Economic Development and Tourism	-	-	19	-	19	-
Limpopo: Economic Development	-	-	11	-	11	-
North West: Human Settlement	-	-	27	-	27	-
North West: Arts & Culture	-	-	19	-	19	-
North West: Local Government & Traditional Affairs	-	-	10	-	10	-
Water Affairs	-	-	-	15	-	15
	-	-	181	246	181	246
<b>Other Government Entities</b>						
Agricultural Land Holdings Account (ALHA)	-	-	2,500	-	2,500	-
Deeds Registration Trading Accounts	-	-	3,795	550	3,795	550
	-	-	6,295	550	6,295	550
<b>TOTAL</b>	-	-	6,476	796	6,476	796

**ANNEXURE 5  
INTER-GOVERNMENT PAYABLES**

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	R'000	R'000	R'000	R'000	R'000	R'000
<b>DEPARTMENTS</b>						
<b>Current</b>						
Justice	-	-	-	727	-	727
International Relations & Cooperation	-	-	-	51	-	51
Economic Development, Environment and Tourism	3	-	-	-	3	-
Department of Finance: Gauteng	73	-	-	-	73	-
Office of the Presidency	22	-	-	-	22	-
Department of Trade and Industry	25	-	-	-	25	-
<b>Subtotal</b>	<b>123</b>	<b>-</b>	<b>-</b>	<b>778</b>	<b>123</b>	<b>778</b>
<b>Total</b>	<b>123</b>	<b>-</b>	<b>-</b>	<b>778</b>	<b>123</b>	<b>778</b>
<b>OTHER GOVERNMENT ENTITY</b>						
<b>Current</b>						
Agricultural Land Holding Account	8,311	-	-	181	8,311	181
<b>Subtotal</b>	<b>8,311</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>8,311</b>	<b>181</b>
<b>Total</b>	<b>8,434</b>	<b>-</b>	<b>-</b>	<b>959</b>	<b>8,434</b>	<b>959</b>

**ANNEXURE 6  
INVENTORY**

	Note	Quantity	2011/12	Quantity	2010/11
			R'000		R'000
Opening balance		119,152	7,974	125,839	8,724
Add/(Less): Adjustments to prior year balance		(90)	2	1	-
Add: Additions/Purchases – Cash		672,836	89,205	996,159	40,310
Add: Additions - Non-cash		(1,058)	(35)	3,109	25
(Less): Disposals		4,984	2,211	-	-
(Less): Issues		(640,988)	(87,403)	(1,001,194)	(40,619)
Add/(Less): Adjustments		(52)	(7,164)	(4,762)	(466)
<b>Closing balance</b>		<b>154,784</b>	<b>4,789</b>	<b>119,152</b>	<b>7,974</b>



**Deeds  
Registration  
Trading Account**

**Financial Statements  
for the year ended  
31 March 2012**

# Report of the Auditor-General to Parliament on the Deeds Registration Trading Account

## Report on the Financial Statements

### Introduction

1. I have audited the financial statements of the Deeds Registration Trading Accounts set out on pages 98 to 116, which comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and the statement of cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) 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.

### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Basis for qualified opinion

#### Expenditure and accruals

6. The entity did not account for all the expenditures for goods and services received during the year as required by South African Statements of Generally Accepted Accounting Practice, IAS37, *Provisions, contingent liabilities and contingent assets*. Consequently, the operating expenses disclosed in the statement of comprehensive income and accruals disclosed in the statement of financial position are not complete and are understated by R13 318 524.

## Opinion

7. In my opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Deeds Registration Trading Accounts at 31 March 2012 and its financial performance and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 ( Act No. 1 of 1999).

## Emphasis of matters

8. I draw attention to the matter below. My opinion is not modified in respect of these matters.

## Significant uncertainties

9. With reference to note 16 to the financial statements, the trading entity is currently investigating incorrect registration of deeds. The investigation was not finalised as at the date of sign off of the financial statements the possibility of litigation against the entity exists. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

## Restatement of corresponding figures

10. As disclosed in note 18 to the financial statements, the corresponding figures for 31 March 2011 have been restated as a result of an error discovered during 2012 in the financial statements of the Registration of Deeds Trading Account at, and for the year ended, 31 March 2011.

## Report on other legal and regulatory requirements

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

## Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the information of Registration of Deeds Trading account reported in the annual performance report of the Department of Rural Development and Land Reform as set out on pages 16 to 35 of the annual report.
13. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned indicators and targets. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information*.

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

14. The material findings are as follows:

### **Reliability of information**

#### **Reported performance not valid, accurate and complete**

15. The National Treasury's Framework for managing programme performance information (FMPPi) requires that processes and systems which produce the indicator should be verifiable, that the indicator be accurate enough for its intended use and respond to changes in the level of performance and that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the validity, accuracy and completeness of the actual reported performance relevant to 50% of indicators and targets. This was due to limitations placed on the scope of my work by the absence of information systems

### **Compliance with laws and regulations**

16. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

### **Annual financial statements, performance and annual report**

17. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 40(1) of the PFMA. Material misstatements identified by the auditors were not adequately corrected, which resulted in the financial statements receiving a qualified opinion.

### **Procurement and contract management**

18. Employees of the entity performed remunerative work outside their employment in the department without written permission from the relevant authority as required by section 30 of the Public Service Act.

### **Internal control**

19. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matter reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in, the finding on compliance with laws and regulations included in this report.

### **Leadership**

20. Management did not exercise oversight responsibility over reporting and internal controls. Control weaknesses reported were not in all cases analysed by management and appropriate follow-up actions were not taken to address the root causes impacting on the financial reporting and noncompliance with laws and regulations.

21. Management did not implement adequate human resource management to ensure that sufficiently skilled resources were in place to prepare and correct financial information.

### **Financial and performance management**

22. Controls over daily and monthly processing and reconciling of transactions were not implemented over the financial reporting. As a result material adjustments were made to the financial statements submitted for audit.

## Other reports Investigations

### 23. Investigations in progress

Investigations were conducted based on the allegation of corruption due to fraud. The investigation was still ongoing at the reporting date.

*Auditor-General*

Pretoria  
31 July 2012



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Statement of Financial Position for the year ended 31 March 2012 - Deeds Registration Trading Account

	<i>Note</i>	<b>2012 R'000</b>	<b>Restated 2011 R'000</b>
<b>Non-current Assets</b>			
Property, Plant and Equipment	2	93 298	100 429
<b>Current Assets</b>			
Inventories	4	1 748	1 328
Prepayments		53	143
Trade and Other Receivables	5	110 759	50 026
Cash and cash equivalents	6	52 384	56 526
<b>TOTAL ASSETS</b>		<b>258 242</b>	<b>208 452</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Retained Income		165 808	162 782
<b>Non-current Liabilities</b>			
Finance Lease Obligations	7	805	916
Provision	8	13 732	13 544
<b>Current Liabilities</b>			
Finance Lease Obligations	7	1 475	938
Trade and Other Payables	9	63 736	30 272
Deferred Revenue	23	12 686	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>258 242</b>	<b>208 452</b>



## Statement of Comprehensive Income for the year ended 31 March 2012 - Deeds Registration Trading Account

	Note	2012 R'000	Restated 2011 R'000
Registration of Deeds and Sale of Information	24	382 765	350 533
Other Income		3 486	672
Grant From Department of Rural Development and Land Reform	20	130 637	40 819
Operating Expenses		(516 641)	(417 679)
Operating Profit/(Loss)		247	(25 655)
Investment Revenue	11	3 052	3 409
Finance Costs	12	(273)	(139)
<b>Profit/(Loss) for the year</b>		<b>3 026</b>	<b>(22 385)</b>

## Statement of Changes in Equity for the year ended 31 March 2012 - Deeds Registration Trading Account

	Note	2012 R'000	Restated 2011 R'000
<b>Balance at the beginning of the period</b>		<b>162 782</b>	<b>185 167</b>
Accounts Receivable adjustment		-	-
Grant Revenue adjustment		-	-
<b>Balance/(2011 Restated) at the beginning of the year</b>		<b>162 782</b>	<b>185 167</b>
National Revenue Fund transfer		-	-
Profit/(Loss) for the year ended 2012		3 026	(22 385)
<b>Balance at the end of the year</b>		<b>165 808</b>	<b>162 782</b>

## Statement of Cash Flows for the year ended 31 March 2012 - Deeds Registration Trading Account

	Note	2012 R'000	Restated 2011 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>15 165</b>	<b>(3 625)</b>
Cash Generated from operations	15		
Investment Revenue	11	12 797	(6 895)
Finance Costs	12	2 641	3 409
		(273)	(139)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(19 732)</b>	<b>(5 472)</b>
Purchase of Property, Plant and Equipment		(19 732)	(5 472)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>426</b>	<b>713</b>
Increase/decrease in Finance Lease obligations		426	713
<b>TOTAL CASH MOVEMENT FOR THE YEAR</b>		<b>(4 142)</b>	<b>(8 384)</b>
Cash at the beginning of the year		56 526	64 910
<b>TOTAL CASH AT THE END OF THE YEAR</b>	6	<b>52 384</b>	<b>56 526</b>

# Notes to the Annual Financial Statements

## for the year ended 31 March 2012 - Deeds Registration Trading Account

### ACCOUNTING POLICIES

#### APPLICABLE LEGISLATION AND REGULATIONS

- 1.1 The treatment of significant account balances and transactions has been made in terms of the Statements of Generally Accepted Accounting Procedures and in a manner contemplated by the International Accounting Standards.
- 1.2 Deviations from the Accounting Standards, where applicable, have been disclosed explicitly on the Annual Financial Statements with detailed explanations for such deviations and the implications on the Annual Financial Statements.

#### SPECIFIC ACCOUNTING POLICIES

##### 1.3 Basis of preparation of the annual financial statements

The Annual Financial Statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of public sector reporting requirements as required Section 91(1) of the Public Finance Management Act, (Act No 1 of 1999).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise. All amounts have been presented in the currency of the South African Rand (R), which is also the functional currency of the entity. Unless otherwise stated all financial figures have been rounded to the nearest One Thousand Rand (R'000). Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GAAP.

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

##### 1.4 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GAAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The nature and reasons for the reclassification and restatement are disclosed in note 18 Prior period error to the Financial Statements.

##### 1.5 Significant judgements and sources of estimation uncertainty

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

###### Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

###### Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies the following estimates, were made:

### Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

### Depreciation

Depreciation recognised on property, plant and equipment is determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, and expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

### Allowances for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

### Impairment of non-financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets).

## 1.6 Financial instruments – initial recognition and subsequent measurement

### Financial assets

#### Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Entity commits to purchase or sell the asset.

The Entity's financial assets include cash and bank, trade and other receivables.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

#### Trade and other receivables

Trade and other receivables are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible within 30 days to known amounts of cash with an insignificant risk of changes in value. These are recorded at fair value and are classified as "held for trading financial assets".

#### Derecognition

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

- The rights to receive cash flows from the asset have expired
- The Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Entity has transferred substantially

all the risks and rewards of the asset, or (b) the Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Entity's continuing involvement in the asset. In that case, the Entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Entity has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Entity could be required to repay.

#### **Impairment of financial assets**

The Entity assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The impairment provision has been deemed to be all amounts that are outstanding beyond 90 days. Assessments for the impairment provision have been made on individual debtors based on specific probability of recovery. Consideration is also made with regards to payments received from long outstanding debtors after year end, as well as information obtained from any debt collector used by the Trading Account. The fair value includes the initial recognition of the debts plus interest levied at rates approved by the Chief Registrar of Deeds. Such interest has been levied on dates when the debt is due and payable but outstanding.

#### **Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

#### **Financial liabilities**

##### **Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities at amortised cost, directly attributable transaction costs.

The Entity's financial liabilities include trade and other payables and finance obligations. These financial liabilities are classified as financial liabilities at amortised cost.

##### **Subsequent measurement**

The measurement of financial liabilities depends on their classification as described below:

#### **Financial liabilities at amortised cost**

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium. The interest expense is included in finance costs in the statement of comprehensive income.

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

### **1.7 Services in kind**

Services received free of charge from other organs of state have not been recognised in the financial statements. The disclosure of their nature and type has however been disclosed by way of note to the financial statements in line with IAS 20. These services may include:

- Administration Services
- Accommodation
- Internal Audit Function
- Information Technology
- Staff Training

All other services that are provided on behalf of the entity and are charged to the entity have been classified normally as expenses in terms of the approved Standard Chart of Accounts (SCOA).

### **1.8 Property Plant and Equipment**

#### **Initial recognition and measurement**

Property, plant and equipment are tangible non-current 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 year.

Items of property, plant and equipment are recognised as assets when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost

The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost at which the asset is recognised. The cost also includes the estimated costs of dismantling and removing the asset and restoring the site on which it is operated.

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. These major components are depreciated separately over their useful lives.

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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **Subsequent measurement**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an assets' residual value, where applicable.

The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively, if appropriate.

The annual depreciation rates are based on the following estimated asset useful lives:

Item	Average Useful life
Furniture and Fixtures	15 years
Computer Equipment	5-13 years
Office equipment	5-13 years
Leasehold Fixtures	5-13 years
Photographic and Technical Equipment	13 years
State-owned capital works	25 years

- Work in Progress  
Work in progress relates to items purchased but not brought into use and therefore has not be depreciated.
- Leasehold Capital Works  
Expenditure on improvement on leasehold buildings has been depreciated over the remaining period of the underlying lease for such building.
- Finance Leases  
Assets under the finance lease agreements have been depreciated over the underlying period of the lease.

#### Subsequent expenditure

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

#### Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of comprehensive income.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of comprehensive income in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of comprehensive income.

#### Derecognition

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of comprehensive income.

### 1.9 Inventories

#### Recognition and measurement

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### Subsequent measurement

Inventories, consisting of consumable stores are valued at the lower of cost and net realisable value. The basis of determining cost is the weighted-average method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

A provision is maintained for obsolete or damaged inventory. The level of the provision for obsolete inventory is equivalent to the value of the difference between the cost of the inventory and its net realisable value or current replacement cost at financial year-end.

Differences arising on the valuation of inventory are recognised in the statement of comprehensive income in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

#### **Derecognition**

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

#### **1.10 Impairment of assets**

The entity has assessed all assets at balance sheet date for any indication that any asset may be impaired. Where such an indication exists, the estimate of the recoverable amount of the asset has been made and the carrying amount written down to the recoverable amount, thus recognising an impairment loss.

#### **1.11 Employee Benefits**

- Short-term employee Benefits  
The cost of short term employee benefits, (those payable within 12 months after the service is rendered, e.g. vacation leave, bonuses and medical care), has been recognised in the period in which the service is rendered and has not been discounted.
- Defined contribution plans  
Payments to defined contribution retirement benefit plans have been expensed as they fall due. Payments made to the state plan retirement benefit schemes have been dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### **1.12 Revenue**

Revenue consists of fees charged for property registration and for provision of registration data to customers in accordance with the tariffs provided for in the Schedule of Fees prescribed by Regulation 84 of the Deeds Registries Act, 1937 (Act 47 of 1937), and approved by the Minister of Rural Development and Land Reform. Revenue is recognised on execution of the Deeds applications as well as provision of the data that has been requested.

#### **1.13 Provisions**

Provisions are recognised when:

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

Provisions are not recognised for future operating losses.

#### **1.14 Government Grants**

Government grants are recognised as income over the periods necessary to match them with the related expense that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related expense is recognised as income in the period in which it is received.

Government grants relating to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

### 1.15 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.

#### **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.

The 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 on the remaining balance of the liability.

#### **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. This liability is not discounted.

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

### 1.16 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA) and / or the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the entity's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of comprehensive income and where recovered, it is subsequently accounted for as revenue in the statement of comprehensive income.

### 1.17 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of comprehensive income and where recovered, it is subsequently accounted for as revenue in the statement of comprehensive income.

### 1.18 Recovery of Irregular, Fruitless & Wasteful Expenditure

The recovery of irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of irregular, fruitless and wasteful expenditure is treated as other income.

### 1.19 Related parties

The entity has processes and controls in place to aid in the identification of related parties. 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. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the entity any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

Further details about those transactions are disclosed in the notes to the financial statements.

Information about such transactions is disclosed in the financial statements.

### 1.20 Standards and interpretations issued but not yet effective

Pursuant to Directive 9, trading accounts / trading entities will be required to adopt and implement Generally Recognised Accounting Practice (GRAP). Bearing this in mind, the following standards of GRAP have been issued but are not yet effective:



Standard number	Standard name	Effective date (if applicable)
GRAP 18	Segment Reporting	No effective date
GRAP 20	Related party disclosures	No effective date
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)	1 April 2012
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2012
GRAP 25	Employee Benefits	No effective date
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 103	Heritage Assets	1 April 2012
GRAP 104	Financial Instruments	No effective date
GRAP 105	Transfer of Functions Between Entities Under Common Control	No effective date
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	No effective date
GRAP 107	Mergers	No effective date

**GRAP 18 Segment Reporting:**

The standard requires the identification and aggregation of the operating segments of the entity into reportable segments. For each of the reportable segments identified details of the financial performance and financial position will be disclosed. The precise impact of this on the financial statements of the entity is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

**GRAP 20 – Related parties**

This standard provides the requirements for the disclosure of related parties and transactions and balances with related parties. This standard was based on IPSAS 20 as currently applied by the entity for its related party disclosures. Accordingly it is not expected that the adoption of this standard will have a material impact on the financial statements of the entity. This standard does not yet have an effective date.

**GRAP 21 – Impairment of Non-Cash Generating Assets**

This standard becomes effective for years beginning on or after 1 April 2012 and will only be formally adopted on that date. It determines the requirements and provides additional guidance on how to impair non-cash generating assets, being assets that are not held to generate any sort of commercial benefit. The main difference between GRAP 21 and IAS 36 as applied in the development of the impairment accounting policy for previous financial year is limited to the determination of the recoverable amount of non-cash generating assets. Under GRAP 21 the recoverable amount of non-cash generating assets is the higher of its fair value less cost to sell and its remaining service potential. The remaining service potential is determined with reference to the depreciated replacement cost of the non-cash generating asset.

**GRAP 23 – Revenue from Non-Exchange Transactions**

This standard becomes effective for years beginning on or after 1 April 2012 and will only be formally adopted on that date. It determines the requirements and provides additional guidance on how to account for revenue from non-exchange transactions. In particular, it requires the entity to recognise revenue from grants received, to the extent that there are no further conditions attached to the grant that give rise to an obligation to repay.

**GRAP 24 – Presentation of Budget Information in the Annual Financial Statements**

This standard becomes effective for years beginning on or after 1 April 2012. It determines the specific requirements and provides additional guidance on how to present a comparison between budgeted and actual amounts in the financial statements, as required by GRAP 1. This is expected to add significantly to the level of disclosures currently being provided in terms of the interim guidance on minimum budget information from the Accountant General's Office.

**GRAP 25 – Employee Benefits**

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Group is expected. The major difference between GRAP 25 and IAS 19 is that GRAP 25 does not provide for the application of the corridor approach in the recognition of actuarial gains / losses with regards to defined benefit plans. Due to the fact that the entity does not participate in defined benefit plans (for its employee benefits) it is expected that adoption of this standard will not have a material impact on the financial statements of the entity. This standard does not yet have an effective date.

**GRAP 26 – Impairment of cash-generating assets**

This standard becomes effective for years beginning on or after 1 April 2012 and will not be early adopted. It determines the requirements and provides additional guidance on how to impair cash generating assets, being assets that are expected to generate a commercial benefit. The standard requires a similar treatment to that currently required by IAS 36, the principles of which have already been incorporated into the accounting policies of the entity in the prior year. As a result, the impact of this standard becoming effective is expected to be limited.

