



ANNUAL REPORT

Rural Development and Land Reform

01 April 2012 - 31 March 2013



rural development
& land reform

Department:
Rural Development and Land Reform
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM

ANNUAL REPORT

VOTE 33

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Part A

General information

01. DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM

VOTE 33

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02. List of abbreviations/acronyms

Accpac	Accounting applications	IT	Information Technology
AIDS	Acquired Immune Deficiency Syndrome	INSIMS	Integrated National Spatial Information Management System
AG	Auditor-General	LMC	Land Management Commission
AGSA	Auditor-General of South Africa	MTEF	Medium Term Expenditure Framework
APP	Annual Performance Plan	MOU	Memorandum of Understanding
BAS	Basic Accounting System	MOA	Memorandum of Agreement
BBBEE	Broad Based Black Economic Empowerment	OSD	Occupation Specific Dispensation
CFO	Chief Financial Officer	NARYSEC	National Rural Youth Services Corps
CD	Chief Directorate	NSDS	National Skills Development Strategy
CIS	Cadastral Information System	PA	Performance Agreement
CPA	Communal Property Association	PAA	Public Audit Act
CRDP	Comprehensive Rural Development Programme	PFMA	Public Finance Management Act
CRLR	Commission for the Restitution of Land Rights	PILIR	Policy on Incapacity Leave and Ill-Health Retirement
CTP	Communal Tenure Policy	PLOF	Policy on Land Ownership by Foreign Nationals
DDG	Deputy Director General	PSSC	Provincial Shared Service Centre
DFA	Development Facilitation Act	PSW	Public Service Week
DORA	Divison of Revenues Act	RDPF	Rural Development Policy Framework
DRDLR	Department of Rural Development and Land Reform	REID	Rural Enterprise and Industrial Development
DPSA	Department of Public Services and Administration	RIA	Regulatory Impact Assessment
DRS	Deeds Registration System	RID	Rural Infrastructure Development
ECD	Early Childhood Development	RuCoFF	Rural Cooperatives Financing Facility
EE	Employment Equity	SCM	Supply Chain Management
EECF	Establishment Equity Consultative Forum	SDIP	Service Delivery Improvement Plan
ESTA	Extension of Security of Tenure Act	SMME	Small Medium and Micro Enterprises
EWP	Employee Wellness Programme	SPLUMB	Spatial Planning and Land Use Management Bill
FMPPI	Framework for the Management of Programme Performance Information	STRIF	Social Technical, Rural Livelihoods and Institutional Facilitation
Ha	Hectares	SDF	Spatial Development Frameworks
HIV	Human Immunodeficiency Virus	SIU	Special Investigating Unit
HRD	Human Resource Development	TR	Treasury Regulations
HR	Human Resource	VCT	Voluntary Counselling and Testing
ICT	Information and Communications Technology		

03. Strategic overview

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

Strategic outcome orientated goals

- Corporate governance and service excellence through compliance with the legal frame work achieved by 2014
- Reformed policy, legislative and institutional environment by 2014
- Effective land planning and administration that is biased towards rural areas
- Institutional arrangements for effective corporate governance and stakeholder participation by 2014
- Increased access to and productive use of land by 2014
- Improved access to affordable and diverse food by 2014
- Improved rural services to support sustainable livelihoods by 2014
- Improved access to sustainable employment and skills development opportunities by 2014.