**GRAP 103 – Heritage Assets**

This standard becomes effective for periods beginning on or after 1 April 2012 and has not been early adopted. It determines requirements for accounting for heritage assets. Heritage assets are defined as assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The treatment prescribed by GRAP 103 is similar to the prescripts for heritage assets under GRAP 17 as is currently applied by the entity. Accordingly adoption of GRAP 103 is expected to have a limited impact on the financial statements of the entity.

**GRAP 104 – Financial Instruments**

This standard will introduce some relatively significant changes when compared to IAS 39, especially in the way financial assets are classified and measured. Unlike IAS 39, GRAP 104 does not provide for financial assets to be classified as “available for sale”. Accordingly under GRAP 104 none of the fair value movements on financial assets will be deferred in net assets. Where financial instruments are measured subsequently at fair value, those fair value movements will be recorded in surplus / deficit. Also, GRAP 104 provides that investments in equity instruments that are not listed / publicly traded may be subsequently measured at cost. These two changes in the classification and measurement of financial instruments present the majority of the significant simplification of GRAP 104. Furthermore; this standard will also replace the disclosure requirements for financial instruments under IFRS 7. The financial instrument disclosure is also simplified by GRAP 104 when compared to IFRS 7 (currently applied by the entity). This standard does not yet have an effective date.

**GRAP 105 – Transfer of Function Between Entities Under common Control**

This standard provides the accounting treatment for transfers of functions between entities under common control. The standard determines that assets and liabilities transferred to entities under common control will be recognized at their carrying values (per the records of the transferring entity) in the records of the receiving entity. The difference between the consideration transferred and the carrying value of the assets / liabilities transferred is recognized in accumulated surplus / deficit. This standard does not yet have an effective date.

**GRAP 106 – Transfer of Function Between Entities Not Under common Control**

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. The difference between the consideration transferred and the carrying value of the assets / liabilities transferred is recognized in accumulated surplus / deficit. This standard does not yet have an effective date.

**GRAP 107 – Mergers**

This standard deals with requirements for accounting for a merger between two or more entities. The standard determines that the assets and liabilities acquired through the merger should be measured at their carrying values. Any difference between these carrying values and the consideration transferred for the merger is recognized in accumulated surplus / deficit. The standard would only apply to where the entity enters into a merger. This standard does not yet have an effective date.

The following interpretations have also been issued and are expected to have an insignificant impact on the financial statements, since they generally reflect the interpretation and principles already established under IFRS apart from the interpretations relating to leases, it is unlikely that the entity will encounter any of these issues in the normal course of its business.

Standard number	Standard name	Effective date (if applicable)
	Preface to Interpretations of the Standards of GRAP	No effective date
IGRAP7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	No effective date

2. Property, Plant and Equipment	2012			2011		
	Cost/ Valuation R'000	Accumulated Depreciation R'000	Carrying Value R'000	Cost/ Valuation R'000	Accumulated Depreciation R'000	Carrying Value R'000
	24 869	(10 289)	14 580	24 865	(9 124)	15 741
Furniture and Fixtures	5 155	(2 995)	2 160	3 111	(1 415)	1 696
Office equipment (Finance Lease)	106 211	(49 176)	57 035	92 697	(38 904)	53 794
IT equipment	89 668	(72 271)	17 397	89 669	(62 025)	27 643
Leasehold improvements	4 647	(2 521)	2 125	4 343	(2 787)	1 555
Photographic equipment						
	<b>230 550</b>	<b>(137 252)</b>	<b>93 298</b>	<b>214 685</b>	<b>(114 256)</b>	<b>100 429</b>

Reconciliation of Property, Plant and Equipment - 2012	Opening Balance R'000	Additions R'000	Disposals /	Depreciation R'000	Accum. Depr.	Total R'000
			Transfers / Impairments R'000		Disposals R'000	
Furniture and Fixtures	15 741	616	(613)	(1 585)	420	14 580
Office equipment (Finance Lease)	1 696	2 044	-	(1 580)	-	2 160
IT equipment	53 794	16 224	(2 710)	(12 470)	2 198	57 035
Leasehold improvements	27 643	-	(1)	(10 246)	1	17 397
Photographic equipment	1 555	848	(544)	(250)	516	2 125
	<b>100 429</b>	<b>19 732</b>	<b>(3 868)</b>	<b>(26 131)</b>	<b>3 135</b>	<b>93 298</b>

Reconciliation of Property, Plant and Equipment - 2011	Opening Balance R'000	Additions R'000	Disposals /	Depreciation R'000	Accumulated Depreciation	Total R'000
			Transfers / Impairments R'000		Disposal R'000	
Furniture and Fixtures	18721	837	(4 953)	(1 606)	2 742	15 741
Office equipment (Finance Lease)	1 037	1 404	(4 472)	(727)	4 454	1 696
IT equipment	68 147	2 464	(14 586)	(11 793)	9 562	53 794
Leasehold improvements	40 756	767	(827)	(13 077)	24	27 643
Photographic equipment	2 153	-	(1 667)	(219)	1 288	1 555
	<b>130 814</b>	<b>5 472</b>	<b>(26 505)</b>	<b>(27 422)</b>	<b>18 070</b>	<b>100 429</b>

The Department of Public Works provides accommodation for all the Deeds Registries. The category of Leasehold Improvements represents costs incurred by the Deeds Registration Trading Account to improve the buildings that are owned / leased on behalf of Deeds Registries by the Department of Public Works. The lease improvements are amortised over the lease period.

## 2.2 Property, plant and equipment pledged as security

The entity has office equipment held under finance leases. The office equipment serves as security for the finance leases. The finance lease obligation amounts to R2, 280 million (2011: R 1,854 million). Please refer to note 7 in this regard.

## 2.3 Capital commitments

The entity had no outstanding contractual commitments for the acquisition or enhancement of property, plant and equipment by the reporting date. As such, the budget of the entity for the 2011/2012 financial year was not contractually committed to the acquisition of property, plant and equipment in future periods.

<b>3. Financial Assets by category – 2012</b>	<b>Loans and receivables R'000</b>	<b>Loans and receivables R'000</b>
Trade and other receivables	110 759	
Cash and cash equivalents		52 384
	<b>110 759</b>	<b>52 384</b>

<b>Financial Assets by category - 2011</b>	<b>Loans and receivables R'000</b>	<b>Loans and receivables R'000</b>
Trade and other receivables	50 026	
Cash and cash equivalents		56 526
	<b>50 026</b>	<b>56 526</b>

The accounting policies for financial instruments have been applied to the line items above.

<b>4. Inventories</b>	<b>2012 R'000</b>	<b>2011 R'000</b>
Consumable material on hand	1 748	1 328
	<b>1 748</b>	<b>1 328</b>

None of the entity's inventory was measured at fair value less cost to sell. Accordingly, the balance as presented represents the cost of inventories at hand. Inventories consist mainly of stationary and consumable material.

Inventory to the value of R3, 824 million (2011: R 3,614 million) was recognised as an expense during the year. The inventories are recognised as an expense as and when consumed within the entity and the related expense is included in the printing and stationary expense line item.

<b>5. Trade and Other Receivables</b>	<b>2 012 R'000</b>	<b>2 011 R'000</b>
Trade Receivables	41 227	47 563
Interest receivable	239	152
Other receivables	69 293	2 311
	<b>110 759</b>	<b>50 026</b>

The carrying value of Trade Receivables of R41 227 is stated after a provision for Impairment of Trade and Other Receivables of R4 940 (2011: R7 975) and gross trade receivables value of R46 168. The provision for impairment of Trade and Other Receivables is determined from the Age Analysis of Trade Receivables that are overdue for 90 days and more. The prospects of recovery are however assessed per individual account.

<b>Reconciliation of the doubtful debt provision</b>	<b>2 012 R'000</b>	<b>2 011 R'000</b>
Balance at beginning of the year	7 975	6 985
Interest doubtful debt provision	270	-
Bad debts written off in the current year	(1 327)	-
Bad debts provided for but recovered in the current year	(2 928)	-
Contributions to provision	950	990
<b>Balance at the end of year</b>	<b>4 940</b>	<b>7 975</b>

<b>Trade Receivables Age Analysis</b>	<b>2012 R'000</b>	<b>2011 R'000</b>
Current	36 084	22 343
30 days	4 892	18 001
60 days	117	832
90 days	43	154
Over 90 days	91	6 232
<b>Total</b>	<b>41 227</b>	<b>47 563</b>

The current provision for impairment of Trade and Other Receivables has been included in operating expenses in the income statement, under account "Depreciation, Amortisation and Impairments". Amounts charged to Impairment of Receivables are generally written off when there is no expectation of recovery. The maximum exposure to credit risk at reporting date is the fair value of each class of receivables recognised above. Deeds Registration does not hold any collateral as security.

<b>6. Cash and cash equivalents</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Cash on Hand (Petty Cash)	10	15
Bank balances	52 373	56 512
	<b>52 384</b>	<b>56 526</b>

Cash and deposits are held with a registered banking institution which is subjected to insignificant credit risk. The maximum exposure to credit risk at reporting date is R52 384 (2011: R 56 526). None of the cash and cash equivalents of the entity are subject to restricted availability as these balances are not encumbered.

<b>7. Finance lease obligations</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Minimum lease payments due		
- within one year	1 648	1 089
- In second to fifth year inclusive	821	981
	2 470	2 070
Less: future finance charges	(190)	(216)
Present value of minimum lease payments	<b>2 280</b>	<b>1 854</b>

**Present value of minimum lease payments due**

- within one year	1 475	938
- In second to fifth year inclusive	805	916
	<b>2 280</b>	<b>1 854</b>

Non - Current liabilities	805	916
Current liabilities	1 475	938
	<b>2 280</b>	<b>1 854</b>

The average lease term ranges between 2 and 5 years for office equipment, with an average interest rate of 9% applied to the leases. The finance leases are secured by the assets leased in terms of the agreement. Please refer to note 2 where the assets held under the finance leases are disclosed as part of office equipment.

Contingent rent recognised as an expense in the period amounted to R 139, 274.44. The contingent rent relates to copy charges per copy machine.

<b>8. Leave Provision</b>	<b>Opening balance</b>	<b>Provision for the</b>	<b>Reversed/ Utilised</b>	<b>Carrying Value</b>
<b>Reconciliation of provisions – 2012</b>	<b>R'000</b>	<b>year</b>	<b>during the year</b>	<b>R'000</b>
		<b>R'000</b>	<b>R'000</b>	
Leave pay provision	13 544	13 732	(13 544)	13 732
	<b>13 544</b>	<b>13 732</b>	<b>(13 544)</b>	<b>13 732</b>

<b>Reconciliation of provisions – 2011</b>	<b>Opening Balance</b>	<b>Provision for the</b>	<b>Reversed/ Utilised</b>	<b>Carrying Value</b>
	<b>R'000</b>	<b>year</b>	<b>during the year</b>	<b>R'000</b>
		<b>R'000</b>	<b>R'000</b>	
Leave pay provision	18 229	13 544	(18 229)	13 544
	<b>18 229</b>	<b>13 544</b>	<b>(18 229)</b>	<b>13 544</b>

<b>Non - Current liabilities</b>	<b>R'000</b>	<b>R'000</b>
	13 732	13 544
	<b>13 732</b>	<b>13 544</b>

The leave pay provision relates to long term / capped leave that accrued to employees. Employees are entitled to utilise this leave at any point and are also entitled to cash-out the leave. It is not possible to anticipate the timing of the utilisation or the timing of the cash-out of this balance. Accordingly the uncertainty related to this balance is limited to the timing of the realisation. A review of the utilisation trends has however evidenced that it is unlikely that the full balance will be realised within the short term. Accordingly the balance is classified as non-current.

The value of the provision is determined with reference to the capped leave days that have accrued to employees and the basic salaries of the employees. This represents the weighted average probable economic outflow that may be required to settle the capped leave balance.

<b>9. Trade and Other Payables</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Trade payables	42 393	6 773
Unallocated Cash	138	81
Leave pay accrual	8 164	4 445
Sundry accruals	2 816	10 265
Bonus accrual	8 973	8 424
Other Payables	1 252	282
Deposits received	1	3
	<b>63 736</b>	<b>30 272</b>

Unallocated cash represents money deposited at the bank but not yet identified and allocated to Trade Receivables at the end of the financial year.

During the year the trading entity reclassified leave days due to employees from a provision to an accrual in terms of IAS 37

<b>10. Financial liabilities by category</b>	<b>Financial liabilities at amortised cost</b>	<b>Financial liabilities at amortised cost</b>
	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
The accounting policy for financial instruments have been applied to the line items below:		
Trade and other payables	63 736	30 272
Finance Lease Liability	2 280	1 854
<b>Total</b>	<b>66 016</b>	<b>32 126</b>

<b>11. Investment Revenue</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Bank	2 880	2 481
Interest charged on trade and other receivables	172	928
	<b>3 052</b>	<b>3 409</b>

<b>12. Finance costs</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Finance Leases	273	128
Other interest paid	-	11
	<b>273</b>	<b>139</b>

<b>13. Auditors' remuneration</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
External audit fees	3 201	3 602
	<b>3 201</b>	<b>3 602</b>

<b>14. Operating Leases</b>		
The following amounts are due in future financial years due to contractual obligations:		
	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Minimum Lease payments due:		
Payable within 1 year	596	843
Payable within 2nd to fifth year	359	618
	<b>955</b>	<b>1 461</b>

15. Cash generated from operations	2012 R'000	2011 R'000
Surplus for the year	3 026	(22 385)
<b>Adjustment for:</b>		
Depreciation and amortisation	26 130	27 422
Loss on sale of assets	723	8 464
Interest received	(3 053)	(3 409)
Finance costs	273	139
Impairment losses	1 220	990
Movements in provisions	187	(3 555)
Bad debts recovered	(2 929)	-
Bad debts	1 058	-
<b>Changes in working capital:</b>		
Inventories	(419)	(204)
Deferred revenue	12 686	(12 957)
Trade and other receivables	(59 569)	(7 390)
Trade and other payables and provisions	33 464	5 990
	<b>12 797</b>	<b>(6 895)</b>

#### 16. Contingent Liabilities

The Deeds Registration Trading Account provides housing guarantees at R 305, 393.00 as at 31 March 2012 (2011: R330, 000.00) to financial institutions, in the event of employees unable to honour their commitments to these institutions for the purchase of housing.

The trading entity is currently investigating incorrect registration of deeds. The investigation was not finalised as at the date of sign off of the annual financial statements. Although the amount cannot be quantified, the possibility of litigation against the Entity exists. As such financial statements have not been adjusted to reflect this.

A contingent liability is noted in respect of the on-going dispute between Deeds Registration Trading Account (CRD) and Datacentrix (Pty) Ltd. The estimated cost which CRD should expend in the near future is R5 121.

#### 17. Related Parties

Relationship	Department
National Department and controlled entities	Department of Rural Development and Land Reform

Related Party Balances	2012 R'000	2011 R'000
<b>Amounts included in Trade Receivables</b>		
Department of Rural Development and Land Reform	1 052	54
<b>Amounts included in Trade Payables</b>		
Department of Rural Development and Land Reform	1 876	730
<b>Rendering of services to Related Parties</b>		
Department of Rural Development and Land Reform	(62 672)	(62 230)
<b>Purchases of goods from Related Parties</b>		
Department of Rural Development and Land Reform	-	-
<b>Settlement of Liabilities on behalf of Related Parties</b>		
Department of Rural Development and Land Reform	8 518	5 242
<b>Remuneration paid to key management</b>	<b>2012</b>	<b>2011</b>
	<b>No. of officials</b>	<b>No. of officials</b>
<b>Levels</b>		
13	17	15
14	11	-
15	1	1
<b>Total</b>	<b>29</b>	<b>16</b>
	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
	9 068	10 496
	9 185	-
	1 071	1 025
	<b>19 324</b>	<b>11 521</b>

## 18. Prior Period Error

In 2010/11 an error was made in the calculation of property, plant and equipment. The opening balance of PPE 2011/12 did not balance with Assetware. Assets were incorrectly disposed (2010/04) on Assetware and General Ledger and re-instated on (2010/04) on Assetware but not on General Ledger. Therefore there was a difference between Assetware and General Ledger at financial year end 2010/2011 which affected the opening balance for 2011/12. The comparative amounts for 2010/11 have been restated. The effect of the restatement on the financial statements is summarised below.

	2012 R'000	2011 R'000
<b>Statement of Financial Position</b>		
Increase/(Decrease) in Property, Plant and Equipment	-	2 001
Increase/(Decrease) in Equity	-	2 001
<b>Statement of Comprehensive Income</b>		
Increase/(Decrease) in Profit/(Loss) on disposal of asset	-	(2 001)

## 19. Risk Management

The Trading Account Activity exposes it to currency risk, fair value interest rate risk, cash flow interest rate risk, credit risk and liquidity risk.

### Liquidity Risk

This risk is as a result of funds available to cover future commitments. The entity manages the liquidity risk through on-going review of future commitments.

The table below analyses the Trading Account financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2012	Not later than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	Later than 1 year, but not later than 5 years
	R'000	R'000	R'000	R'000
Trade and Other Payables	63 736	-	-	-
Finance Lease obligations	135	269	1 211	770
<b>At 31 March 2011</b>	<b>Not later than 1 month</b>	<b>More than 1 month but less than 3 months</b>	<b>More than 3 months but less than 1 year</b>	<b>Later than 1 year, but not later than 5 years</b>
	R'000	R'000	R'000	R'000
Trade and Other Payables	30 272	-	-	-
Finance Lease obligations	91	182	817	981

### Interest Rate Risk

The Trading Account has no significant interest bearing assets and the income and operating cash flows are substantially independent of changes in the market interest rates.

Deposits attract interest at rates that vary with prime. The Trading Account policy is to manage interest rate risk such that fluctuations in rate do not have a material impact on surplus or deficit. At year end, the financial instruments exposed to interest rate risk were balances with banks.

### Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with a major bank with high quality credit standing. Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis.

Financial assets exposed to risk at year end included:	2012 R'000	2011 R'000
Deposits with Banks	52 373	56 512
Trade Receivables (gross)	41 227	47 563



**20. Services in Kind**

**Administrative Services in kind**

Deeds trading Account falls under the administration of the Department of Rural Development and Land Reform. The executive of the department spend some of their time on the affairs of the Trading Account. Furthermore, the department provides the services of internal audit function, information technology and staff training. There is no cost charged by the department in this regard.

Other Income on the Statement of Comprehensive Income includes a grant received from the Department of Rural Development and Land Reform of R130 637 million. This grant was given as re-imbusement for the E-Cadastre project (R66 809 million), increase in salary expenditure (R10 406 million) and additional expenditure (R53 422 million).

**Other Services in kind**

The Department of Public Works provides accommodation for some of the Deeds Registries.

**21. Irregular, fruitless and wasteful expenditure**

	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
<b>Opening balance</b>		
Add: Fruitless and wasteful expenditure - current year	43	4
Add: Irregular expenditure	1 933	115
Less: Fruitless and wasteful expenditure condoned	-	-
Less: Transfers to receivables for recovery (amounts not condoned)	-	-
Less Amounts not recoverable (not condoned)	-	-
<b>Fruitless and wasteful expenditure awaiting condonation</b>	<b>1 976</b>	<b>119</b>

Analysis of expenditure awaiting condonation per age classification:

Current year	43	4
Prior Years	-	-
<b>Total</b>	<b>43</b>	<b>4</b>

**Details of Fruitless and Wasteful Expenditure:**

The irregular expenditure is as a result of finance lease contracts not being renewed and there is continuous use of the assets. (Use of assets outside a contract).