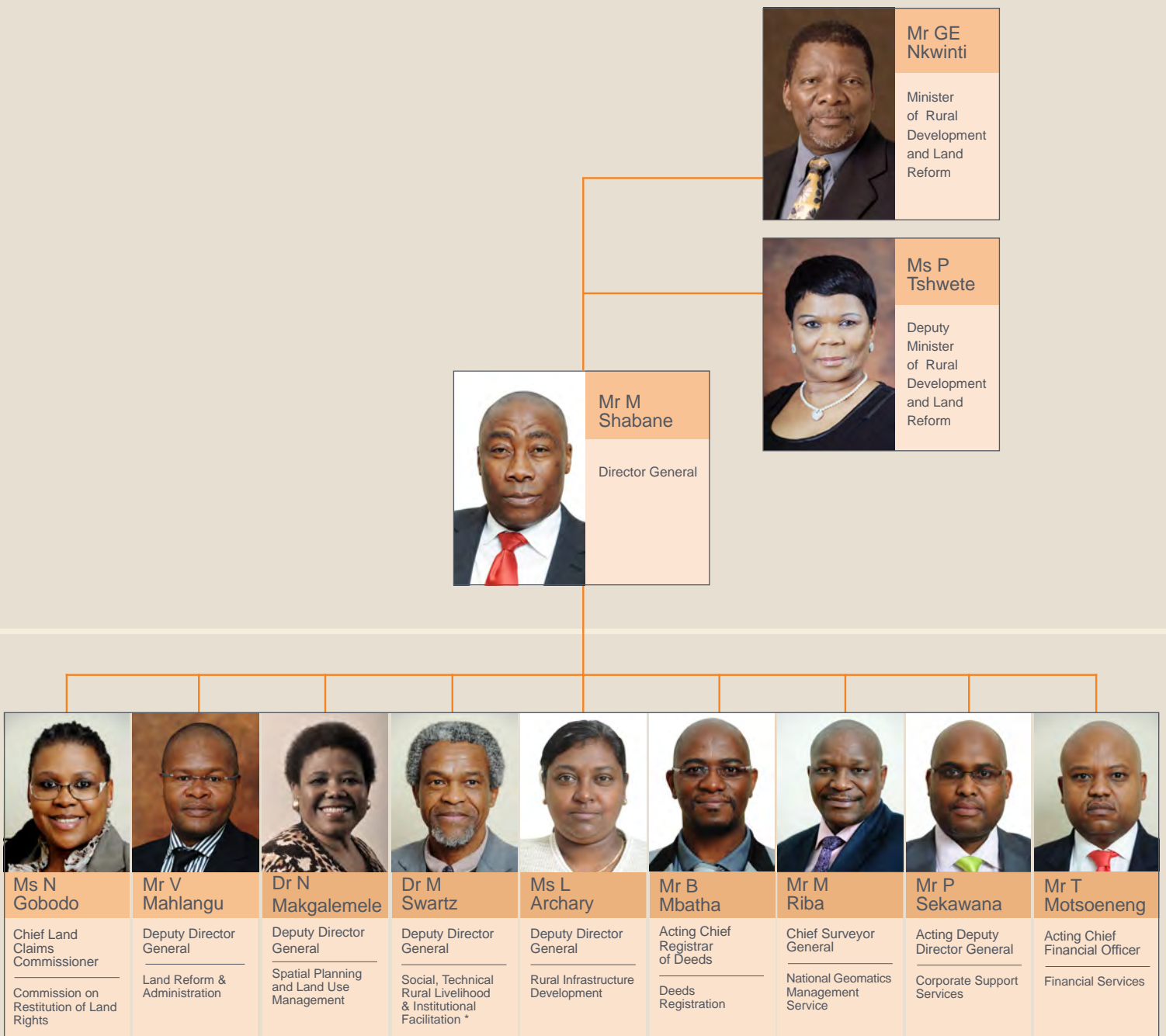
04. Legislative and other mandates

The constitutional and legislative mandate which informed the operations of the department in the financial year under review was drawn from amongst others the following legislation:

- **Deeds Registries 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.
In addition, examiners ensure that appropriate effect is given to Orders of Court, caveats and interdicts recorded in the Deeds Registry, where applicable. Security of title is not guaranteed by law in South Africa. Instead, the system of examination described above, together with the checks and balances which form an integral part of the registration system, provide the holder of a title deed registered in a South African Deeds Registry with an indisputable right which is recognised and respected by the Courts, financial institutions and the public at large.
- **State Land Disposal Act, No. 48 of 1961**
This Act mainly provides for the disposal of certain state land and to prohibit the acquisition of state land by prescription.
- **Physical Planning 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.
- **Sectional Titles 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.
- **Upgrading of Land Tenure Rights Act, No. 112 of 1991**
In this Act, provision is made for the upgrading and conversion into ownership of certain rights granted in the Strategic Plan 2011 – 2014 in respect of land, as well as for the transfer of tribal land in full ownership to tribes.
- **Land Reform: Provision of Land and Assistance Act, No. 126 of 1993**
This Act provides for the designation of certain land, the regulation of the subdivision of such land and the settlement of persons thereon. In addition, it provides for the acquisition, maintenance, planning, development, improvement and disposal of property and the provision of financial assistance for Land Reform purposes.

- Restitution of Land Rights Act, No. 22 of 1994**
 This 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.
- Land Reform (Labour Tenants) 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.
- Communal Property Associations Act, No. 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. This has to be done in terms of a written constitution.
- Land Survey Act, No. 8 of 1997**
 This Act regulates the survey of land in South Africa.
- Extension of Security of Tenure Act, No. 62 of 1997**
 Provision is made 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.
- Planning Profession 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.
- Professional and Technical Surveyors Act, No. 40 of 1984**
 The Act provides for the establishment of a South African Council for Professional and Technical Surveyors, as well as the registration of professional surveyors, professional surveyors in training, surveyors, survey technicians and survey technicians in training.
- Spatial Data Infrastructure 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 meta data and seeks to avoid the duplication of spatial information.

05. Organisational structure



*The name of this branch has since been changed to Rural Enterprise and Industrial Development (REID)

06. Entities reporting to the Minister

The table below indicates the entities that report to the Minister

Name of entity	Legislative mandate	Financial relationship	Nature of operations
Ingonyama Trust Board	The Ingonyama Trust is established in terms of the provisions of the KwaZulu-Natal Ingonyama Trust 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.	Augmentation of the entity's budget.	Administer Ingonyama Trust land for the material and social benefit of the affected communities
Registration of Deeds Trading Account	The Registration of Deeds Trading Account is a trading entity established in terms of the Public Finance Management, Act No. 1 of 1999. It generates revenue by selling information and levying fees in accordance with the schedule of fees prescribed by regulation 84 of the Act; registers rights in land and thus provides security of title. It also maintains public registers of land.	Augmentation of the entity's budget	Registration of title deeds
Agricultural Land Holding Account	The Agricultural Land Holding Account was established in terms of the Provision of Land and Assistance Act, No. 126 of 1993 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.	Funds the operations of the entity	Acquisition of strategically located land for agricultural productivity

07. Foreword by the Minister



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

The financial year 2012/13 was a momentous year for our department, and government as a whole, as the current Administration entered the 4th year of governance.

At the start of the 2012/13 financial year, we reflected on the positive strides we had made in addressing the triple challenge facing our country, namely, poverty, unemployment and inequality. We concluded that a lot of work still lies ahead. During this process of reflection, the dawning of the centenary of the 1913 Natives Land Act lurked ominously, reminding us of the effects it has had on our people.

The centenary of this Act isn't one that we should celebrate, neither is it one that should be commemorated. It is rather an exercise of marking it, by reflecting and finding comfort in our shared vision and commitment, as a nation of diverse cultures, to addressing the legacy of this Act. The department declared that all its efforts would be directed towards making a visible impact in reversing the legacy of this heinous Act. The war cry for Rural Development and Land Reform this year, is: "Reversing the legacy of the 1913 Natives Land Act."


We are all acutely aware of the effects that the 1913 Natives Land Act has had on Blacks in general, and Africans in particular:

- dispossession of their land;
- relegation of the majority of the population to an overcrowded 13% of the land;
- severe under-development of areas allocated to African people;
- the destruction of a fledging class of African farmers; and,
- the destruction of the environment; which led to deforestation and soil erosion due to overgrazing and over population.

This is the legacy we must reverse!

Our country still bears the scars of this legislation, and our people have still to overcome the pain and suffering caused by it; we are however enriched and empowered by our unity and steadfast resolve in finding an equitable resolution, and healing, through various government programmes.

The monster called poverty, quite often a direct result of the legacy of the 1913 Natives Land Act, is a very stubborn animal. It feeds off inequality and unemployment; it thrives on lack of skills. To defeat it we have to be both wise and persistent. This Annual Report sets out what the department has done in order to address these challenges; and, it further reflects on the acute understanding that we have of the effects that poverty has on our people, especially in rural areas.



The Comprehensive Rural Development Programme (CRDP) remains our overarching approach for rural economy transformation. Its success depends on the manner in which it is implemented, namely, placing communities at the centre of their own development; a fundamental aspect for sustained development. It is for this reason that during the period under review, the department conducted numerous Consultative Workshops with emerging farmers, rural communities, and representatives of various cultural groups, all as part of ensuring that through a participatory approach, we do our duty in contributing to nation building by placing people and communities at the centre of this process. It is through this participatory democracy that we could ensure social cohesion.