**22. Events after the balance sheet date**

The entity is not aware of any events that occurred after the balance sheet date that would require adjustment to or disclosure in the financial statements.

**23. Deferred Revenue**

Deferred revenue refers to a grant received from the Department of Rural Development and Land Reform of R143 323 million. This grant was given as re-imbusement for the E-Cadastre project (R66 809 million), increase in salary expenditure (R10 406 million) and additional expenditure (R66 108 million).

<b>Reconciliation of Deferred Revenue for financial period</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Opening balance	-	-
Amount received from Department of Rural Development and Land Reform	143 323	27 861
Amount transferred to comprehensive income	(130 637)	(27 861)
Closing balance	<b>12 686</b>	<b>-</b>

**24. Revenue**

<b>Major categories of revenue are the following:</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Sale of information	104 522	100 055
Registration of title deeds	278 243	250 478
	<b>382 765</b>	<b>350 533</b>

## Detailed Statement of Comprehensive Income for the year ended 31 March 2012 - Deeds Registration Trading Account

	<i>Note</i>	<b>2012 R'000</b>	<b>2011 R'000</b>
<b>Revenue</b>		<b>519 940</b>	<b>395 433</b>
Registration of deeds and sale of information	24	382 765	350 533
Other Income		3 486	672
Grant from Department of Rural Development and Land Reform	20	130 637	40 819
Investment Revenue	11	3 052	3 409
<b>Operating expenses</b>		<b>516 641</b>	<b>417 679</b>
Advertising		272	278
Auditors remuneration	13	3 201	3 602
Bad Debts		1 059	546
Bank Charges		162	152
Cleaning		4 299	4 025
Consumables		198	158
Depreciation, amortisation and impairments		27 351	28 412
Employee costs		286 211	257 984
Entertainment		573	486
IT Expenses		31 451	35 787
Lease rental on operating lease		3 154	2 976
Legal expenses		10 884	11 673
Loss on disposal of assets		724	8 464
Other consulting and professional fees		109 641	38 893
Other expenses		1 955	123
Printing and stationery		3 687	3 614
Repairs and maintenance		9 038	7 833
Security		7 565	2 582
Staff welfare		20	33
Subscriptions		980	901
Telephone and fax		3 230	2 982
Training		1 773	579
Transport and freight		3 802	3 011
Travel - local		5 367	2 587
Wasteful and Fruitless Expenditure		43	-
Finance Costs	12	273	139
<b>Surplus for the year</b>		<b>3 026</b>	<b>(22 385)</b>



**Agricultural  
Land Holdings  
Account**

**Financial Statements  
for the year ended  
31 March 2012**

# Report of the Auditor-General to Parliament on the Agricultural Land Holdings Account (ALHA)

## Report on the financial statements

### Introduction

36. I have audited the financial statements of the Agricultural Land Holdings Account (ALHA) set out on pages 121 to 140 which comprise the statement of financial position as at 31 March 2012 statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

37. The accounting officer is responsible for the preparation and fair presentation of these 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 officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

38. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

40. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

41. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agricultural Land Holdings Account (ALHA) as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and in the manner required by the PFMA.

### 42. Emphasis of Matter paragraphs

I draw attention to the matters below. My opinion is not modified in respect of these matters:

## **Restatement of corresponding figures**

43. As disclosed in note 24 to the financial statements, the corresponding figure for inventory, relating to the 31 March 2011, has been restated as a result of an error discovered during the 31 March 2012 financial period in the financial statements of ALHA at and for the financial year ended 31 March 2012 by an amount of R115, 000,000.

## **Material losses/Impairments**

44. As disclosed under notes 7 and 13 of the financial statements, the trading entity has incurred impairments to assets with a cost of R163, 941,000 in aggregate. The amounts are broken down into unverified assets, of R5, 874,775 and write down of inventory of R130, 826,435. The remaining portion is as result of lease debtor's balance outstanding for more than 90 days, with a value in aggregate of R27, 240,000.
45. As disclosed in note 5 to the financial statements, the trading entity had receivables from exchange transactions totalling R127, 545,000 with an allowance for impairment of R74, 995,000 at 31 March 2012. The extent of the recoverability of these amounts is uncertain. This is broken down into R115, 106,000 comprising amounts overdue for a period exceeding 90 days, and R65, 562,895 that has been due for over for more than 365 days.

## **Other significant transactions**

46. As disclosed in note 1.1 and note 9 of the financial statements, the entire balance of inventory was transferred to property plant and equipment at year end, due to a change in the intention and business model of the entity effective as at year end

## **Report on other legal and regulatory requirements**

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

## **Predetermined objectives**

48. The strategic objectives, programme outputs, indicators and targets of the Agricultural Land Holdings Account are incorporated in the reported programme performance of the Department of Rural Development and Land Reform and are not separately identifiable from reported information under programme 5. As a result, findings relating to the audit of predetermined objectives are reported as part of the audit report on the Department of Rural Development and Land Reform's.

## **Compliance with laws and regulations**

49. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

## **Annual financial statements, performance report and annual report**

50. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 40(1) of the PFMA. Material misstatements were identified for lease revenue, receivables, commitments, prepayments and deferred expense by the auditors, which resulted in material adjustments being made to the financial statements. Had these misstatements not been corrected by management ALHA would have obtained a modified opinion.

## Revenue Management

51. The accounting officer did not take effective and appropriate steps to collect all money due to the trading entity as is required by section 38(1)(c)(i) of the PFMA and Treasury Regulation 11.2.1

## Expenditure management

52. The accounting officer did not take effective and appropriate steps to prevent and detect fruitless and wasteful expenditure as per the requirements of section 38(1) (c) (ii) of the PFMA and Treasury Regulation 9.1.1.

## Strategic planning and performance management

53. The accounting officer of ALHA did not ensure that the ALHA has expected outcomes, programme outputs, indicators (measures) and targets, that are separately identifiable from that of the department as required by Treasury Regulation 5.1.1 and 5.2.2 (d)

## Asset management

54. The accounting officer did not exercise the utmost care to ensure the reasonable protection and safeguarding of the assets and records of the trading entity, as required by section 38(1)(d) of the PFMA
55. The accounting officer did not ensure that the trading entity, has effective, efficient and transparent systems of financial and risk management and internal control in that there were no policies and procedures that are updated and approved as required by section 38(1) (a) (i) of the PFMA.

## Internal control

56. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings arising from the audit of the annual performance report and the findings arising from the audit of compliance with laws and regulations included in this report.

## Leadership

57. Oversight responsibility regarding financial, performance reporting and compliance with related internal controls still requires attention. ALHA does not have approved policies and procedures in place for most of the financial cycles to address the complex accounting treatment of some of its business areas. Action plans should be developed by management to address these internal control deficiencies noted within the control environment.

## Financial and performance management

58. Material adjustments were made for lease revenue and receivable, income received in advance and commitments to the financial statements submitted for auditing. This is as a result of several weaknesses identified with regards to the record keeping of information supporting the financial statements and performance information. This also gave rise to numerous material non-compliance instances identified throughout the audit process.

## Governance

59. Risk assessment still requires some attention to ensure its effectiveness in addressing risks of the department

## Other reports

### Investigations in progress

60. The Special Investigating Unit is currently investigating 3 cases relating to allegations of irregularities in certain land reform projects.

*Auditor - General*

Pretoria  
31 July 2012



STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2012 R'000	2011 R'000 Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	2	6 504 838	-
Other financial assets	3	216 454	-
<b>Total non-current assets</b>		<b>6 721 292</b>	<b>-</b>
<b>Current assets</b>			
Cash and cash equivalents	4	86 490	259 377
Trade and other receivables from exchange transactions	5	53 373	35 059
Trade and other receivables from non-exchange transactions	6	187 724	106 871
Inventories	7	-	4 430 463
<b>Total current assets</b>		<b>327 587</b>	<b>4 831 770</b>
<b>TOTAL ASSETS</b>		<b>7 048 879</b>	<b>4 831 770</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	8	16 427	14 317
<b>TOTAL LIABILITIES</b>		<b>16 427</b>	<b>14 317</b>
<b>NET ASSETS</b>			
Reserves	9	-	-
Accumulated surplus		7 032 452	4 817 453
<b>Total Net Assets</b>		<b>7 032 452</b>	<b>4 817 453</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>7 048 879</b>	<b>4 831 770</b>

**STATEMENT OF FINANCIAL PERFORMANCE**

	<i>Notes</i>	<b>2012 R'000</b>	<b>2011 R'000 Restated</b>
<b>REVENUE</b>			
<b>Non-exchange transactions</b>			
Grant Income – Non exchange	10	2 435 784	1 028 480
<b>Exchange transactions</b>			
Rental Income		57 120	46 018
Interest		27 995	22 896
Other operating Income		6 903	193
<b>EXPENDITURE</b>			
Operating expenses	11	(148 777)	(39 425)
Impairment of assets	13	(163 941)	(37 527)
Finance costs	12	(83)	(45)
<b>Surplus for the year</b>		<b>2 215 001</b>	<b>1 020 590</b>



**STATEMENT OF CHANGES IN NET ASSETS**

	<i>Notes</i>	<b>Non Distributable Reserves R'000</b>	<b>Accumulated Surplus R'000</b>	<b>Total Net Assets R'000</b>
Balance at 01 April 2010		2 637 823	1 036 192	3 674 015
Transfer to accumulated surplus	9	(2 637 823)	2 637 823	-
Correction of prior year error	25	-	118 049	118 049
<b>Restated balance</b>		-	<b>3 792 064</b>	<b>3 797 064</b>
Surplus for the year 2011		-	1 020 590	1 020 590
<b>Balance at 01 April 2011</b>		-	<b>4 812 654</b>	<b>4 812 654</b>
Correction of prior year error:	25	-	4 797	4 797
<b>Restated balance</b>		-	<b>4 817 451</b>	<b>4 817 451</b>
Surplus for the year 2012		-	2 215 001	2 215 001
<b>Balance at 31 March 2012</b>		-	<b>7 032 452</b>	<b>7 032 452</b>

**CASH FLOW STATEMENT**

	<i>Notes</i>	<b>2012 R'000</b>	<b>2011 R'000 Restated</b>
<b>Cash flows from operating activities</b>			
<b>Cash receipts</b>		<b>2 482 051</b>	<b>1 100 590</b>
Sale of Goods and Other Services		19 246	16 712
Grant Income	10	2 435 784	1 028 480
Interest Income		20 766	19 901
Other Operating Income		6 255	35 497
<b>Cash paid to suppliers and employees</b>		<b>(2 654 938)</b>	<b>(1 352 583)</b>
Suppliers and other Payables		(2 654 855)	(1 352 538)
Interest paid	12	(83)	(45)
<b>Net (Decrease)/Increase cash from operating activities</b>	<b>14</b>	<b>(172 887)</b>	<b>(251 993)</b>
<b>Net (Decrease)/increase in cash and cash equivalents</b>		<b>(172 887)</b>	<b>(251 993)</b>
Cash at the beginning of the year	4	259 377	511 370
<b>Total cash at end of the year</b>	<b>4</b>	<b>86 490</b>	<b>259 377</b>

## Notes to the Annual Financial Statements

### 1. Presentation of Annual Financial Statements

#### Basis of Preparation:

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), and the effective interpretations issued by the Accounting Standards Board ("ASB").

A summary of the significant accounting policies, which have been applied, are disclosed below.

In the absence of a GRAP standard, the GRAP hierarchy in GRAP 3 – Accounting policies, changes in accounting estimates and errors is used to develop an appropriate accounting policy. In terms of GRAP 3, judgment must be used when developing an accounting policy. In applying judgment, Directive 5 – The GRAP Reporting Framework is based on the hierarchy outlined in paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Paragraph .12 states that, in the absence of a Standard of GRAP dealing with a particular transaction or event, the pronouncements of the following standard setters should be used, in descending order, to develop an appropriate accounting policy. However, this should only be done to the extent that the requirements are not in conflict with the Standards of GRAP or the Framework for the Preparation and Presentation of Financial Statements:

- (a) International Public Sector Accounting Standards Board (IPSASB).
- (b) International Accounting Standards Board (IASB), Framework for the Preparation and Presentation of Financial Statements.
- (c) Accounting Practices Board (APB).
- (d) Accounting Practices Committee (APC) of the South African Institute of Chartered Accountants (SAICA).

Where a Standard of GRAP has been issued, but is not yet in effect, the entity may select to apply the principles established in that Standard in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

An entity first adopts the Standard of GRAP before it applies the related Interpretation of the Standards of GRAP. Judgment has been applied when developing an accounting policy for government grants and for accounting for the transfer of assets since there are no effective GRAP standards that provide guidance on the accounting treatment relating to these items. The Trading Entity's policies, so determined, are as far as possible based on approved GRAP Standards where these are available. The accounting policies in relation to these are summarised below.

#### 1.1. Significant judgments 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 judgment 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 judgments include:

##### Property, Plant and Equipment

When the entity was established, the business model was to acquire and sell or distribute farms to beneficiaries in line with the entity's mandate. However, in recent years there has been some uncertainty around whether this business model would be changed to one of holding the assets and leasing them out to beneficiary farmers, potentially with an option to purchase the farm after certain qualification criteria have been met during the lease term

In the prior year, the decision to continue to classify the farms as inventory was disclosed as an area of significant judgment since, at that point in time, management estimated that it would be premature to make a decision to classify the assets as anything other than inventory.

However, during the current year the plan to change the business model was tabled in Cabinet. Management considers this to be a significant turning point in the intended use of the assets and has decided to transfer all the assets to Property, Plant and Equipment effective from the 2012 year-end. It should be noted that the new business model has not been formally accepted or approved. However, management's assessment of all the facts and circumstances, including a review of past and expected usage patterns of the assets, indicates that classification as Property, Plant and Equipment from this point onwards is more appropriate.

##### Trade receivables

The trading entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the trading entity makes judgments 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 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 carrying value less impairment provision of trade receivables and payables approximate their fair values.

#### **Impairment testing**

The trading entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. All non-financial assets were assessed for impairment at the end of the financial year. An impairment write-down was not required.

#### **Biological Assets**

The entity recognises expenditure on biological assets as an expense in the statement of financial performance where it is not probable that future economic benefits associated with Biological Assets will flow to the entity. This is because it is difficult for the trading entity to demonstrate ongoing control of these assets after they have been placed in the custody of the beneficiary / farmer.

### **1.2. Property, Plant and Equipment**

#### **Initial recognition and measurement**

Property, plant and equipment are tangible non-current 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 year.

Items of property, plant and equipment are recognised as assets when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition.

The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost at which the asset is recognised. The cost also includes the estimated costs of dismantling and removing the asset and restoring the site on which it is operated.

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. These major components are depreciated separately over their useful lives.

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 is not determinable, it is deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **Subsequent measurement**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

#### **Depreciation**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The Entity maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

The asset's residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively, if appropriate.

The annual depreciation rates are based on the following estimated asset useful lives:

Details	Average useful Life
<b>LAND</b>	Unlimited
Agricultural Land	
<b>INFRASTRUCTURE</b>	
Production facility	40-50
Production Infrastructure	30-50
<b>BUILDINGS</b>	
Farm dwellings	40-50
Farm buildings	40-50
<b>AGRICULTURAL EQUIPMENT</b>	
Agricultural equipment with no moving parts	20-30
Agricultural equipment with high intensity moving parts	5-7
Agricultural equipment with low intensity moving parts	7-12
Agricultural equipment with mechanical	10
Agricultural equipment with water low intensity	30
Agricultural equipment with water high intensity	15-20
Agricultural equipment with electrical	15
Office Equipment	5
<b>MOTOR VEHICLES</b>	
Motor vehicles	5

Items of property, plant and equipment are derecognised when the asset is disposed of when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

#### Impairments

The Entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

#### Derecognition

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.3. Intangibles

#### Initial recognition and measurement

An intangible asset is an identifiable non- monetary asset without physical substance. Examples include computer software, licences, development costs, service rights, and goodwill. The Items of intangibles are recognised as assets when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value of the item can be measured reliably. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Items of intangibles are initially recognised at cost. However, where items of intangibles are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition. Where items of intangibles are 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, its deemed cost is the carrying amount of the asset(s) given up.

### Subsequent measurement

Subsequent to initial recognition, items of intangibles are measured at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangibles asset over their estimated useful lives using the straight line method.

The amortisation rates are based on the following estimated average asset lives:

Details	Average useful Life
<b>INTANGIBLES</b>	
Packaging and Service rights	3-5

The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as changes in accounting estimates in the statement of financial performance.

The intangible assets are tested with definite useful live for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of a possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the statement of financial performance.

### Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or services potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the statements of financial performance.

## 1.4. Revenue

### Revenue from non-exchange transactions:

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

### Revenue from exchange transactions:

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any discounts allowed by the entity, for goods and services provided in the normal course of business.

### Revenue from the sale of farms 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 property.
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Rental revenue arising from operating leases is accounted for on a straight line basis over the lease terms.

Government grant revenue is accounted as per Accounting Policy Note 1.3

## 1.5. Government Grants

The transfer from the Department of Rural Development and Land Reform is recognised when it is appropriated and probable that future economic benefits will flow to the entity and when the amount can be measured reliably. A transfer is recognised as revenue to the extent that there is no corresponding liability arising from the receipt of the transfer payment.

Where conditions are attached to the transfer that gives rise to a corresponding liability, such liability is discharged, the corresponding amount is recognised as non-exchange revenue.

## 1.6. 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.

### Operating leases – lessor

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

Income for leases is disclosed under revenue in surplus or deficit.

### 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 (liability). This asset (liability) is not discounted.

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

## 1.7. Financial Instruments

### Classification

The trading entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

### Initial recognition and measurement

Financial instruments are recognised initially when the trading entity becomes a party to the contractual provisions of the instruments. The trading entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

### Impairment of financial assets

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

For amounts due to the trading entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment deficits are recognised in surplus or deficit.

Impairment deficits are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the deficit is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

### Inter departmental receivable

Inter departmental receivables are classified as loans and receivables.

### **Inter departmental payables**

Inter departmental payables are classified as financial liabilities measured at amortised cost.

Inter departmental receivables and payables occur between the Department of Rural Development and Land Reform and the trading entity.

### **Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured at the sum of 25% of trade receivables outstanding for between 3-6 months, 50% of trade receivables outstanding for between 6-12 months and 75% of trade receivables outstanding for more than 12 months. The allowance is determined on a portfolio basis for debtors grouped into similar risk categories. Individual debtors that have been specifically identified as possibly being impaired are removed from the portfolio of debtors and tested for impairment individually.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit. Trade and other receivables are classified as loans and receivables.

### **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and are subject to an insignificant risk of changes in value. These are classified as loans receivables.

## **1.8. Services in kind**

The trading entity does not recognise services in kind as revenue. Services in kind are disclosed under related parties.

## **1.9. Public Sector Practices and Policies: Inter relationship with national government**

The Agricultural Land Holdings Account operates as a trading entity under the administration of the Department: Rural Development and Land Reform. Policies and procedures applicable to the Department: Rural Development and Land Reform are applicable except where accounting policies of the trading entity state otherwise.

## **1.10. Transfer of Assets from the Department**

In the previous financial years the entity recorded transfers of assets from the Department as follows:

The transfer of the assets from the Department to the trading entity has been treated in accordance with the principles established in the new, not-yet-effective Standard of GRAP on Transfers of Functions Between Entities Under Common Control (GRAP 105). Although not available for early adoption, this standard provides adequate guidance on determining the recognition and measurement principles for assets transferred from the Department in accordance with the guidance in Directive. Assets transferred in terms of a transfer of functions between entities under common control are brought in at their carrying amounts, rather than fair value. The carrying amounts of the assets in question approximate the carrying value that would have been determined had the Department been applying GRAP on the date of transfer.