The year 2012/13 also served as a period of reflection for the department, as it entered its fourth year of operation, having set itself the vision of creating vibrant, equitable and sustainable rural communities.

Our commitment to youth development remains unwavering, having realised that the development of our country, and more specifically rural areas, depends on a generation of empowered youth – who should become the leaders and drivers of the country's future. In giving effect to this, the department has up-scaled the implementation of the National Rural Youth Service Corps, which now comprises a 13 000 strong corps of youth, empowered to be agents of change in their communities.

Government has set the National Development Plan as its development framework, and the New Growth Path as its strategy. The programmes of the department are being aligned to both, in terms of the 2014-2019 Medium-Term Strategic Framework (MTSF).

A further part of this alignment required a process of legislative, policy, institutional and implementation reforms.

The government has, in addition to agriculture, introduced two Programmes:

- a) Rural Development; and,
- b) Land Reform.

Rural Development has three pillars:

- a) meeting basic human needs;
- b) rural enterprise development; and,
- c) rural industrialisation, supported by rural markets and credit facilities.

Land Reform has four pillars:

- a) restitution of land rights;
- b) redistribution;
- c) tenure reform; and,
- d) development.

The Green Paper on Land Reform defines three principles underlying land reform:

- a) deracialising the rural economy;
- b) democratic and equitable allocation and utilisation of land across race, class and gender; and,
- c) sustained production discipline.



The strategic thrust underlying land reform is that land reform should be carried out with minimal or no disruption to food security.

Key transformational programmes, linked to the constitutional, legal and strategic framework outlined above, which are either in execution or at various stages of development, are:

- a) land tenure reform: the four-tier system;
 - (i) state and public land: leasehold;
 - (ii) privately owned land: freehold with limited extent;
 - (iii) land access to foreign nationals: a combination of freehold with limited extent and leasehold; and,
 - (iv) communal land: communal tenure with institutionalised use rights.

Institutional support:

- a) the Land Management Commission;
- b) the Office of the Valuer-General; and,
- c) the Land Rights Management Board, with Local (District) Committees.

The department continues to strive to ensure that in transforming our rural areas (rural economy transformation), we have the requisite policy, legislative and institutional support to achieve our objectives, linked to adequate resource allocation targeted at strategic interventions.

None who have lived their whole lives in an urban environment can truly appreciate what life is like for the poor people locked in a deep rural community. The vast majority have no work and no hope of getting any work since they have a low skills base and no chance of achieving any. No work means a complete loss of dignity, little or no food, dependence on others – a life of misery with nothing to look forward to, but more misery. It is for this reason that government decided that this was a state of affairs which could not be allowed to continue – that something significant had to be done about it. We promised a better life – not only for the people in our cities – not just for the folks in our towns and villages – for all, irrespective of their area of birth or residence.

Jeffrey Sachs, in his book *The End of Poverty*, has the following to say about the definition of poverty: *“As a matter of definition, it is useful to distinguish between three degrees of poverty: extreme (or absolute) poverty, moderate poverty, and relative poverty. Extreme poverty means that households cannot meet basic needs for survival. They are chronically hungry, unable to access health care, lack the amenities for safe drinking water and sanitation, cannot afford education for some or all the children, and perhaps lack rudimentary shelter – a roof to keep the rain out of the hut, a chimney to remove the smoke from the cooking stove – and basic articles of clothing such as shoes. Unlike moderate and relative poverty, extreme poverty only occurs in developing countries. Moderate poverty generally refers to conditions of life in which basic needs are met, but just barely. Relative poverty is generally construed as a household income level below a given proportion of average national income. The relatively poor in high-income countries, lack access to cultural goods, entertainment, recreation and to quality health care, education, and other pre-requisites for upward social mobility.”* Sachs further states, that, *“if economic development is a ladder with higher rungs representing steps up the path to economic well-being, there are one billion people around the world, and that one sixth of humanity are too ill, hungry, or destitute even to get a foot on the first rung of the ladder. These are the ‘poorest of the poor’, or the ‘extreme poor’ of the planet. They all live in developing countries.”*

The passage by Sachs provides us with a vivid insight into what is meant by poverty. It further brings us to the realisation that in order to fully address poverty, one must have a genuine understanding of what poverty means, and the various forms of poverty our people are subjected to.

This Annual Report thus, serves as our report to the people, setting out what we are doing with regard to poverty eradication and overcoming under-development, remembering that constant feedback to the people of South Africa is essential.

It, thus, gives me great pleasure to present to Parliament the 2012/13 Annual Report of the Department of Rural Development and Land Reform.



Nkwinti, GE (MP)
Minister of Rural Development and Land Reform
03 October 2013

08. Deputy Minister statement



*Ms P Tshwete (MP)
Deputy Minister of Rural Development
and Land Reform*

This year, as we look back to the introduction of the Natives Land Act of 1913, we see the results of 100 years of territorial segregation; years in which 'natives' were driven from their homes or condemned to work for a pittance on farms they previously lived freely on; their womenfolk used as farm labourers, shunted to the margins of society and the periphery of the economy.

Our task is to undo this - to overhaul the depressed socio-economic conditions of the rural areas of the country and reintroduce an equitable democratic redistribution of the land in order to address decades of skewed land ownership patterns. It is a complex but important task.

Land remains a critical resource in the construction of an inclusive economy. It is through land that we can create sustainable livelihoods, eradicate poverty and create decent employment in our rural areas. Yes, we may need longer time frames to transform the rural economy than we optimistically thought when the government created this new department in 2009, but that doesn't alter the fact that it remains an important and achievable national goal.

The proactive, participatory community-based planning approach strategy that is known as the Comprehensive Rural Development Programme, is working to ensure a better life, not yet for all, but for many. The endeavors to empower communities and individuals through a variety of options, for example the mentorship programme involving the advice and oversight of successful commercial farmers, is helping emerging farmers to compete successfully in the marketplace. The success of this and other programmes proves that we can build a vibrant rural economy if we set our minds to it. The success in part due to the willingness of mostly white previous owners to transfer their knowledge and skills and management experience to emerging farmers, and also to the tenacity of these emerging farmers in taking up the challenge to work the land, strategic partnering for opportunities to access markets and absorbing the skills. We salute this investment by both sides in the partnership and say 'well done, to nation building, we need more of this!'

At the same time we must not lose sight of the potential contribution of different stakeholders, critical role of traditional leaders, tribal authorities, families, and long established communities. We must intensify our effort to protect the rights of women to own land especially in the rural areas, vulnerable families and farm workers, in line with the department's support and acknowledgement of communal forms of ownership. Our work is neatly summarised in the concept of reversing the legacy of the 1913 Natives' Land Act. This means unravelling the territorial segregation that has brought so much pain to so many. Most recently the department is working hard to ensure integrity of property valuations on how we can effectively address 'market forces' factor in Land Restitution

Yet, no matter how you look at it, the task is complex, extensive and has constitutional imperatives and compliance issues. It is of critical importance and necessary to address and to ensure a rapid and fundamental change in the systems, and patterns of ownership affecting the control of land, livestock, cropping and community. In the end, it is the lives and futures of up to 23 million people, that we are in the process of transforming.



Ms Pamela Tshwete
Deputy Minister of Rural Development and Land Reform
03 October 2013

09. Overview of the Accounting Officer



*Mr PM Shabane
Director General of Rural Development
and Land Reform*

Our responsibility is to oversee the implementation of rural development and land reform policies, legislation, and programmes. This is based on our department's mandate which is to create and maintain an equitable and sustainable land dispensation and to act as a catalyst for rural development. It is against this backdrop that all our efforts as a department are directed, including agrarian transformation, rural livelihoods, decent work and the revitalisation of the rural economy.


The year 2013 marks the centenary of the infamous 1913 Natives' Land Act. A considerable proportion of the department's work consists of countering the debilitating effects of this shameful legislation. This included initiating the process of reviewing the Restitution of Land Rights Act, No. 22 of 1994. In order to appropriately mark the centenary of this abominable law, the department hosted a world class exhibition in Cape Town over several days from June 20th 2013. The exhibition highlights the cruelty of the act, including dramatisations of forced removals and other indignities, and it is expected that following its debut in Cape Town the exhibition will tour the country, stopping for about 10 days in each province.

It is important that all South Africans have a clear understanding of the story of the 1913 Natives' Land Act, and so strengthen their commitment to ensuring that through our land restitution and land reform programmes, we truly reverse the legacy of this Act and all its remnants.