## **1.11. Commitments**

No provision is made for projects approved for recapitalisations at year-end, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Where a project has been approved and contracted, it is disclosed as commitments in the notes to the financial statements.

## **1.12. Irregular, Fruitless and Wasteful Expenditure**

Irregular expenditure means expenditure, other than unauthorized expenditure, incurred in contravention of, or that is not in accordance with a requirement of the Department's approved policies or any applicable legislation, including:

- The PFMA, or
- The state Tender Board Act, 1968 (act No.88 Of 1986), or any regulations made in terms of that Act; or
- Any national legislation providing for procurement in the National Government.



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

Any irregular, fruitless and wasteful expenditure is charged against surplus or deficit in the period in which it is incurred.

### 1.13. Unauthorised Expenditure means

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, trading entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act (No.1 of 1999 as amended by Act 29 of 1999). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.14. Other non-financial receivables

Other non-financial receivables consist of transfer payment to strategic partners for recapitalisation of PLAS' farms, are recognised as prepayment and expensed when a report is received from the strategic partner outlining how the funds were utilised.

### 1.15. Contingent Assets

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

## 1.16. EFFECT OF NEW STANDARDS OF GRAP AND INTERPRETATIONS

### 1.16.1 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following approved Standards of GRAP that are not yet effective are not likely to significantly affect the value of items recognized in the annual financial statements when they are adopted as these standards have been used to formulate the current accounting policies and disclosures where possible.

#### **GRAP 18 Segment Reporting:**

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Trading Entity is still being assessed but it is clear that only presentation and disclosure will be effected. This standard does not yet have an effective date.

#### **GRAP 21 – Impairment of Non-Cash Generating Assets**

This standard becomes effective for years beginning on or after 1 April 2012. It determines the requirements and provides additional guidance on how to impair non-cash generating assets, being assets that are not held to generate any sort of commercial benefit. In particular, it provides guidance on how to determine an assets recoverable service amount in the absence of any future cash flows.

Since the Trading Entity does not currently hold any such assets, this is expected to have a limited impact on the financial statements.

#### **GRAP 23 – Revenue from Non-Exchange Transactions**

This standard becomes effective for years beginning on or after 1 April 2012. It determines the requirements and provides additional guidance on how to account for revenue from non-exchange transactions. The key principles established by this standard have already been utilized to develop appropriate accounting policies and therefore it is not expected to have a significant impact on the financial statements when it becomes effective.

#### **GRAP 24 – Presentation of Budget Information in the Annual Financial Statements**

This standard becomes effective for years beginning on or after 1 April 2012. It determines the specific requirements and provides additional guidance on how to present a comparison between budgeted and actual amounts in the financial statements, as required by GRAP 1. This is expected to increase the level of disclosures currently being provided in terms of the interim guidance from the Accountant General's Office.

#### **GRAP 25 – Employee Benefits**

Similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in prior years, no significant impact on the financial statements of the Trading Entity is expected. This standard does not yet have an effective date.

**GRAP 26 – Impairment of cash-generating assets**

This standard becomes effective for years beginning on or after 1 April 2012. It determines the requirements and provides additional guidance on how to impair cash generating assets, being assets that are expected to generate some sort of commercial benefit. The standard requires a similar treatment to that currently required by IAS 36, the principles of which have already been incorporated into the accounting policies of the Trading Entity in the prior year. As a result, the impact of this standard becoming effective is expected to be limited.

**GRAP 104 – Financial Instruments**

This standard will introduce some relatively significant changes when compared to IAS 39, especially in the way financial assets are classified and treated. However, the impact on the Trading Entity's financial statements is not expected to be significant and is still being assessed due to limited and simple nature of financial instrument it holds. This standard does not yet have an effective date.

**GRAP 105 – Transfer of Function Between Entities Under common Control**

This standard provides the accounting treatment for transfers of functions between entities under common control and has already been referred to in developing an appropriate accounting policy for the treatment of the assets transferred to the Trading Entity from the Department.

**GRAP 106 – Transfer of Function Between Entities Not Under common Control**

This standard deals with other transfers of functions and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Trading Entity will enter into any such transactions in the foreseeable future.

**GRAP 107 – Mergers**

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Trading Entity in the foreseeable future.

**The following interpretations are effective and are expected to have an insignificant impact on the financial statements, since they generally reflect the interpretations and principles already applied by the trading Entity in previous years. Apart from the interpretations relating to leases, it is unlikely that the Trading Entity will encounter any of these issues in the normal course of its business.**

Preface to Interpretations of the Standards of GRAP

IGRAP1 - Applying the Probability Test on Initial Recognition of Exchange Revenue.

IGRAP2 - Changes in Existing Decommissioning Restoration and Similar Liabilities.

IGRAP3 - Determining Whether an Arrangement Contains a Lease.

IGRAP4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

IGRAP5 - Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies.

IGRAP6 - Loyalty Programmes.

IGRAP7 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interact action.

IGRAP8 - Agreements for the Construction of Assets from Exchange Transactions.

IGRAP9 - Distributions of Non-cash Assets to Owners.

IGRAP10 - Assets Received from Customers.

IGRAP13 - Operating Leases – Incentives.

IGRAP14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IGRAP15 - Revenue - Barter Transactions Involving Advertising Services.

**2. PROPERTY, PLANT AND EQUIPMENT**

Current year , 2012

	Agricul- tural Land	Buildings	Farm Infra- structure	Agricul- ture Equip- ment	Motor Vehicle	Intangible	Work in Progress	Total
<b>Gross carrying amount</b>	<b>5 860 663</b>	<b>362 264</b>	<b>188 141</b>	<b>80 640</b>	<b>10 053</b>	<b>2 006</b>	<b>1 069</b>	<b>6 504 838</b>
Opening Balance	-	-	-	-	-	-	-	-
Transfer in Net Book Value from Inventory	5 860 663	362 264	188 141	80 640	10 053	2 006	1 069	6 504 838

The entire net book value (after impairment) of inventory was transferred to PPE at year –end in accordance with a decision to hold these assets for the purpose of leasing them to prospective beneficiaries until such time as the entity is satisfied that disposal would be appropriate. Since this is deemed to be in accordance with the entity's service delivery mandate rather than for rental income or capital appreciation, the properties have not been classified as investment property.

**3. OTHER FINANCIAL ASSETS**

	2012 R'000	2011 R'000
Deposits	2 316	-
Financial assistance	214 138	-
Financial assistance paid	208 000	-
Interest earned	6 138	-
	<u>216 454</u>	<u>-</u>

Other financial assets comprises of electricity deposit for new meter connections paid to Eskom and financial assistance to farmers under distress indebted to Land Bank as approved by cabinet. Interest is earned on the financial assistance made to Land Bank

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of:

Cash at bank	<u>86 490</u>	<u>259 377</u>
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Cash and deposits are held with a registered banking institution which is subjected to insignificant credit risk. The maximum exposure to credit risk at balance sheet date is the fair value of cash and cash equivalents mentioned above.

**5. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Operating lease receivables	52 550	34 686
Deferred lease assets	823	373
	<u>53 373</u>	<u>35 059</u>

**Credit quality of trade and other receivables**

The carrying value of operating lease receivables of R52 550 (R34 686, 2011), is stated after an allowance for impairment of R74 995 (R47 756, 2011). An allowance for impairment of operating lease will be assessed at the end of the reporting date. The gross operating lease receivables value of R127 545 (R82 442, 2011).

**Trade and other receivables past due but not impaired**

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2012, R52 550 (R34 686, 2011), were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Less than 3 months	13 240	8 292
3 - 6 months	8 503	8 364
6 - 12 months	14 327	5 587
Over 12 months	16 480	12 443
	<u>52 550</u>	<u>34 686</u>

	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Trade and other receivables impaired		
The amount of the allowance is R74 995 as of 31 March 2012, and R47 756 as of 31 March 2011		
The ageing of the allowance is as follows:	3 963	1 906
3 to 6 months	71 032	45 850
Greater Than 6 months		

The Trading Entity assesses an allowance for impairment at the end of the reporting period

#### 6. OTHER RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

Department: Rural Development and Land Reform: Receivables*	8 310	6 291
Deferred/prepaid expenses	179 369	98 713
Other Debtors	45	1 867
	<u>187 724</u>	<u>106 871</u>

\* The Inter departmental receivables relate to amounts paid by the Trading entity on behalf of the Department: Rural Development and Land Reform and not yet transferred at year end.

#### 7. INVENTORIES

Opening balance	4 430 463	3 216 912
Adjustments	(1 092)	(1 148)
Correction of prior year error	-	115 370
Additions done during the year	2 212 219	1 110 789
Impairment to Net Releasable Value	(136 701)	(12 610)
Work in progress	(51)	1 150
Transfer to PPE	(6 504 838)	-
<b>Closing Balance</b>	<u>-</u>	<u>4 430 463</u>

The entire balance of inventories was transferred to property, plant and equipment during the current year due to a change in the intention and business model of the entity effective as at year end. Refer to detailed explanation note in 1.1. Presentation significant judgment and sources of estimation uncertainty and to note 2: Property, Plant and Equipment.

#### 8. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Accrued expenses	12 043	10 071
Lease payments received in advance	4 384	4 246
	<u>16 427</u>	<u>14 317</u>

#### 9. RESERVES

Opening Balance	2 653 573
Assets transferred from the department	-
Transfer to Accumulated Surplus	<u>(2 653 573)</u>
	<u>-</u>

The reserves were transferred from the reserve account to the accumulated surplus account in accordance with GRAP 105: Transfer of function for entities under common control.

#### 10. REVENUE: NON-EXCHANGE

Grant Income	<u>2 435 784</u>	<u>1 028 480</u>
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The grant was received from the Department: Rural Development and Land Reform for the purposes of executing the Proactive Land Acquisition Strategy.

	<i>Note</i>	<b>2012 R'000</b>	<b>2011 R'000</b>
<b>11. GOODS AND SERVICES/OPERATING EXPENSES</b>			
Administrative expenses		60	25
Advertising		40	-
Assets expensed below capitalization threshold		318	995
Communication		155	-
Consultants, contractors and outsourced services	11.1	42 793	11 118
Courier and delivery services		459	66
Maintenance and Repair costs	11.2	10 931	3 797
Training and Skills Development		672	1 385
Other operating expenses	11.3	<u>93 349</u>	<u>22 039</u>
		<b><u>148 777</u></b>	<b><u>39 425</u></b>
<b>11.1. Consultants, Contractors and outsourced services</b>			
Valuation		12 972	4 445
Travel and Accommodation – Projects Management		2 030	399
Professional Fees - Projects Management		<u>27 791</u>	<u>6 673</u>
		<b><u>42 793</u></b>	<b><u>11 517</u></b>
<b>11.2. Maintenance and Repair Costs</b>			
Repairs and Maintenance : Motor Vehicles		159	182
Repairs and Maintenance : Buildings		-	45
Repairs and Maintenance : Infrastructure		10 559	3 507
Repairs and Maintenance : Agricultural Equipment		<u>213</u>	<u>63</u>
		<b><u>10 931</u></b>	<b><u>3 797</u></b>
<b>11.3. Other Operating Expenditure</b>			
Biological Assets		53 883	10 697
Animal Feeds		2 610	1 756
Business Planning Costs		1 974	713
Legal Fees		402	38
Management Fees		4 558	30
Rates & Taxes		514	349
Land Preparation and Firing		6 466	170
Security Expenses		183	564
Fuel & Diesel Expenses		1 472	1 195
Licenses Fees		9	-
Water & Electricity		1 821	1 286
Road Grading and Other Repair		-	748
Consumables		6 113	278
Inv Med: Animal Vaccines		29	9
Inv Med: Medicine		1 905	11
Fertilizer		6 901	3 520
Seeds		1 844	63
Temporary Staff		<u>2 665</u>	<u>214</u>
		<b><u>93 349</u></b>	<b><u>21 640</u></b>
<b>12. FINANCE COSTS</b>			
Interest paid for late payment to conveyances and water accounts		<u>83</u>	<u>45</u>
<b>13. IMPAIREMENT</b>			
Impairment of scrap and unverified assets		136 701	12 610
Impairment of debtors		<u>27 240</u>	<u>24 917</u>
		<b><u>163 941</u></b>	<b><u>37 527</u></b>

14. CASH GENERATED FROM OPERATIONS	2012 R'000	2011 R'000
Surplus for the period	2 215 001	1 020 590
<b>Non Cash Movements:</b>		
Increase in provision for bad debts	27 240	24 917
Write-off of inventory to net realisable value	136 701	12 610
Increase: Inventories	(2 211 076)	(1 111 937)
Increase: Trade and other receivables from exchange transactions	(45 554)	(30 589)
Decrease/Increase: Trade and other receivables from non-exchange transactions	(297 309)	(63 972)
Decrease/Increase: Trade and other payables from exchange transactions	2 110	(23 609)
Decrease/Increase: Trade and other payables from non-exchange transactions	-	(80 003)
<b>Net cash (outflow)/inflow generated from operating activities</b>	<b>(172 887)</b>	<b>(251 993)</b>

#### 15. FINANCIAL ASSETS BY CATEGORY

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

##### 2012

	Loans and receivables	Total
Cash and cash equivalents	86 490	86 490
Trade and other receivables from exchange transactions	53 373	53 373
Trade and other receivables from non-exchange transactions	187 724	187 724
	<b>327 587</b>	<b>327 587</b>

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

##### 2011

	Loans and receivables	Total
Cash and cash equivalents	259 377	259 377
Trade and other receivables from exchange transactions	35 059	35 059
Trade and other receivables from non-exchange transactions	106 871	106 871
	<b>401 307</b>	<b>401 307</b>

#### 16. FINANCIAL LIABILITIES BY CATEGORY

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

##### 2012

	Financial liabilities at amortised cost	Total
Trade and other payables from exchange transactions	16 427	16 427

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

##### 2011

	Financial liabilities at amortised cost	Total
Trade and other payables from exchange transactions	14 317	14 317
	<b>14 317</b>	<b>14 317</b>

## 17. RELATED PARTIES

### Relationships

Controlling state entity: Department: Rural Development and Land Reform

The trading entity is a related party to other state departments and other state owned entities. The trading entity does not separately disclose related parties unless there are transactions or balances between the trading entity and the related parties and, in accordance with IPSAS 20: Related Parties, those transactions were not on normal terms and practice for the sector.

	2012 R'000	2011 R'000
<b>Related party balances</b>		
<b>Inter departmental receivables /(payables)</b>		
Department : Rural Development and Land Reform: Receivables	8 311	6 291

### Related party transactions

#### Grant Received

Department: Rural Development and Land Reform	2 435 784	1 028 480
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No executive emoluments are paid by the entity, as they are remunerated by the Department of Rural Development & Land Reform.

The Department: Rural Development and Land Reform also provides administrative services to the trading entity at no cost. These are not accounted for but disclosed as services in kind. Refer to note 19.

## 18. RISK MANAGEMENT

### Financial risk management

The trading entity's activities expose it to a variety of financial risks, credit risk and liquidity risk.

The trading entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the trading entity's financial performance. Risk management is carried out by a management committee of the department under the risk management framework approved by the Audit Committee

### Liquidity risk

The table below analyses the trading entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Trade Payables	Less than 3 Months	Between 3 & 6 months	Between 6 months & less than 1 year	
<b>At 31 March 2012</b>				
Trade and other payables from exchange transactions	<u>16 427</u>			
	Less than 3 Months	Between 3 & 6 months	Between 6 months & less than 1 year	
<b>At 31 March 2011</b>				
Trade and other payables from exchange transactions	<u>14 317</u>			
<b>Trade Receivables</b>	Less than 3 Months	Between 3 & 6 months	Between 6 months & less than 1 year	Over 1 year
<b>At 31 March 2012</b>				
Trade and other receivables from exchange transactions	<u>13 240</u>	<u>8 503</u>	<u>14 327</u>	<u>16 480</u>
	Less than 3 Months	Between 3 & 6 months	Between 6 months & less than 1 year	Over 1 year
<b>At 31 March 2011</b>				
Trade and other receivables from exchange transactions	<u>8 292</u>	<u>8 364</u>	<u>5 587</u>	<u>12 443</u>

**Interest rate risk**

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

All interest accrued is transferred to the National Revenue Fund.

**Credit risk**

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

	2012 R'000	2011 R'000
<b>Financial assets exposed to credit risk at year end were as follows:</b>		
<b>Financial instrument</b>		
Cash and cash equivalents	86 490	259 377
Trade and other receivables from exchange transactions	53 373	35 059
Trade and other receivables from non-exchange transactions	187 724	106 871
	<u>327 587</u>	<u>401 307</u>

**19. RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) STATEMENT OF FINANCIAL PERFORMANCE**

<b>Net surplus per statement of financial performance</b>	<b>2 215 001</b>	<b>1 020 590</b>
<b>Adjusted for:</b>		
Surplus funds rolled-over	259 377	511 370
Total expenditure per budget	(2 480 559)	(1 361 084)
Impairment of assets	136 728	12 610
Impairment of debtors	27 239	24 917
<b>Net surplus per approved budget</b>	<b><u>157 786</u></b>	<b><u>208 403</u></b>

The department prepares its budget on a cash basis, which is not directly comparable with financial statements of the Trading Entity. Consequently, in accordance with GRAP1, reconciliation is prepared.

**20. 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.

**21. SERVICES IN KIND**

The Agricultural Land Holdings Account falls under the administration of the Department of Rural Development and Land Reform. The executives of the department spend some of their time on the affairs of the trading entity. Furthermore, the department provides the services of internal audit function, information technology and staff training. There is no cost charged by the department in this regard.

**22. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

<b>Fruitless and Wasteful Expenditure</b>		
Finance and legal Costs	<u>439</u>	<u>45</u>

**Finance Costs:**

The expenditure relates to interest paid on late payment of legal fees on land transferred. The reasons for the wasteful expenditure are still under investigation and should the expenditure be deemed recoverable, this amount will be recorded as an asset in the statement of financial position.



**23. FUTURE MINIMUM LEASE PAYMENTS**

	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Operating leases – as lessor (income)		
Minimum lease payments due		
within one year	42 550	20 718
in second to fifth year inclusive	94 612	36 089
later than five years	4 331	-
	<u>141 493</u>	<u>56 807</u>

The trading entity has entered into lease agreements with identified beneficiaries for the lease of farms. The duration of the lease agreements periods range from one year and more than five years. Lease agreements contain escalation clauses of between 5% and 16% per annum.

**24. COMMITMENTS**

The trading entity has the following committed as at 31 March 2012

Contracted recapitalisation projects	180 174	125 003
WIP/Recapitalisations	6 755	1 051
Guarantees Land acquisition	226 533	41 205
Project Management	63 158	96 870
Land Bank	-	208 000
Open orders	3 816*	-
	<u>480 436</u>	<u>472 130</u>

\* The trading entity had open orders to the amount of R3 815 954.32 at year end.

The trading entity has generated a net surplus of R2 214 999 063 for the period ended 31 March 2012 representing the net assets values of the assets of the entity. The net cash on hand is R86 489 974. The trading entity prepares its financial statement on accrual basis of accounting, therefore the surplus generated does not necessarily represents excess funds or unspent funds as were on cash basis of accounting. Subsequent to year end, an amount of R16 456 216 was transferred to Strategic Partners

National Treasury's approval has been sought to retain the surplus funds in order to complete projects in progress/farm's capital development.