RURAL DEVELOPMENT

The Comprehensive Rural Development Programme continues to be the cornerstone of the work of the department in ensuring vibrant rural areas. A major project, the Nkosi Dalibhunga Mandela Legacy Bridge in Mvezo and Ludondolo, was 90% complete by the end of the financial year under review. The social impact of this project was widespread and included the creation of 209 jobs and transferring skills to the community members of the Mvezo, Ludondolo and surrounding villages.

The bridge is a catalytic project that provides improved access to 21 surrounding villages. Furthermore, the bridge opens up the agricultural lands adjacent to the Mbashe River for improved agricultural production under the river valley catalytic programme. It also provides new opportunities for the development of tourism and hospitality products. This will make a significant contribution to the improvement of sustainable economic activity for the benefit of the region. The deliverables organised under the rural development programme also included mobilising and organising rural communities in order to ensure that they participate actively in the planning of development initiatives targeted for their areas; conducting household profiling for targeted interventions as well



as facilitating food security and livelihood interventions. Enterprise development and the provision of skills development opportunities also marked the interventions of the department dedicated to support people residing in rural areas. A partnership entered into with the Agricultural Research Council yielded the following results:

- Facilitated training of 900 Agri-Paraprofessionals in smallholder livestock and dairy production.
- Trained a total of 750 Agri-Paraprofessionals in vegetable gardening and soil sampling.

At the beginning of 2013, the Branch: Social, Technical, Rural Livelihoods and Institutional Facilitation (STRIF) changed its name and is now known as Rural Enterprise and Industrial Development (REID). This is meant to give impetus towards a focus on Phases 2 and 3 of the Comprehensive Rural Development Programme (CRDP). In this regard, rural communities are assisted and supported to move from meeting basic needs to the establishment of enterprises, and finally to industrialisation.

NATIONAL RURAL YOUTH SERVICE CORPS (NARYSEC)

During the financial year 2012/13, a total of 5881 youth were trained through the National Rural Youth Service Corps (NARYSEC), in various training fields such as civil and construction, community house building, business administration, rural disaster mitigation, animal production and farm management. These young people have already been largely deployed to the rural communities where they come from. We are currently in the process of establishing cooperatives for them where they will apply their trade. The policy on the National Rural Youth Service Corps was approved in August 2012.

GEOSPATIAL AND CADASTRAL SERVICES

During the year under review, the department completed the audit of all land parcels registered in the name of the State. The first phase of the State land audit involved identifying properties that are registered in the names of different spheres of government using the land ownership register maintained by the Deeds Offices.

The second phase entailed the field verification of the properties identified in phase one, in order to compile a register that provides detailed information on:

What rights exist over the land;

What buildings exist on the land;

The current usage of the land and buildings situated on it;


The State division or department which is the holder of the title deed of the land; and

Who is the occupant or user of the land.

Furthermore, the department embarked on a programme to complete the surveying of all un-surveyed State Land and State Domestic Facilities i.e. hospitals, clinics, schools, post offices and police stations, etc. to enable completion of the vesting process in terms of Section 4 of the Government Immovable Asset Management Act, No. 19 of 2007. The completion of the surveying of State Land and State Domestic Facilities will help to improve the implementation of the Government Immovable Asset Management Act.

RESTITUTION

In the year under review, 376 land claims were finalised, where payment and transfer of land was made to beneficiaries, while 602 land claims were settled through approvals signed by the minister. Towards the end of the financial year under review, the department had begun an extensive consultation process on the amendment of the Restitution of Land Rights Act, No. 22 of 1994. In his January 8th 2013 State



of the Nation address, President Zuma alluded to the possible reopening of the cut-off date (31 December 1998) for the lodgement of land claims, and the likelihood of considering exceptions for the Khoi and the San people to claim (pre 1913), as well as heritage sites and historic land marks. It is envisaged that once the parliamentary process and all consultation has been completed, and the amendment bill signed into law, opportunities will be made available for individuals or communities falling into these categories.

LAND REFORM

In the financial year under review, the main focus of the department was on acquiring strategically located land and allocating it accordingly. In pursuit of this aim, a total of 243 farms totalling 157 556 hectares of land were acquired. A total of 200 farms were placed under the Recapitalisation and Development Programme during the year. The Land Reform Programme has been a significant contributor to job creation, and a total of 1059 jobs were created in the land reform projects. Farmer support in the form of training provision also marked the achievements recorded. A total of 421 farmers were trained. These efforts are making a significant contribution to sustainable rural livelihoods, in line with the objectives of the CRDP.