**25. DISCLOSURE OF PRIOR PERIOD ERRORS**

**Inventory:**

During the current year when the Department immovable asset register was reviewed, it was discovered that there are farms acquired under proactive strategic programme that were not included on the list of assets transferred to the ALHA. The correction of the error amounting to R115m has been applied retrospectively against the earliest opening balances of accumulated surplus presented in the reported Statement of Net Assets, with a corresponding increase in the opening for a transfer of function for entities under common control GRAP 105, and an increase in closing balance of inventories for the 2010 year end.

The statement of financial position as at 31 March 2010 was restated as follows:

Balance previously reported	4 315 093
Correction of error	<u>115 370</u>
Restated Balance	<u>4 430 463</u>

**Trade and other receivable from exchange transactions:**

During the year it emerged that the trading entity had incorrectly recognised revenue and also did not recognise revenue and receivable on certain lease contracts for which the original lease term had expired, These contracts continued on a month-to-month basis, this means that the revenue receivable from these contracts was not recognized in prior year financial statements. As the error was made in prior reporting period to the comparative period.

The statement of financial position was restated as follows:

	2012 R'000	2011 R'000
<b>Rental Receivable</b>		
Balance previously reported	30 082	29 076
Correction of error additional debtors	4 604	1 006
Restated Balance	<u>34 686</u>	<u>30 082</u>

Effects in the statement of financial performance as at 31 March 2011

Rental revenue		9 379
Interest		280
Provision		(5 055)
Restated surplus		<u>4 604</u>

**Trade and Other Receivable from Non Trade:**

During the financial year ended 2008/09 the Department acquired a farm and immovable property, included in the acquisition was 1 113 383 shares at a nominal value of R 1. These shares were part of the land that was transferred to ALHA. It was determined this current year that the shares were bought back in 2008/09 and income was accrued to ALHA from that time. Trading entity also determined that an amount was due by a supplier as a result of VAT payment.

The statement of financial position was restated as follows:

**Trade and Other Receivable from Non Trade**

Balance as reported	106 678	42 899
Movement	-	62 106
Correction of error: other debtors not recorded - Shares	148	1 673
Correction of error: other debtors not recorded - VAT	45	-
Restated balance	<u>106 871</u>	<u>106 678</u>

Effects in the statement of financial performance as at 31 March 2011

**Other Income**

Correction of error: Income not recorded - Shares		148
Correction of error: Income not recorded - VAT		45
Restated surplus		<u>193</u>

**Restated Accumulated surplus as at 31 March 2010:**

Accumulated surplus was restate as follows:

Balance as reported		3 674 015
Correction of prior year error		118 049
Restated		<u>3 792 064</u>

**26. CONTIGENT ASSETS**

During the year, the Trading entity determined that a farmer has unlawfully removed movable assets to the value of R 1 596 331.11 from the farm. As a result the Trading Entity has taken legal action against the farmer to recover the loss of assets.

**27. COMPARATIVES FIGURES**

The comparatives information has been reclassified from previous year's reported information where appropriate to comply with reporting requirements (GRAP 101).



part four  
HUMAN RESOURCE MANAGEMENT



rural development  
& land reform

Department:  
Rural Development and Land Reform  
REPUBLIC OF SOUTH AFRICA

# Human Resource Management

## Service delivery

All departments are required to develop a Service Delivery Improvement (SDI) Plan. The following tables reflect the components of the SDI plan as well as progress made in the implementation of the plans.

**Table 1.1 – Main services provided and standards**

Main services	Actual customers	Potential customers	Standard of service	Actual achievement against standards
1. Recruitment and Selection.	<ul style="list-style-type: none"> <li>• DRDLR Line Managers</li> <li>• Applicants</li> <li>• DRDLR Employees</li> </ul>	<ul style="list-style-type: none"> <li>• DRDLR Line Managers</li> <li>• Applicants</li> <li>• DRDLR Employees</li> </ul>	10 % Vacancy rate	11.47 % - The variance is due to attrition rate and stringent requirement of filling OSD (Occupational Specific Dispensation).
2. Manage the Departmental Budget	<ul style="list-style-type: none"> <li>• National Treasury</li> <li>• Auditor-General</li> <li>• DRDLR Programme Managers</li> <li>• DRDLR Deputy Minister</li> <li>• DRDLR Minister</li> <li>• Service Providers</li> </ul>	<ul style="list-style-type: none"> <li>• National Treasury</li> <li>• Auditor-General</li> <li>• DRDLR Programme Managers</li> <li>• DRDLR Deputy Minister</li> <li>• DRDLR Minister</li> <li>• Service Providers</li> </ul>	Unqualified Audit Report	ALHA Trading Account received an unqualified report. Department was qualified on immovable assets. Management Action Plan will be drawn up to address audit findings.
3. Acquisition of goods and services	<ul style="list-style-type: none"> <li>• DRDLR Employees</li> <li>• External Service Providers</li> </ul>	<ul style="list-style-type: none"> <li>• DRDLR Employees</li> <li>• External Service Providers</li> </ul>	Unqualified Audit Report	No non-compliance issues were reported by the Office of the Auditor General on Supply Chain Management.
4. Examine and approve diagrams, general plans and sectional title plans under normal workload in accordance with legislation, practice and procedure	<ul style="list-style-type: none"> <li>• Public</li> <li>• Government Departments and Agencies</li> <li>• Land Surveyors</li> </ul>	<ul style="list-style-type: none"> <li>• Public</li> <li>• Government Departments and Agencies</li> <li>• Land Surveyors</li> </ul>	Average number of days taken to examine and approve cadastral documents (14 days)	Twenty one days taken to examine and approve cadastral documents – target not achieved due to lack of professional staff in the offices.
5. Deeds registration that underpins security of Land Tenure	<ul style="list-style-type: none"> <li>• Land owners</li> <li>• Potential land owners</li> <li>• Holders of real rights in land</li> <li>• Conveyancers/ Notaries</li> <li>• Municipalities</li> <li>• Government Departments</li> <li>• Financial Institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Land owners</li> <li>• Potential land owners</li> <li>• Holders of real rights in land</li> <li>• Conveyancers/ Notaries</li> <li>• Municipalities</li> <li>• Government Departments</li> <li>• Financial Institutions</li> </ul>	Number of registrations 360,000	901 068 Registrations – Target exceeded.

Main services	Actual customers	Potential customers	Standard of service	Actual achievement against standards
6. Provide Spatial Planning and Land Use Management Services to promote the efficient, equitable and sustainable use of Land	<ul style="list-style-type: none"> <li>Provinces</li> <li>Municipalities</li> <li>Government Departments</li> <li>Internal (Land Reform, Rural Development)</li> </ul>	<ul style="list-style-type: none"> <li>Provinces</li> <li>Municipalities</li> <li>Government Departments</li> <li>Internal (Land Reform, Rural Development)</li> </ul>	25 Spatial Development Plans	0 SDFs completed. Delays in the procurement process. New projects related to the Bill were started that were more urgent.
7. To acquire and allocate strategically located land	<ul style="list-style-type: none"> <li>Rural communities and emerging farmers</li> </ul>	<ul style="list-style-type: none"> <li>Rural communities and emerging farmers</li> </ul>	<ul style="list-style-type: none"> <li>303612ha acquired</li> <li>40 emerging farmers capitalised</li> <li>387 farms recapitalised</li> </ul>	<ul style="list-style-type: none"> <li>392,850 ha distributed – Target exceeded</li> <li>277 emerging farmers capacitated – Target exceeded</li> <li>261 farms recapitalised</li> </ul>
8. Facilitate and implement rural social and economic infrastructure	<ul style="list-style-type: none"> <li>Rural communities</li> </ul>	<ul style="list-style-type: none"> <li>Rural communities</li> <li>Urban Communities</li> <li>Donor Agencies</li> </ul>	Roll out of infrastructure to 23 priority districts in 8 Provinces	
9. Social mobilisation and enterprise development support in rural communities	<ul style="list-style-type: none"> <li>Rural communities</li> </ul>	<ul style="list-style-type: none"> <li>Rural communities</li> <li>Urban Communities</li> <li>Donor Agencies</li> </ul>	CRDP rolled out to 180 wards in all 9 provinces	
10. To settle restitution claims and provide settlement support	<ul style="list-style-type: none"> <li>Dispossessed communities</li> </ul>	<ul style="list-style-type: none"> <li>Dispossessed communities</li> </ul>	360 land rights restored or awards of equitable redressed finalised	209 backlog claims were finalised

**Table 1.2 – Consultation arrangements with customers**

Type of arrangement	Actual Customers	Potential Customers	Actual achievements
Quarterly Client Satisfaction Surveys	<ul style="list-style-type: none"> <li>Internal staff</li> <li>Land Reform beneficiaries</li> <li>Land surveyors</li> <li>Conveyancers</li> <li>General public</li> </ul>	CRDP beneficiaries	<p><b>Partially achieved</b></p> <p>Conducted Internal Client Satisfaction Survey for internal staff</p> <p>Conducted External Client Satisfaction Surveys in some Offices of the DRDLR</p>

**Table 1.3 – Service delivery access strategy**

Access Strategy	Actual achievements
Public Service Week (PSW)	Public Service Week events were held in Mpumalanga, Northern Cape, Western Cape, Eastern Cape, Free State, Limpopo, North West and KwaZulu-Natal. Activities included stalls, exhibitions, community outreach and deployment of senior managers to coalface in Eastern Cape province.
Signage	Two (2) signage boards installed at National Office premises. One at the corner of Paul Kruger & Jeff Masemola Streets and the other at the entrance to the VIP parking area, located at Paul Kruger Street. Upgraded one (1) large Pylon signage on the outside of the main entrance to South Block Building, located at 184 Jeff Masemola Street.
Geographical access of offices	DRDLR procured two new office buildings:- <ol style="list-style-type: none"> <li>Capitol Towers in Pretoria for the National Office.</li> <li>52 Market Street building in Vryburg for the Vryburg District Office.</li> </ol>

**Table 1.4 – Service information tool**

Types of information tool	Actual achievements
Exhibitions, Workshops	42 of exhibitions on departmental programmes/services
Community Outreach Programmes	No of outreach programmes

**Table 1.5 – Complaints mechanism**

Complaints Mechanism	Actual achievements
271 Presidential Hotline queries received	The department responded to 215 Presidential Hotline queries

## 2. Expenditure

The department budgeted in terms of clearly defined programmes for the 2011/2012 financial year. The following tables summarise the final audited expenditure by Programme (Table 2.1) and by Salary Bands (Table 2.2). In particular, it provides an indication of the amount spent on Personnel Costs in terms of each of the Programmes or Salary Bands within the department. The tables thereafter provide a summary per Programme (Table 2.3) and Salary Bands (Table 2.4), of expenditure incurred as a result of salaries, overtime, housing allowance and medical assistance. In each case, the table provides an indication of the percentage of the Personnel Budget that was used for these items.

**Table 2.1 – Personnel costs by Programme 2011/12**

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Professional and Special Services (R'000)	Personnel cost % of Total Expenditure	Average Personnel Cost per Employee (R'000)
Administration	292,831	277,863	11,109	3,858	20.23	217,591
Restitution	139,463	138,771	537	155	10.10	279,782
Land Reform	139,929	138,645	563	720	10.09	257,706
Rural Development	58,695	58,321	374	0	4.25	243,005
Geo-Spatial and Cadastral	226,083	224,189	1,893	0	16.32	194,272
Deeds Registration	516,741	285,082	165	167	20.75	251,174
<b>Total</b>	<b>1,373,742</b>	<b>1,122,871</b>	<b>14,641</b>	<b>4,900</b>	<b>81.74</b>	<b>231,999</b>

**Table 2.2 – Personnel Costs by Salary Bands 2011/12**

Salary bands	Personnel Expenditure (R'000)	% of total Personnel Cost	Average Personnel Cost per Employee (R'000)
Lower skilled (Levels 1-2)	0	0.00	0
Skilled (Levels 3-5)	104,468	9.30	170,144
Highly skilled production (Levels 6-8)	466,683	41.56	180,326
Highly skilled supervision (Levels 9-12)	414,838	36.94	289,490
SMS (Levels 13-16)	136,882	12.19	667,720
<b>Total</b>	<b>1,122,871</b>	<b>100.00</b>	<b>231,999</b>

**Table 2.3 – Salaries, Overtime, Housing Allowance and Medical Assistance by Programme 2011/12**

Programme	Salaries		Overtime		Housing Allowance		Medical Assistance	
	Amount (R'000)	% of Personnel Cost	Amount (R'000)	% of Personnel Cost	Amount (R'000)	% of Personnel Cost	Amount (R'000)	% of Personnel Cost
Administration	244,166	25.50	6,670	54.43	9,913	26.69	17,112	26.26
Restitution	124,033	12.95	957	7.81	4,695	12.64	9,085	13.94
Land Reform	125,508	13.11	83	0.68	4,526	12.18	8,527	13.08
Rural Development	53,690	5.61	256	2.09	1,554	4.18	2,820	4.33
Geo-Spatial and Cadastral	202,731	21.17	3,648	29.77	6,780	18.25	11,033	16.93
Deeds Registration	207,547	21.67	639	5.21	9,679	26.06	16,595	25.46
<b>Total</b>	<b>957,676</b>	<b>100.00</b>	<b>12,255</b>	<b>100</b>	<b>37,146</b>	<b>100.00</b>	<b>65,173</b>	<b>100.00</b>

**Table 2.4 – Salaries, Overtime, Housing Allowance and Medical Assistance by Salary Bands 2011/12**

Salary Bands	Salaries		Overtime		Housing Allowance		Medical Assistance	
	Amount (R'000)	% of Personnel Cost	Amount (R'000)	% of Personnel Cost	Amount (R'000)	% of Personnel Cost	Amount (R'000)	% of Personnel Cost
Lower skilled (Levels 1-2)	0	0,00	0	0,00	0	0,00	0	0,00
Skilled (Levels 3-5)	81,551	8.52	2,602	21.23	7,533	20.28	15,632	23.99
High Production (Levels 6-8)	381,637	39.85	6,425	52.43	16,381	44.10	30,213	46.36
High Supervision (Levels 9-12)	375,246	39.18	3,228	26.34	11,726	31.57	18,992	29.14
SMS (Levels 13-16)	119,241	12.45	0	-	1,505	4.05	335	0.51
<b>Total</b>	<b>957,676</b>	<b>100.00</b>	<b>12,255</b>	<b>100</b>	<b>37,146</b>	<b>100.00</b>	<b>65,173</b>	<b>100.00</b>

### 3. Employment and vacancies

The following tables summarise the number of posts in the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables: - Programme (Table 3.1), Salary Band (Table 3.2) and Critical Occupations (Table 3.3). The department has identified critical occupations that need to be monitored. Table 3.3 provides establishment and vacancy information for the key critical occupations of the department. The vacancy rate reflects the percentage of posts that are not filled.

**Table 3.1 – Employment and Vacancies by Programme, 31 March 2012**

Programme	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Administration	1472	1277	13.25	223
Restitution	563	496	11.90	70
Land Reform	612	538	12.09	139
Rural Development	345	240	30.43	21
Geo-Spatial and Cadastral	1230	1154	6.18	471
Deeds Registration	1245	1135	8.84	21
<b>Total</b>	<b>5467</b>	<b>4840</b>	<b>11.47</b>	<b>945</b>

**Table 3.2 – Employment and Vacancies by Salary Bands, 31 March 2012**

Salary Band	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Lower skilled (Levels 1-2)	0	0	0.00	0
Skilled (Levels 3-5)	636	614	3.46	358
High Production (Levels 6-8)	2850	2588	9.19	448
High Supervision (Levels 9-12)	1719	1433	16.64	135
SMS (Levels 13-16)	262	205	21.76	4
<b>Total</b>	<b>5467</b>	<b>4840</b>	<b>11.47</b>	<b>945</b>

**Table 3.3 – Employment and Vacancies by Critical Occupation, 31 March 2012**

Critical occupations	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Architects	51	34	33.33	22
Cartographers and Surveyors	318	303	4.72	42
Cartographic Surveying and Related Technicians	213	193	9.39	113
Community Development Workers	576	494	14.24	121
General Legal Administration and Related Professionals	1017	951	6.49	21
Natural Sciences Related	421	362	14.01	37
Other	2871	2503	12.82	589
<b>Total</b>	<b>5467</b>	<b>4840</b>	<b>11.47</b>	<b>945</b>



## 4. Job Evaluation

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his/her department in accordance with the Public Service Regulations, 2001. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. Table 4.1 summarises the number of jobs that were evaluated during the year under review. Most of the department's funded posts have been evaluated during the 2009/2010 and 2010/2011 financial year. Table 4.2 provides a summary of the number of employees whose salary positions were upgraded due to their posts being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant. Table 4.3 summarises the number of cases where remuneration levels exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case. Table 4.4 summarises the beneficiaries of the above in terms of race, gender, and disability.

**Table 4.1 – Job Evaluation, 1 April 2011-31 March 2012**

Salary Band	Number of posts	Number of Jobs Evaluated	% of posts evaluated by Salary Bands	Posts Upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower skilled (Levels 1-2)	0	0	0.00	0	0.00	0	0.00
Skilled (Levels 3-5)	636	19	2.99	0	0.00	0	0.00
High Production (Levels 6-8)	2850	336	11.79	0	0.00	0	0.00
High Supervision (Levels 9-12)	1719	263	15.30	17	6.46	0	0.00
SMS Band A	180	47	26.11	0	0.00	0	0.00
SMS Band B	70	10	14.29	0	0.00	0	0.00
SMS Band C	9	1	11.11	0	0.00	0	0.00
SMS Band D	3	0	0.00	0	0.00	0	0.00
<b>Total</b>	<b>5467</b>	<b>676</b>	<b>12.37</b>	<b>17</b>	<b>2.51</b>	<b>0</b>	<b>0.00</b>

**Table 4.2 – Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2011-31 March 2012**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Employees with a disability</b>					<b>0</b>

**Table 4.3 – Employees whose salary level exceed the grade determined by Job Evaluation (in terms of PSR 1. V.C.3), 1 April 2011-31 March 2012**

Occupation	Number of employees	Job Evaluation Level	Remuneration Level	Reason for Deviation
Architects	1	9	11	Recruitment/Retention
Cartographers and Surveyors	0	0	0	Not applicable
Cartographic Surveying and Related Technicians	3	5	6	Recruitment/Retention
Community Development Workers	8	7	8	Recruitment/Retention
Community Development Workers	3	8	9	Recruitment/Retention
General Legal Administration and Related Professionals	1	7	9	Recruitment/Retention
General Legal Administration and Related Professionals	1	8	9	Recruitment/Retention
General Legal Administration and Related Professionals	1	12	13	Recruitment/Retention
Natural Sciences Related	2	10	11	Recruitment/Retention
Other	4	3	4	Recruitment/Retention
Other	3	4	5	Recruitment/Retention
Other	15	5	6	Recruitment/Retention
Other	11	6	7	Recruitment/Retention
Other	9	7	8	Recruitment/Retention
Other	6	8	9	Recruitment/Retention
Other	1	9	10	Recruitment/Retention
Other	2	10	11	Recruitment/Retention
Other	2	12	13	Recruitment/Retention
Other	1	13	14	Recruitment/Retention
Other	1	14	15	Recruitment/Retention
Other	1	14	16	Recruitment/Retention
<b>Total Number of Employees whose salaries exceeded the level determined by Job Evaluation</b>				<b>76</b>
<b>Percentage of total Employment</b>				<b>1.57%</b>

**Table 4.4 – Profile of employees whose Salary Level exceeds the grade determined by Job Evaluation, 1 April 2011-31 March 2012 (in terms of PSR 1. V.C.3)**

Beneficiaries	African	Asian	Coloured	White	Total
Female	34	1	2	7	44
Male	28	1	0	3	32
<b>Total</b>	<b>62</b>	<b>2</b>	<b>2</b>	<b>10</b>	<b>76</b>
<b>Employees with a disability</b>					<b>2</b>

## 5. Employment changes

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the department. The following tables provide a summary of turnover rates by Salary Band (Table 5.1) and by Critical Occupations (Table 5.2). Table 5.3 identifies the major reasons why staff left the department.

**Table 5.1 – Annual turnover rates by salary band for the period 1 April 2011-31 March 2012**

Salary Band	Number of Employees per band as on 1 April 2011	Appointments and Transfers into the department	Terminations and Transfers out of the department	Turnover Rate
Lower skilled (Levels 1-2)	0	0	0	0.00
Skilled (Levels 3-5)	393	250	29	7.37
High Production (Levels 6-8)	2520	124	56	2.22
High Supervision (Levels 9-12)	1436	41	44	3.06
SMS Band A	136	8	5	3.67
SMS Band B	56	4	2	3.57
SMS Band C	6	0	1	16.66
SMS Band D	2	1	0	0.00
<b>Total</b>	<b>4549</b>	<b>428</b>	<b>137</b>	<b>3.01</b>

**Table 5.2 – Annual Turnover Rates by Critical Occupation for the period 1 April 2011-31 March 2012**

Occupation	Number of Employees per occupation as on 1 April 2011	Appointments and Transfers into the department	Terminations and Transfers out of the department	Turnover Rate
Architects	34	0	0	0.00
Cartographers and Surveyors	308	10	15	4.87
Cartographic Surveying and Related Technicians	190	6	3	1.57
Community Development Workers	507	0	13	2.56
General Legal Administration and Related Professionals	952	12	13	1.36
Natural Sciences Related	354	12	4	1.12
Other	2204	388	89	4.03
<b>Total</b>	<b>4549</b>	<b>428</b>	<b>137</b>	<b>3.01</b>

**Table 5.3 – Reasons why staff are leaving the department**

Termination Type	Number	% of total
Death	17	12.40
Resignation	56	40.87
Expiry of contract	50	36.49
Dismissal – misconduct	1	0.72
Discharged due to ill-health	1	0.72
Retirement	11	8.02
Transfers to other Public Service Departments	1	0.72
<b>Total</b>	<b>137</b>	<b>100.00</b>
<b>Total number of employees who left as a % of the total employment</b>		<b>2.83</b>

**Table 5.4 – Granting of Employee Initiated Severance Packages**

Category	Number of Applications Received	Number of Applications Referred to the MPSA	Number of Applications Supported by MPSA	Number of Packages approved by Department
Lower skilled (Levels 1-2)	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0
Highly Production (Levels 6-8)	0	0	0	0
Highly skilled supervision (Levels 9-12)	0	0	0	0
SMS (Levels 13-16)	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 5.5 – Promotions by Critical Occupation**

Occupation	Employees as at 1 April 2011	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progressions as a % of employees by occupation
Architects	34	0	0.00	0	0.00
Cartographers and Surveyors	308	1	0.32	181	58.77
Cartographic Surveying and Related Technicians	190	1	0.53	60	31.58
Community Development Workers	507	1	0.20	232	45.76
General Legal Administration and Related Professionals	952	12	1.26	763	80.15
Natural Sciences Related	354	32	9.04	119	33.62
Other	2204	187	8.48	1493	67.74
<b>Total</b>	<b>4549</b>	<b>234</b>	<b>5.14</b>	<b>2848</b>	<b>62.61</b>

**Table 5.6 – Promotions by Salary Band**

Salary Band	Employees as at 1 April 2011	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by occupation
Lower skilled (Levels 1-2)	0	0	0.00	0	0.00
Skilled (Levels 3-5)	393	5	1.27	274	69.72
Highly skilled production (Levels 6-8)	2520	104	4.13	1669	66.63
Highly skilled supervision (Levels 9-12)	1436	84	5.85	900	62.67
SMS (Levels 13-16)	200	41	20.50	5	2.50
<b>Total</b>	<b>4549</b>	<b>234</b>	<b>5.14</b>	<b>2848</b>	<b>62.61</b>

## 6. Employment equity

The achievement of representivity in the public service is a requirement in terms of Chapter 10, section 195(i) of the Constitution of the Republic of South Africa. The Department of Rural Development and Land Reform has developed an Employment Equity (EE) Plan, that is informed by Chapter 10 (section 195) and the provisions of the Employment Equity Act, no 55 of 1998 (EEA) to support the creation of an enabling environment for improved service delivery as outlined in its strategic plan for the period 2011 to 2013. The tables in this section are based on the formats prescribed by the Employment Equity Act, 55 of 1998.

**Table 6.1 – Total number of employees (including employees with disabilities) in each of the following Occupational Categories as at 31 March 2012**

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	79	7	7	26	52	6	6	12	195
Professionals	791	75	20	140	753	96	31	193	2099
Technicians and associate professionals	673	38	10	25	543	38	15	94	1436
Clerks	268	22	7	9	466	63	13	82	930
Service and sales workers	12	2	0	5	10	1	0	1	31
Craft and related trades workers	21	1	1	2	1	2	0	3	31
Labourers and related workers	60	3	0	1	43	11	0	0	118
<b>Total</b>	<b>1904</b>	<b>148</b>	<b>45</b>	<b>208</b>	<b>1868</b>	<b>217</b>	<b>65</b>	<b>385</b>	<b>4840</b>
<b>Employees with disabilities</b>	<b>23</b>	<b>4</b>	<b>2</b>	<b>19</b>	<b>20</b>	<b>4</b>	<b>1</b>	<b>16</b>	<b>89</b>

**Table 6.2 – Total number of employees (including employees with disabilities) in each of the following Occupational Bands as at 31 March 2012**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	6	0	0	0	2	0	0	0	8
Senior Management	81	7	7	26	52	6	6	12	197
Professionally qualified specialists and mid-management	434	31	17	82	336	24	14	69	1007
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1075	83	19	91	1266	164	45	303	3046
Semi-skilled and discretionary decision making	308	26	2	7	214	23	0	0	580
Unskilled and defined decision making	2	0	0	0	0	0	0	0	2
<b>Total</b>	<b>1906</b>	<b>147</b>	<b>45</b>	<b>206</b>	<b>1870</b>	<b>217</b>	<b>65</b>	<b>384</b>	<b>4840</b>

**Table 6.3 – Recruitment for the period 1 April 2011-31 March 2012**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	9	0	0	1	0	1	0	1	12
Professionally qualified and experienced specialists and mid-management	22	0	3	2	12	0	0	2	41
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	40	1	1	1	75	3	0	3	124
Semi-skilled and discretionary decision making	131	7	0	1	108	3	0	0	250
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>203</b>	<b>8</b>	<b>4</b>	<b>5</b>	<b>195</b>	<b>7</b>	<b>0</b>	<b>6</b>	<b>428</b>
<b>Employees with disabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 6.4 – Promotions for the period 1 April 2011-31 March 2012**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	17	2	4	4	8	2	2	5	44
Professionally qualified and experienced specialists and mid-management	29	1	0	1	24	1	0	0	56
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	42	0	0	2	32	0	0	0	76
Semi-skilled and discretionary decision making	31	1	0	0	20	4	1	1	58
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>119</b>	<b>4</b>	<b>4</b>	<b>7</b>	<b>84</b>	<b>7</b>	<b>3</b>	<b>6</b>	<b>234</b>
<b>Employees with disabilities</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>

**Table 6.5 – Terminations for the period 1 April 2011-31 March 2012**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	2	0	0	2	1	0	1	1	7
Professionally qualified and experienced specialists and mid-management	18	0	0	7	14	1	1	3	44
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	19	1	0	2	27	0	0	7	56
Semi-skilled and discretionary decision making	9	0	0	1	19	0	0	0	29
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>49</b>	<b>1</b>	<b>0</b>	<b>12</b>	<b>61</b>	<b>1</b>	<b>2</b>	<b>11</b>	<b>137</b>
<b>Employees with disabilities</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

**Table 6.6 – Disciplinary Action for the period 1 April 2011-31 March 2012**

Action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Correctional Counseling	9	0	0	1	4	1	0	3	18
Verbal Warning	0	0	0	0	0	0	0	0	0
Written Warning	0	0	0	1	0	0	0	0	1
Serious Written Warning	2	0	1	0	1	0	0	0	4
Final Written Warning	3	1	0	0	4	0	0	0	8
Suspended without pay	0	0	0	0	1	0	0	0	1
Fine	0	0	0	0	0	0	0	0	0
Demotion	0	0	0	0	0	0	0	0	0
Dismissal	0	0	0	0	1	0	0	1	2
Not guilty	0	0	0	0	1	0	0	0	1
Case withdrawn	6	0	0	0	4	0	0	0	10
<b>Total</b>	<b>20</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>16</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>45</b>
<b>Employees with disabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 6.7 – Skills Development for the period 1 April 2011-31 March 2012**

Occupational Categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	39	1	0	2	30	2	0	1	75
Professionals	700	29	9	76	637	23	10	96	1580
Technicians and associate professionals	547	21	17	80	557	37	18	110	1387
Clerks	350	19	13	86	430	61	14	84	1057
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	60	10	0	0	104	0	0	0	174
<b>Total</b>	<b>1696</b>	<b>80</b>	<b>39</b>	<b>244</b>	<b>1758</b>	<b>123</b>	<b>42</b>	<b>291</b>	<b>4273</b>
<b>Employees with disabilities</b>	<b>16</b>	<b>2</b>	<b>1</b>	<b>10</b>	<b>12</b>	<b>2</b>	<b>0</b>	<b>10</b>	<b>53</b>

## 7. Performance rewards

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability (Table 7.1), salary bands (table 7.2) and critical occupations (Table 7.3).

**Table 7.1 – Performance Rewards by Race, Gender, and Disability**

	Beneficiary Profile			Cost	
	Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee (R)
African Female	558	1848	30.19	7,136	12.789
African Male	512	1881	27.22	6,732	13.148
Coloured Female	81	213	38.03	867	10.704
Coloured Male	47	144	32.64	655	13.936
Indian Female	24	64	37.50	337	14.042
Indian Male	17	43	39.53	304	17.882
White Female	170	369	46.07	2,521	14.829
White Male	73	189	38.62	1,251	17.137
Employees with a disability	34	89	38.20	465	13.676
<b>Total</b>	<b>1516</b>	<b>4840</b>	<b>31.32</b>	<b>20,268</b>	<b>13.369</b>



**Table 7.2 – Performance rewards by salary bands for personnel below Senior Management Service**

Salary Bands	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
Lower skilled (Levels 1-2)	0	0	0.00	0	0	0.00
Skilled (Levels 3-5)	143	614	23.29	827	5.783	0.79
Highly skilled production (Levels 6-8)	925	2588	35.74	9,766	10.558	2.09
Highly skilled supervision (Levels 9-12)	448	1433	31.26	9,675	21.596	2.33
<b>Total</b>	<b>1516</b>	<b>4635</b>	<b>32.71</b>	<b>20,268</b>	<b>13.369</b>	<b>1.80</b>

**Table 7.3 – Performance rewards by Critical Occupations, 1 April 2011- 31 March 2012**

Critical Occupations	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee
Architects	0	34	0.00	0	0
Cartographers and Surveyors	105	303	34.65	1,497	14.257
Cartographic Surveying and Related Technicians	28	193	14.51	370	13.214
Community Development Workers	92	494	18.62	1,504	16.348
General Legal Administration and Related Professionals	257	951	27.02	3,000	11.673
Natural Sciences Related	65	362	17.96	1,461	22.477
Other	961	2503	38.39	12,437	12.942
<b>Total</b>	<b>1516</b>	<b>4840</b>	<b>31.32</b>	<b>20,268</b>	<b>13.369</b>

**Table 7.4 – Performance related rewards (cash bonus), by salary band, for Senior Management Service**

Salary Bands	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
Band A	0	139	0	0	0	0
Band B	0	58	0	0	0	0
Band C	0	5	0	0	0	0
Band D	0	3	0	0	0	0
<b>Total</b>	<b>0</b>	<b>205</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 8. Foreign workers

The tables below summarise the employment of foreign nationals in the department in terms of salary bands and by major occupation. The tables also summarise changes in the total number of foreign workers in each salary band and by each major occupation.

**Table 8.1 – Foreign Workers**

Salary Band	1 April 2011		31 March 2012		Change	
	Number	% of total	Number	% of total	Number	% of change
Lower skilled (Levels 1-2)	0	0.00	0	0.00	0	0.00
Skilled (Levels 3-5)	0	0.00	1	20.00	1	100.00
Highly skilled production (Levels 6-8)	0	0.00	0	0.00	0	0.00
Highly skilled supervision (Levels 9-12)	3	60.00	4	80.00	1	100.00
SMS (Levels 13-16)	2	40.00	0	0.00	-2	-200.00
<b>Total</b>	<b>5</b>	<b>100.00</b>	<b>5</b>	<b>100.00</b>	<b>0</b>	<b>0.00</b>

**Table 8.2 – Foreign Worker by major occupation**

Major Occupation	1 April 2011		31 March 2012		Change	
	Number	% of total	Number	% of total	Number	% of change
Top Management	0	0.00	0	0.00	0	0.00
Senior Management	0	0.00	0	0.00	0	0.00
Professionally qualified and experienced specialists and mid-management	5	100.00	5	100.00	0	0.00
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	0.00	0	0.00	0	0.00
Semi-skilled and discretionary decision making	0	0.00	0	0.00	0	0.00
Unskilled and defined decision making	0	0.00	0	0.00	0	0.00
<b>Total</b>	<b>5</b>	<b>100.00</b>	<b>5</b>	<b>100.00</b>	<b>0</b>	<b>0.00</b>

## 9. Leave utilisation for the period 1 January to 31 December 2011

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave (Table 9.1) and disability leave (Table 9.2). In both cases, the estimated cost of the leave is also provided. Table 9.3 summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

**Table 9.1 – Sick leave, 1 January 2011 to 31 December 2011**

Salary Band	Total days	% days with medical certification	Number of Employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	0	0.00	0	0.00	0	0
Skilled (Levels 3-5)	2,597	75.25	368	9.71	7	832
Highly skilled production (Levels 6-8)	18,602	73.47	2293	60.53	8	10,037
Highly skilled supervision (Levels 9-12)	6,996	75.03	1014	26.76	6	8,885
SMS (Levels 13-16)	687	61.83	113	2.98	6	1,947
<b>Total</b>	<b>28,882</b>	<b>73.70</b>	<b>3788</b>	<b>100.00</b>	<b>7</b>	<b>21,701</b>

**Table 9.2 – Disability leave (temporary and permanent), 1 January 2011 to 31 December 2011**

Salary Band	Total days taken	% days with medical certification	Number of Employees using disability leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	0	100.00	0	0.00	0	0
Skilled (Levels 3-5)	230	100.00	8	8.33	28	70
Highly skilled production (Levels 6-8)	1574	100.00	62	64.58	25	839
Highly skilled supervision (Levels 9-12)	375	100.00	22	22.91	17	546
SMS (Levels 13-16)	52	100.00	4	4.16	13	122
<b>Total</b>	<b>2 231</b>	<b>100.00</b>	<b>96</b>	<b>100.00</b>	<b>23</b>	<b>1,577</b>

**Table 9.3 – Annual Leave, 1 January 2011 to 31 December 2011**

Salary Bands	Total days taken	Average per employee	Number of Employees who took leave
Lower skilled (Levels 1-2)	0	0	0
Skilled (Levels 3-5)	8,506	14	591
Highly skilled production (Levels 6-8)	55,449	21	2588
Highly skilled supervision (Levels 9-12)	27,350	19	1387
SMS (Levels 13-16)	3,551	17	204
<b>Total</b>	<b>21,701</b>	<b>5</b>	<b>4770</b>

**Table 9.4 – Capped leave, 1 January 2011 to 31 December 2011**

Salary Bands	Total days capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2011
Lower skilled (Levels 1-2)	0	0	0
Skilled (Levels 3-5)	13	3	33
Highly skilled production (Levels 6-8)	282	4	24
Highly skilled supervision (Levels 9-12)	294	5	36
SMS (Levels 13-16)	94	13	55
<b>Total</b>	<b>683</b>	<b>5</b>	<b>31</b>

**Table 9.5 – Leave payouts for the period 1 April 2011 to 31 March 2012**

The following table summarises payments made to employees as a result of leave that was not taken.

Reason	Total Amount (R'000)	Number of Employees	Average payment per employee
Leave payout for 2011/12 due to non-utilisation of leave for the previous cycle	1,553	101	8,125
Capped leave payouts on termination of service for 2011/12	3,062	226	10,747
Current leave payout on termination of service for 2011/12	314	45	5,408
<b>Total</b>	<b>4,929</b>	<b>372</b>	<b>10,166</b>

## 10. HIV/AIDS & Health Promotion Programmes

**Table 10.1 – Steps taken to reduce the risk of occupational exposure**

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
None	None

**Table 10.2 – Details of Health Promotion and HIV/AIDS Programmes**

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	X		Mr T Mogashoa Director: Human Resource Management
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		Employee Wellness Sub directorate: Programme Manager, 2 Assistant Directors and 1 Admin Support Services.
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.	X		Employee Wellness Programmes (EWP): 2 Policies have been developed (EWP Policy and HIV&AIDS Policy) Psychosocial Services , Health Promotion activities, Life Skills programmes and HIV&AIDS Management including VCT.
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	X		9 Provincial Employee Health and Wellness Committees have been established. The committee members have been trained and appointed formally as per the Employee Assistance Programme Association (EAPA) Standards and DPSA regulations. They represent stakeholders from HRM managers and union representatives.
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X		HIV&AIDS and Employee Wellness Policies under review.
6. Has the department introduced measures to protect HIV positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		HIV&AIDS policy is being implemented. Awareness and education on HIV&AIDS Management. Provision of Care and Support by in-house and service providers through Psychosocial Services.
7. Does the department encourage its employees to undergo Voluntary Counseling and Testing? If so, list the results that you have you achieved.	X		VCT was incorporated in Health and Wellness events and National Sports Days. The total number in attendance was 2400; the number of VCT participants is 793 which give a percentage of 33% and for the total establishment against the utilization of HIV&AIDS and TB services utilization, a percentage of 48%.
8. Has the department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.	X		Analysis of health screening including HIV&AIDS results and designing programmes to address identified problems

## 11. Labour relations

**Table 11.1 – Collective agreements, 1 April 2011 to 31 March 2012**

<b>Total collective agreements</b>	None
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The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

**Table 11.2 – Misconduct and disciplinary hearings finalised, 1 April 2011 to 31 March 2012**

<b>Outcomes of disciplinary hearings</b>	<b>Number</b>	<b>% of total</b>
Correctional counseling	0	0.00
Verbal warning	0	0.00
Written warning	0	0.00
Final written warning	1	20.00
Suspended without pay	1	20.00
Fine	0	0.00
Demotion	0	0.00
Dismissal	2	40.00
Not guilty	1	20.00
Case withdrawn	0	0.00
<b>Total</b>	<b>5</b>	<b>100.00</b>

**Table 11.3 – Types of misconduct addressed at disciplinary hearings**

<b>Type of misconduct</b>	<b>Number</b>	<b>% of total</b>
Abuse of State Vehicle	0	0.00
Assault/Foul Language	0	0.00
Irregularities/Theft/Fraud/Bribery	5	100.00
Abuse of Internet	0	0.00
Unauthorised absenteeism/Late coming	0	0.00
Drunk on Duty	0	0.00
<b>Total</b>	<b>5</b>	<b>100.00</b>

**Table 11.4 – Grievances lodged for the period 1 April 2011 to 31 March 2012**

<b>Grievances</b>	<b>Number</b>	<b>% of total</b>
Number of grievances resolved	19	33.3
Number of grievances not resolved	38	66.6
<b>Total number of grievances lodged</b>	<b>57</b>	<b>100.00</b>

**Table 11.5 – Disputes lodged with Councils for the period 1 April 2011 to 31 March 2012**

<b>Disputes</b>	<b>Number</b>	<b>% of total</b>
Number of disputes upheld	1	16.66
Number of disputes dismissed	5	83.33
<b>Total number of disputes lodged</b>	<b>6</b>	<b>100.00</b>

**Table 11.6 – Strike actions for the period 1 April 2011 to 31 March 2012**

Total number of person working days lost	41
Total cost (R'000) of working days lost	19
Amount (R'000) recovered as a result of no work no pay	19

**Table 11.7 – Precautionary suspensions for the period 1 April 2011 to 31 March 2012**

Number of people suspended	9
Number of people whose suspension exceeded 30 days	9
Average number of days suspended	270
Cost (R'000) of suspensions	4195

## 12. Skills development

This section highlights the efforts of the department with regard to skills development.

### 12.1 Training needs identified 1 April 2011 to 31 March 2012

Occupational Categories	Gender	Number of employees as at 1 April 2011	Training needs identified at start of reporting period			
			Learner-ships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	64	0	28	0	28
	Male	102	0	47	0	47
Professionals	Female	1249	0	790	0	790
	Male	1254	0	647	0	647
Technicians and associate professionals	Female	384	0	565	0	565
	Male	360	0	500	0	500
Clerks	Female	640	0	815	0	815
	Male	331	0	695	0	695
Service and sales workers	Female	12	0	2	0	2
	Male	18	0	8	0	8
Craft and related trades workers	Female	7	0	0	0	0
	Male	28	0	12	0	12
Elementary occupations	Female	51	0	0	0	0
	Male	70	0	0	0	0
<b>Sub Total</b>	<b>Female</b>	<b>2407</b>	<b>0</b>	<b>2200</b>	<b>0</b>	<b>2200</b>
	<b>Male</b>	<b>2163</b>	<b>0</b>	<b>1909</b>	<b>0</b>	<b>1909</b>
<b>Total</b>		<b>4570</b>	<b>0</b>	<b>4109</b>	<b>0</b>	<b>4109</b>

## 12.2 Training provided 1 April 2011 to 31 March 2012

Occupational Categories	Gender	Number of employees as at 1 April 2011	Training needs provided at start of reporting period			
			Learner-ships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	64	0	28	0	28
	Male	102	0	47	0	47
Professionals	Female	1249	0	790	0	790
	Male	1254	0	647	0	647
Technicians and associate professionals	Female	384	0	565	0	565
	Male	360	0	500	0	500
Clerks	Female	640	0	815	0	815
	Male	331	0	695	0	695
Service and sales workers	Female	12	0	2	0	2
	Male	18	0	8	0	8
Craft and related trades workers	Female	7	0	0	0	0
	Male	28	0	12	0	12
Elementary occupations	Female	51	0	0	0	0
	Male	70	0	0	0	0
<b>Sub Total</b>	<b>Female</b>	<b>2407</b>	<b>0</b>	<b>2200</b>	<b>0</b>	<b>2200</b>
	<b>Male</b>	<b>2163</b>	<b>0</b>	<b>1909</b>	<b>0</b>	<b>1909</b>
<b>Total</b>		<b>4570</b>	<b>0</b>	<b>4109</b>	<b>0</b>	<b>4109</b>

## 13. Injury on duty

The following tables provide basic information on injury on duty.

Nature of injury on duty	Number	% of total
Required basic medical attention only	0	0.00
Temporary Total Disablement	17	94.44
Permanent Disablement	0	0.00
Fatal	1	5.55
<b>Total</b>	<b>18</b>	<b>100.00</b>

## 14. Utilisation of consultants

**Table 14. 1: Report on consultant appointments using appropriated funds**

The Consulting services are obtained by the department to assist with implementation of certain projects, due to the numbers of projects; the detail per project is not disclosed on the table below. The appointment of these consultants is done through Supply Chain Management Processes taking into account the Preferential Procurement Framework. The contractual agreement is managed in line with the service level agreements.

Nature of Consulting Services	Amount Paid (R)
Accountants and Auditors	334 932.00
Audit Committee (Non-Officials)	494 496.75
Financial Management	4 733 949.18
Human Resource	545 955.70
Occupational Safe & Health	21 452.61
Organisational	3 936 679.00
Project Management	113 679 012.26
Research and Advisor	19 973 278.68
Valuer	3 915 630.54
Qualification Verification	63 570.00
Qualification Central Inspection	7 343.08
Translation & Transcript	1 058 398.40
Engineering Agricultural	125 001.00
Geo-Information	1 912 828.07
Land & Quantity Surveyor	628 715.02
Landscape Designer	50 260.50
Agriculture	68 128 408.94
Legal Advice	10 863 339.82
Messengers Of Court	614.46
State Attorney: Legal Advice	47 500 039.13
State Attorney: Conveyancing	3 270.00
Upgrade & Add Mach & Equipment	10 810.12
Artist & Performers	313 200.00
Aerial Photography	10 711 997.46
Auctioneers	5 420.00
Audio Visual Services	10 820.00
Building & Construction	138 499 378.20
Casual Labourers	6 912.00
Employee Wellness	378 506.51
Event Promoters	1 527 589.36
Graphic Designers	15 363.49
Maintenance & Rep Of Machine & Equipment	6 777 505.36
Maintenance & Rep Other Assets	199 572.26
Interior Decorators	8 000.00
Medical Services	1 037 770.12
Stage and Sound Crew	511 271.44
Tracing Agents & Debt Collection	11 073.17
Transport Contractors	492 067.82
Plant Flowers & Other Decorations	72 591.14
A/O/S: Security Services	38 457.59
A/O/S: Administration & Support Staff	7 793 519.06
A/O/S: Land Claim Verification	4 726 249.07
A/O/S: Professional Staff	108 847.20
A/O/S: Internal Auditors	34 852 183.09
A/O/S: Personnel & Labour	947 576.90
A/O/S: Researcher	8 419 557.26
A/O/S: Catering Services: Communities	851 786.64
A/O/S: Medical Services	1 218.40
<b>Total Consultants and Professional Services</b>	<b>496 306 418.80</b>





part five  
OTHER INFORMATION



rural development  
& land reform

Department:  
Rural Development and Land Reform  
REPUBLIC OF SOUTH AFRICA

# Acronyms

ACRONYM		FULL DESCRIPTION
<b>A</b>	AIDS	Acquired immune deficiency syndrome
	APPDP	Agri-Para Professional Development Programme
	ARC	Agricultural Research Council
	ASGISA	Accelerated Shared Growth Initiative for South Africa
<b>C</b>	CabComm	Cabinet Committee
	CBP	Community Based Planning
	CD	Chief Directorate
	CLCC	Chief Land Claims Commissioner
	CPA	Communal Property Association
	CRDP	Comprehensive Rural Development Programme
<b>D</b>	DAFF	Department of Agriculture, Forestry and Fisheries
	DCLCC	Deputy Chief Land Claims Commissioner
	DDG	Deputy Director-General
	DG	Director-General
	DPSA	Department of Public Services and Administration
	DRDLR	Department of Rural Development and Land Reform
	DSD	Department of Social Development
<b>E</b>	EAPA	Employee Assistance Programme Association
	EC	Eastern Cape
	EE	Employment Equity
	EEA	Employment Equity Act
	EWP	Employee Wellness Programme
<b>H</b>	HIV	Human Immunodeficiency Virus
	HRM	Human Resource Management
<b>I</b>	ICT	Information Communication Technology
<b>K</b>	KM	Kilometer
<b>L</b>	LRAD	Land Reform for Agricultural Development
	LUMB	Land Use Management Bill
<b>M</b>	MTEF	Medium Term Expenditure Framework
<b>N</b>	NAREG	National Reference Group
	NARYSEC	National Rural Youth Service Corps
	NC	Northern Cape
	NTK	Northern Transvaal Co-Operative
<b>P</b>	PFMA	Public Finance Management
	PLAS	Proactive Land Acquisition Strategy
	PM&E	Planning, Monitoring and Evaluation
	PSCBC	Public Service Co-ordinating Bargaining Council

ACRONYM		FULL DESCRIPTION
<b>Q</b>	QTCO	Quality Council for Trades and Occupations
<b>R</b>	RADP	Recapitalisation and Development Programme
	RID	Rural Infrastructure Development
	RLCC	Regional Land Claims Commissioner
<b>S</b>	SAQA	South African Qualifications Authority
	SA SCO	South African Standard Classification of Occupations
	SDF	Spatial Development Framework
	SDI	Service Delivery Improvement
	SMME	Small, Medium and Micro Enterprise
	SMS	Senior Management Staff
	SPLUMB	Spatial Land Use Management Bill
	STATSSA	Statistics South Africa
	STRIFF	Social, Technical, Rural Livelihoods and Institutional Facilitation
<b>T</b>	TB	Tuberculosis
<b>V</b>	VCT	Voluntary Counselling and Testing
	VIP	Ventilated Improved Pit Latrine
	VVA	Village Viewing Area



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part six  
ADDITIONAL INFORMATION



rural development  
& land reform

Department:  
Rural Development and Land Reform  
REPUBLIC OF SOUTH AFRICA

# Evaluation studies conducted 2011/12 financial year

## Foreword

Part 5 of the annual report provides an opportunity for the Department to provide additional information with regards to its initiatives. In this section Department of Rural Development and Land Reform will provide a synopsis of the Evaluation studies performed by the Chief Directorate: Planning, Monitoring and Evaluation in which its objective is to provide comprehensive result-based planning, monitoring and evaluation system. Evaluation simply refers to the process of assessing the efficiency, effectiveness and impact of the Department's programmes and projects. It is a comparison, using systematic collection and analysis of relevant data, of actual project outputs and impacts against the agreed strategic plans.

Programme evaluations provided a critical overview of the programmes and also identify the key contextual factors influencing programme performance, in order to identify strengths and weaknesses. The country continues to face growing pressures to improve the performance of their public programmes and interventions. As a means of responding to this pressure, there is a need for the development of performance management systems to assess whether public sector efforts are working and track the results produced or not by government programmes. Measuring results is critical because if results are not measured, one cannot tell success from failure.

A results-based M&E system provides crucial information about public sector/programme performance to help policy makers, decision makers and other stakeholders answer questions about whether promises were kept and outcomes were achieved.<sup>1</sup> After the expected outcomes programmes are established, the programme staff should select indicators to measure outcome or impact taking into account that no outcome or impact should be measured by just one indicator. Then targets should be set to be achieved by the programme. A monitoring and evaluation system<sup>2</sup> continuously collects data and analyses information on key indicators; comparing actual results with the expected results in order to measure how well the programme is being implemented. The monitoring system should take into account the progress achieved in the implementation of the programme at provincial and project level. Indicators to measure the achievement of objectives should be developed.

Information obtained from a monitoring system reveals the performance of what is measured only but does not reveal why that level of performance occurred or provide causal explanations about changes in performance from one period to another or one site to another.<sup>3</sup> This information can only come from an evaluation system that is not too far removed from the programme implementers. As pressures grow globally for accountability by governments for the consequences of their actions for greater development effectiveness, evaluation is emerging as a key way in which to systematically address and answer the question "So what?"



Chief Director: Planning, Monitoring & Evaluation  
Ms MA Tshatsinde  
Date: 31 March 2012

- 1 Rist, R and Morra Imas, G. 2009. The Road to results: Designing and Conducting Effective Development Evaluations. The World Bank, Washington DC.
- 2 An M&E system provide timely information to programme staff about progress and help to identify early on any weaknesses that require corrective action.
- 3 Rist, R and Morra Imas, G. 2009. The Road to results: Designing and Conducting Effective Development Evaluations. The World Bank, Washington DC.

During the year under review, the Department of Rural Development and Land Reform conducted the following evaluation studies:

1. Socio Economic Impact Study of CRDP Pilots Projects on Rural Livelihoods
2. Impact Study of Land Reform Programme
3. Nelson Mandela Legacy Bridge (Mvezo) Rapid Assessment Report

## Methodology

Methodologies used in the evaluations and rapid assessment ranged from site visits, interviews (both qualitative and quantitative) with beneficiaries and various stakeholders, surveys of households and observation. A snapshot of each of the evaluations is provided below.

BENEFITS AND PURPOSES OF EVALUATIONS	USE OF EVALUATIONS
Evaluations provide information on the implementation process, failures, or successes that occur at any level	To help make resource allocation decisions.
Help provide lessons learned, highlight areas of accomplishment and potential, and offer recommendations for improvement.	To help rethink the causes of a problem.
Help analyze why intended results were or were not achieved.	To identify emerging problems
Explore why there may have been unintended results or consequences.	To support decision making on competing or best alternatives.
Assess how and why results were affected by specific activities.	To support public sector reform and innovation and to build consensus on the causes of a problem and how to respond

## Socio Economic Impact Study of CRDP Pilots Projects on Rural Livelihoods

Comprehensive Rural Development Programme (CRDP) is a programme that has been launched by government with the view of enabling rural people to take control of their destiny, with the support from government, and thereby dealing effectively with rural poverty through the optimal use and management of natural resources. The overall success of CRDP will be measured on the realization of the common vision of the department that is of creating a “vibrant and sustainable rural communities”.

A three pronged strategy to ensure that the Department achieves its objective are the following:

**Agrarian Transformation:** this includes increasing all types of agricultural production; optimal and sustainable use of natural resources; the use of appropriate technologies; food security; and improving the quality of life for each rural household.

**Rural Development:** At the heart of rural development is that rural communities becomes vibrant socially and economically through optimal utilization of natural resources, and socially through cohesion and compassion for one another. Rural development also includes the government provision of economic and social infrastructure.

**Land Reform** including restitution, redistribution, land tenure reform.

The study sought to find out if there has been a significant impact or improvement on the livelihoods of beneficiaries since the implementation of CRDP in all pilot sites.

## Evaluation findings

### Impact made by development in development interventions

The impact made in communities through departmental development interventions was assessed into three thematic areas that are linked to CRDP Phases and current challenges facing the South African economy:

THEMATIC AREAS	CRDP PHASES	CHALLENGES FACING SOUTH AFRICA
Sustainable rural livelihoods	Meeting basic human needs	Poverty alleviation
Employment creation	Rural enterprises	Unemployment
Income generation and investments	Light rural industries with markets and credit facilities	Inequality



## Sustainable rural livelihoods

- Sustainable rural livelihoods: Inroads have been made in ensuring sustainable livelihoods in CRDP sites. Progress made in the provision of water through construction of reservoirs, including provision of bulk water supply in areas such as Riemvasmaak, Msinga, Mokgalwaneng and Diyatalawa, has substantially improved in most CRDP sites
- Progress made in the provision of sanitation facilities, including VIP toilets, has substantially improved in most CRDP sites. This in itself has restored the dignity of the rural communities.
- Construction of reservoirs and bulk water supply has impacted positively to Riemvasmaak, Diyatalawa, Msinga and Mokgalwaneng as well as the surrounding communities as they are currently receiving water from their own houses. Community have started their own backyard gardens as they have access to water by using borehole water for their backyard gardens.

Major strides have been made in the construction and development of infrastructure in CRDP sites. These include the following, among others:

- Construction of houses in Muyexe, Riemvasmaak, Vryheid, Jabulani, Makholokoeng, Dysselsdorp(sandbag houses) and Thusong Centre in Muyexe.
- Construction and renovation of schools in Dysselsdorp, Vryheid, Muyexe, Mokgalwaneng, Matlametlong, Disake. Early Childhood Development Centres were also established in Vryheid, Diyatalawa, Makgolokweng, etc.
- Establishment of VVAs in all CRDP sites and fencing of backyard gardens and arable land.
- Construction and development of sports facilities in Muyexe and Makholokoeng.
- The department, in partnership with the National Development Agency constructed a high standard Early Childhood Development Centre for the benefit of the kids in Jacobsdal.
- In Dysselsdorp 13 sand bag houses were built by the department for households which were moved from a neighbouring farm because their houses were dilapidated. Research of this building technique was conducted by the CD: Technology Research and Development within the department.
- The construction of a community hall by the Department of Public Works is completed. Initially 30 people were employed but currently only 15 people were working in the project. Out of 15 remaining seven were bricklayers while eight were labourers. In terms of payment structure, the builders were earning R15,65p/h.

Food security is critical to rural livelihoods. In this regard the department has established numerous backyards, institutional and community gardens in CRDP sites Agri Para Professional Development Programme (APPDP) project is a skills development project on agricultural activities and contributes to food security since participants are expected to plant cash crops at their backyard for household consumption and income generation. The department in partnership with DAFF is continuously facilitating market access and farming support for the agricultural cooperatives and other related community projects.

## Employment creation

- The CRDP job creation model and the country's New Growth Path provide a point of departure for employment creation in rural development.
- The implementation of the CRDP job creation model is not only based on permanent employment opportunities, but also on the creation of temporary and seasonal jobs.
- In all provinces 3 443 jobs were created as a result of CRDP intervention with the majority being located in KwaZulu Natal, followed by Eastern Cape, and Limpopo.
- The least number of jobs were recorded in the Northern Cape.
- All jobs created in Mpumalanga were largely through RDP construction.

## Income generation and investments

- Projects implemented in the CRDP sites and land reform programmes have to a certain extent generated income for members of the communities.
- Through CRDP projects 22 functional cooperatives have been established in the following areas: Water bottling, Livestock cooperative, Agricultural cooperative, Cleaning, Piggery, Artworks and Brickmaking.
- The beneficiaries in Asisukume appreciated the implements and support provided by various stakeholders such as DAFF, DRDLR, DSD, etc. As a result of the support provided the cooperative has viable market access and is supplying major companies such as NLK, Boxer Supermarkets, etc with sugar beans and maize.
- The cooperative has 600 members and has created 12 permanent jobs. Approximately 100 seasonal workers are employed. Communities can now afford to buy some of the households needs from the money generated out these jobs.
- Asisukume Cooperative added a small mushroom project to their produce in order to raise funds. They have found a market for it but it is hardly enough to help sustain the cooperative.

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- The cooperative has 600 members and has created 12 permanent jobs. Approximately 100 seasonal workers are employed.
- The cooperative has adopted the CRDP job creation model whereby one person per household is employed in the cooperative's ventures.

## Insights and lessons learnt

Within the context of pilot sites which were included in the study, there are important lessons and insights on what works and what does not work.

**Community participation and mobilisation:** In terms of community participation and mobilization it was found that this had a positive result in terms of communities taking part in their development and change of the mind-set, however, this was at times combined with some level of dependency and expectations that government should do some of the things for them. This can be improved through development communication that will inform people of the programme design and providing information regarding where and how they can participate thus helping them to stand up and do things for themselves.

**Implementation:** The study also found that linking the implementation of the CRDP initiatives with employment creation and skills development has been able to contribute to the absorption of some of the community members and improve household incomes. The challenge has been that most of the jobs are temporary. There is also a need to explore other sectors that have a potential to create jobs and improve the quality of life of the rural people. In addition there is a need to expand and upscale the programme so as to maximize impact.

**Strategy:** The three-pronged strategy i.e. a coordinated and integrated broad-based agrarian transformation; rural development infrastructure, and an improved land reform programme combined with community mobilization should be strengthened. Therefore, there is a need to advance integrated planning and implementation thus ensuring moving away from projects to the programme implementation that in line with phase 2 and 3 of the CRDP model.

**Coordination and integration:** Coordination and integration also cannot be done in the vacuum. It is necessary to identify high impact contributors that reflect the broader scope of work that is required to create vibrant, equitable, sustainable rural communities and food security for all and group them according to work streams led by relevant department for better coordination.

**Service delivery variance:** The provision of basic services in the selected CRDP pilot sites varies due to dynamics of the area, resources allocated, and the nature of stakeholder engagement. Prioritisation of basic services offered to local residents has been underscored. Where basic services have not yet been adequately provided, efforts to increase the pace of delivery should be exerted. It is recommended that standardised norms in service delivery be instituted.

**Improvement in delivery mechanisms:** The CRDP clearly articulates the importance of setting in place effective institutional arrangements to ensure seamless project implementation on the ground. Given the dynamic nature, which requires multiple stakeholder engagement, and the contribution from the three spheres of government, delays unavoidably often results in slow project implementation. The existing delivery institutional arrangements should create an enabling environment to ensure fast tracking project progress.

**Capacity building:** Increasing capacity building for beneficiaries and supporting local enterprises are central to CRDP. There is a need to ensure procurement from local suppliers and businesses in the selected sites and, employing local labour on the CRDP projects.

## Recommendations

The following are the overall recommendations for the CRDP:

- Site visits by the Directorate Evaluation should be done on a quarterly basis.
- Registered businesses in the pilot areas must be given preference in the procurements of goods and services aimed at improving the lives of communities.
- Local community members should be given first preference on CRDP related employment opportunities.
- Provision of basic services (e.g. water & electricity) should be given preferences.

- National stakeholders should provide equal support to CRDP pilot areas.
- Capacity building of communities should be given more attention.
- There should be uniformity in terms of allocation of resources in sites that falls under the same ward to avoid conflicts within communities.
- Planning of visits should be done in time to enable Stakeholders to participate in all studies.
- Projects implemented in the CRDP sites and land reform programmes have to a certain extent generated income for members of the communities.
- Through CRDP projects 22 functional cooperatives have been established in the following areas: Water bottling, Livestock cooperative, Agricultural cooperative, Cleaning, Piggery, Artworks and Brickmaking.
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## Impact Study of Land Reform Programme

This purpose of this study was to provide an assessment of the impact of the departments Land Reform projects on the rural livelihoods.

The Department of Rural Development and Land Reform (DRD&LR) has its land reform programmes (Redistribution, Restitution and Tenure Reform) which are geared towards achieving its constitutional obligations of securing people's rights and enabling equitable access to land and resources. Hence, this study aimed to provide analysis of data on the impact of land reform programmes on the livelihoods of beneficiaries.

## Findings per thematic area

### Sustainable rural livelihoods

Land Reform Projects have contributed towards the improvement of their livelihood. The beneficiaries indicated their level of success since they acquired the land with regard to building assets for sustaining their livelihood. With reference to previous farm workers, they were limited by previous farm owners in terms of the amount of livestock they could have in the farm. Some indicated that they are able to sell their cattle any time as compared to previously that they depended on the farm owner to give them permission to sell. Income earned from either jobs or sales from production has assisted the beneficiaries in acquiring livelihood assets which they did not have prior to the land reform projects. The assets that beneficiaries indicated ranged from owning livestock, houses, vehicles and savings. Through employment and sales from their production, they are able to get income.

The findings show that the amount spent on food is sizeable with the majority of the beneficiaries spending between R500 and R1000. Other critical costs that beneficiaries spend their income on are transport costs and the costs related to energy, water, and rates. However, with the income derived from land reform projects, beneficiaries are also able to spend on other items such as cell phone, clothing, housing furniture, payment of bills and so on. The amount spent on non-food items (cell phones, personal items, clothing and other household items) tends to generally be less than R500 per month. Other beneficiaries, although fewer, spend on items such as transport, education and health care which amounts appear to be more than R500.

The income earned from jobs or sale of crops or livestock enables them to do things they could not afford before, such as renovating and building decent houses as well as saving some money for future use and paying school fees for their children.

Training and skills development provides the necessary tools to enable individuals to be employable, engage in enterprise so as to improve their chances of income generation. Training and skills development is particularly important in rural communities as it provides beneficiaries with the necessary skills to make the land productive. Beneficiaries from different projects were trained on various aspects of business which include: business management; financial management, and marketing and technical farming. The members of households found training to be beneficial. Training provided was both accredited and non-accredited on the job training. Beneficiaries even found on job training to be very

beneficial and empowering. Out of the total 2776 number of people trained on various technical skills, 1156 are men and 1620 are women.

In terms of food security, the land reform projects have contributed to beneficiaries' access to food security. Food security is accessed either through direct crop production or through purchase power from income derived from employment or from income generated from the farming enterprise.

Access to land resulted in beneficiaries growing crops and rearing livestock that is used as a source of food y. prior to securing the land, most beneficiaries indicated that the farm owners limited them in terms of the number of animals they could keep on the farm. With the securing of land, they are now able to keep as much livestock as possible and even increase their livestock if possible.

## **Job creation**

A total of 77 land reform projects were selected in all provinces with the following jobs created in all nine provinces: 1033 permanent jobs, 1149 temporary jobs; and 1144 seasonal jobs. Employment from the land reform projects benefits both the workers as well as the beneficiaries who manage the farms. The workers are able to derive an income from the projects which enables them to meet their basic needs. For some household members, land reform projects in their rural communities enable them to get employment closer to their families. They no longer have to be migrant workers in the cities, away from the families. This not only contributes to the rural livelihoods but towards family cohesion.

Based on the evaluation findings, out of the total 3326 jobs created nationally, 1306 are men, 2011 are women, 524 are youth, and only 3 are people with disabilities. These jobs comprised of permanent, seasonal, temporary workers who are employed and those who are managing the farms.

## **Income generation and investments**

Most of the projects have not deviated from the enterprise that was practiced in the projects prior to beneficiaries acquiring the farms. About half of the projects in the study are involved in livestock farming. The second most common enterprise is crop production. Projects focusing on horticulture increased from 19% (prior to DRDLR assistance) to 33% subsequent to transfer of projects.

In terms of market access most of the projects rated their access to the market to be fairly good. Over a quarter felt that their access to the market was very good while 25% felt that the access to the market was fair. Close to a third of the projects found access to the market to be fair. Only less than 20% rated their access to the market to be poor (including 6% who rated very poor).

## **Lessons learned**

### **Sharing and feedback**

Department of Rural Development and Land Reform can achieve the strategic objectives if there is on-going communication with the Land Reform beneficiaries. Most of the beneficiaries seemed to have lack of information as a result of poor communication. This is more important as the department will always keep track of the progress and challenges faced by the beneficiaries. This will inform policy making, and relevant interventions can be developed to improve effective and profitable use of the land acquired. In the projects that were visited it was observed that most projects which are still at the basic need Phase of the agrarian value chain are not improving because of lack of information. Some of the beneficiaries are not familiar with the available development opportunities offered by the Department of Rural Development and Land Reform, Department of Agriculture, Forestry and Fisheries and other supporting departments.

### **Intergovernmental support**

Inter-governmental support provided to the land reform beneficiaries is important for the success of the project. Progress has been noted from some of the projects visited in the various provinces where support was rendered. The support from institutions such as DAFF, DWEA, AGRISETA, ARC etc. contribute a lot in terms of infrastructure development, implements, machinery and relevant trainings specific to the farming enterprise. It was also observed that projects that are doing well do so because of the support from these institutions. In one of the projects like Ntshapewu Project in North West, ARC provided training on seed multiplication and currently the beneficiary is using the knowledge and skills gained

to produce cucurbits (pumpkins, butternuts, squash, watermelons and gourds) seeds. She is not only producing and selling the seeds but also engaging in social responsibility programmes by supplying them with butternuts, pumpkins produced.

## **Creativity, Innovativeness and Persistence**

When assessing the projects, it was clear that the project beneficiaries, who initiated the projects themselves, tend to be more active and fully participate in making sure that the farm is fully utilised. In Limpopo, one of the farm owners, a woman started to apply for a farm in 2002 and her application was not approved until she decided to use an agent to assist her. Her application was finally approved in 2007 after five attempts. She was a receptionist in a farm but now she is a farm owner.

## **Capacity building**

The study conducted has proved that amongst the projects that were visited those that are doing well are the ones in which the beneficiaries and workers were trained. An example of the case of the farm owner, who was trained in Agricultural Diploma at TUT, is one of the successful farmers. Skill development plays a vital role in ensuring enterprise development. This was discovered after analysing information collected with regard to skill development provided at the project. Projects where beneficiaries were never trained are still struggling to get the farms working. Such projects are using the farm for subsistence use. A project such as the Bethlehem Apple Project provides continuous trainings to the farm workers and the management and as such has improved their production Phase to the export Phase. Western Cape Province has the highest rate of skill development hence this proves that skill development can have a significant influence on the development of enterprise.

## **Change Management and Conflict Management**

Although land reform projects involve a technical enterprise such as farming, such projects involved collaboration between human beings, who often may not have matching agendas or interests. Some of the projects entailed grouping of beneficiaries who had not collaborated on projects before. Where there were no skills in conflict management or champions who brought groups of beneficiaries together, such conflicts tended to derail the success of projects. It will be important in future for training in change management to be an integral part of project hand over to beneficiaries. Technical assistance should be provided to projects which experience conflict among beneficiaries. Continual monitoring will assist in providing early warning signals about such projects.

## **Recommendations**

- Facilitation of vision and business plan development should be undertaken as a parallel process when beneficiaries are selected and identified.
- Partnerships and relationships between beneficiaries and Industrial Corporations (e.g. Tongaat Hullet, Supreme Chicken, and Rainbow Chicken & Auction Houses) should be geared towards skills transfer and transparent information sharing.
- Facilitated process in local organization development for groups is needed before groups can be allocated farms or projects.
- Social mobilization and the systematic building of trust among groups in order to establish a common vision should be done by the department.
- Inclusive business plan development should be adequately completed prior to the commencement of the projects.
- Training should then follow after the selection and identification of the beneficiary is complete.
- A mentor should then be appointed to ensure practicality and learning by doing in the projects.
- Stakeholder involvement and support, especially those that are components of the DRDLR (DAFF, COGTA, DTI, and EDD etc.) are crucial for success in planning and preparation of projects. Primary and Secondary stakeholders should be differentiated in terms of specific roles, project development and project support.

## **Inkosi Dalibhunga Mandela Legacy Bridge Rapid Assessment**

The Department of Rural Development and Land Reform (DRDLR) has been given the responsibility to coordinate construction of Nelson Mandela Legacy Bridge under the Comprehensive Rural Development Programme (CRDP). The DRDLR undertook a rapid assessment to monitor and evaluate the progress and the potential impact of the project on the people's lives. The study focuses on two villages which are separated by the Mbashe River but will in the future be connected by the project (Inkosi Dalibhunga Mandela Legacy Bridge). The Inkosi Dalibhunga Mandela Legacy Bridge is constructed across the Mbashe River between Mvezo village, Nelson Mandela's birthplace, in the King Sabata

Dalindyebo municipality, and Ludondolo village in the Mbashe municipality. The bridge and a new road will be linking Mvezo village to the N2 road. The Rapid assessment study served as a build up to the Status quo report conducted. The report would serve as foundation to the broader socio-economic impacts on a district and municipal levels that affect the development in the area.

## Key findings during the implementation of the project

This section presents the findings of the Rapid Assessment of the potential impact of the Nelson Mandela Legacy Bridge to the communities. The findings are categorized according to the key thematic areas of the Department. These key findings will help to draw lessons for future implementation of the project and other future projects.

### Basic Services: Transport

The bridge construction will assist communities with regard to access to transport services. The bridge will result in savings of transport costs, ease of access to the neighbouring town as well as stimulation of economic activities.

Currently Mvezo community members commute to Idutywa, which is the nearest town by using three bakkies, since there are only three bakkies that leave for Idutywa town at different times on a daily basis. The other alternative form of transport is a taxi which comes from other neighbouring villages which is always full. In such cases community members have to walk for approximately 1 and half hours. The total fare to Idutywa is R52 including return. With the construction of the bridge, the community members will pay a maximum of R15 return and result in significant savings of about R37 per return trip. Once the bridge is completed, it is likely that a taxi rank will be constructed in the Mvezo area and stimulates other economic activities such as sale of food, drinks, around the taxi rank.

### Health

The bridge will subsequently result in the improvement of health and well-being of the community members because community members will have access to health services such as clinics, hospitals and mobile clinics. The construction of Mvezo health care centre and the Nelson Mandela Legacy Bridge which links the two specified villages will contribute in increasing the community accessibility to free healthcare services. The current status of the road makes it difficult for health and other emergency services such as mobile clinics and ambulances to access the area. Once the bridge is constructed, the community of Ludondolo will have easy access to health care centre that has been constructed in Mvezo village.

The hospital in Butterworth is about 50km from the Mvezo and Ludondolo areas. Through this initiative, families will have access to immunization, family planning and general health care. The Department is thus contributing to achievement of vibrant, equitable and sustainable rural livelihoods as well as other priority areas such Outcome 2: A long and healthy life for all South Africans.

### Education

The construction of the bridge will significantly improve status of education in the communities. The Ludondolo area has a primary and a junior secondary school with Mvezo village having a primary school only. Children risk their lives by crossing the river to the junior school in Ludondolo village. Other parents have opted to pay about R200 to R400 per month in Ludondolo for the lodges for boarding and this amount exclude food. These factors have contributed to high school drop-out rate, late coming, high rate of absenteeism, and high rate of drowning during rainy seasons. For those parents whose children rent accommodation in Ludondolo, the safety is compromised as they live without adult supervision.

With the construction of the bridge, access to secondary education will be improved significantly. Children from Mvezo can now walk or cycle to junior secondary school in Ludondolo for a distance of about 7km. Availability of the bridge and the road will allow for easy access to a high school in Idutywa. Furthermore, attainment of higher education will improve as the bridge will result in reduction of late coming, absenteeism, and dropout rates. There are plans for construction of the Nelson Mandela Science and Technology high school in Mvezo. The bridge will make the school easily accessible to youth from the neighbouring communities.

### Recreation and Cultural Opportunities for Youth

The youth interviewed from Ludondolo and Mvezo villages indicated that the construction of the bridge will enhance involvement of youth in the two communities to engage in recreation and sport activities. Prior to the bridge, the youth

from Mvezo were not able to play in Ludondolo. Some of the teachers indicated that the construction of the bridge will improve and enhance the cultural and extramural activities in the schools, including arts and crafts.

### **Skills Development**

The construction of the Nelson Mandela Legacy has resulted in job opportunities and skills development in the area. Workers on the project have been provided with training such as carpentry, shattering and concrete, steel fixing, bricklaying and paving. In addition, there is an EPWP component of training and employment. The EPWP employed workers who have been trained in bricklaying and paving. The trained workers will be provided with employment in the bridge and road construction projects. The skills acquired during the implementation stage of the projects will enable these workers to become more employable and access jobs elsewhere even after the completion of the project.

### **Enterprise Development**

The DRDLR has purchased a brick making machine which will be used to manufacture bricks during the construction of the bridge. Once the bridge and road construction projects are completed, the Department will hand over the brick making machine to the trained workers to establish a brick making enterprise. This will not only provide jobs but will contribute towards rural enterprise development and long term local economy development of these villages. The project has sub-contracted seven various construction companies of which two of them are locally based while the remaining others have been recruited from as far as East London.

Although only one woman is employed in the bridge, the construction of the bridge has resulted in the upliftment of women in the areas. Since the construction of the bridge, women have opened up small catering businesses where they sell food such as fruit, vetkoeks and air time to the workers who are employed in the bridge. This has resulted in creation of informal sector. Some of the men who are employed in the bridge use the income to assist their wives to start small home-based businesses such as clothing retail. The jobs created are thus having a snow-balling effect and resulting to increased family incomes. Through the income from these activities, women are able to send their children to school and buy other household needs.

### **Job Creation/Employment**

Job creation has been identified as one of the key priority areas of the South African government. Through the Nelson Mandela Legacy Bridge Project, the department has contributed to creation of several jobs. Sixty one members of community are employed in the project of which 60 are males, 47 are youths, and one is female. The table below highlights the breakdown of employment in terms of gender. Those who are employed in the project are receiving an income of R3, 604.30 per month.

These jobs have positive spin-offs to the families and communities. The employment created has resulted in improvement of the livelihoods, improvement of self-respect and self-esteem, social acceptance and recognition and improvement of economic well-being of the families.

### **Tourism**

The bridge will result in improvement of tourism opportunities in the area since there is an interest among tourists to learn about Nelson Mandela's birth place. The bridge will also attract more schools to visit the area as more schools are keen to learn about Mandela's birth place. The Mvezo museum is already in existence. Once the bridge is constructed tourist will have easy access to Mvezo museum. The legacy of the former President, Nelson Mandela, will enable schools to initiate cultural activities. Through the schools, youth will engage in cultural dances, in arts and crafts which will be sold to the tourists. Stimulation of tourism in the area is likely to result in the creation of businesses in the tourism sector locally and in the province as a whole.

### **Safety and Security**

Currently, the nearest police station is in Idutywa, which is 1 hour and a half from Mvezo and Ludondolo communities. When the river is over flooded, police cars are not able to access the areas. The construction of the bridge will result in significant improvement in the communities' access to safety and security. The visibility of police will also be improved.

## Lessons learned

- Prior planning and coordination with all the stakeholders is critical for the success of the study. Through coordination, the team was able to meet most of the relevant stakeholders ranging from the Chief, the headmen, principals, teachers, taxi associations, the community liaison officer, the secretary of the traditional authority and project steering committee member.
- Inter-government Collaboration is Critical for the Success of achievement of Strategic Outcomes. Through the joint venture between the DRDLR and the Eastern Cape Department of Public Works and Environment, the department was able to impact the lives of rural communities in many areas, thus achieving its strategic outcomes.
- Archival of Previous Reports or Studies to be Improved and made accessible. The team needed to review prior baseline studies that were conducted about the area. Such reports or studies were not readily available. The department needs to establish a mechanism of archiving all reports or documents about the projects.

## Recommendations

The following recommendations will guide the department in future plans for implementation of the CRDP project:

### *Access to basic services such as water, electricity, education and health*

- A site to build a clinic was identified by the community and construction work had begun, but put to a halt due to financial problems.
- Establishment of Early Childhood Development Centres is needed. Training of community members to cater for ECD's should also be prioritized. This is important in providing children with a foundation and ensuring readiness for primary school. This will result in improving the completion of primary school education.
- The upgrading of schools and sport facilities is needed as well as the provision of a library with the e-rural services to be established in the community.

### *Job creation*

- Increase jobs created through the EPWP project for the forthcoming phases of the bridge project. Increase on the number of women employed in the bridge project as there is currently one woman employed to do domestic work.
- As the bridge is likely to improve tourism potential of the areas, the department needs to provide training in tourism and related sectors such as arts and crafts, bed and breakfasts, tour guides and so on. This will ensure that the communities take economic advantage of the potential tourism that will result once the bridge is completed.

### *Food Security & Agricultural Challenges*

- Need for utilisation of agricultural land along Mbashe for irrigated crops.
- Communities within the village need to be advised/ assisted on small agricultural projects on available land. Ploughing of maize is the norm for villagers, but rotational farming could be introduced in order to benefit the community during different seasons of the year.
- Develop communal farming projects.
- Provide residents with seedlings to plant for subsistence farming and also provide necessary support

### *Public Transport*

- Investigate the possibility of extending a public bus as well as the school busses service to and from Mthatha.

### *Economic development*

- Provide supporting infrastructure (roads, etc.) for tourist's attraction. Cultural activities to boost profile of the museum and provide job opportunities in the village.
- Attract investors to invest in the village through provision of basic infrastructure services and other business incentives.
- Community projects should prioritize and empower local community members.



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# Notes





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