CORPORATE GOVERNANCE

The institutionalisation of Enterprise Portfolio, Programme and Project Management with a focus on formalising project management systems, processes, and providing training on project management also constitutes one of the critical interventions aimed at supporting service delivery improvement. This is beginning to enhance operational efficiency, financial governance and project information management which is crucial to support for planning and implementation.

Moreover, in order to improve governance and accountability, the department focused on continuous risk assessments, improvement of internal performance reporting mechanisms; strengthening of internal auditing on performance against predetermined objectives, and filling of critical posts, in order to improve the capacity to deliver to its constituency. Indeed, all of these initiatives are focused on the improvement of service delivery.

POLICIES

Although not all the set targets were met as planned, significant and commendable progress was observed in the process of developing policies. The department engaged in an extensive consultation process with a view to ensuring broad participation by stakeholders in the policy development processes of the department. This is viewed within the strategic context of securing the necessary buy-in. In this regard, the Policy on Property Valuations which provides for the establishment of the Office of the Valuer-General was delivered as planned. Two policies were approved internally: the Land Tenure Security Policy for Commercial Farming Areas, and the Restitution Policy. The draft Rural Development Policy Framework (RDPF) was completed before 31 March 2013 and is awaiting approval by the Minister.

Other policies are at various stages of development, a number of which are scheduled for approval over the 2013/14 financial year.

CONCLUSION

This is the final Annual Report we are presenting to Parliament as a department under the current administration. The performance milestones outlined above are indicative of significant progress on the department's commitment to improve service delivery. Both the Minister and Deputy Minister continued to provide valuable leadership and for this, we are grateful.



PM Shabane
Director General
03 October 2013

Part B

Performance Information



01. Accounting Officer's statement of responsibility for performance information

The department prepared the report on its performance against predetermined objectives in accordance with the requirements of sections 40(3) (a) and 55 (2(a)) of the Public Finance Management Act, No. 1 of 1999, Chapter 18 section 18.3.1 (b) of the Treasury Regulations and Chapter 6 of the Framework for Managing Programme Performance Information issued by the National Treasury. Therefore, the information reported is a product of established internal policies, procedures and controls related to the management of performance information designed to provide reasonable assurance about the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the performance of the department against objectives set for the financial year ended 31 March 2013.



PM Shabane
Accounting Officer: Rural Development and Land Reform
30 May 2013

02. Overview of departmental performance

Service delivery environment

In pursuit of improving service delivery and promoting a learning culture for corrective actions, the department conducted evaluation studies on the Comprehensive Rural Development Programme (CRDP) and the Recapitalisation and Development Programme (RADP). It is envisaged that the findings of the studies will play a significant role in assisting the department to strengthen the quality of management practices, bring about operational efficiencies and improve the achievement of desired programme results.

In line with the principles of the CRDP and in ensuring that the current levels of service delivery meet the expectations of the targeted people, the department enhanced the institutional arrangements for service delivery coordination at the coal face. This is evidenced by the establishment of and on-going support provided to service delivery forums in the form of Councils of Stakeholders, Community Based Organisations and Village Sector Committees.

These forums play a significant role in championing a people-centred rural development approach thus guarding against delivering services that are not the priority of the targeted beneficiaries. This has resulted in the department being more responsive to the needs of the population that it serves.

The Minister's participation in the Public Participation Programme has improved service delivery immensely. In this programme, discussions on community-specific service delivery issues related to the mandate of the department were held. To this end, the Minister has been central in some of the service delivery improvement initiatives instituted. Furthermore, the department provided responses to a considerable number of service delivery clarification issues coming from the Presidential Hotline. This also provided a platform for the public to interact with the department on various areas of service delivery.

The institutionalisation of Enterprise Portfolio, Programme and Project Management with a focus on setting project management systems, processes, and providing training on project management also accounts for one of the critical interventions aimed at supporting service delivery improvement. This is beginning to improve operational efficiency, financial governance and project information management which is critical in supporting planning and implementation.

Continuous risk assessments, improvement of internal performance reporting mechanisms and strengthening of internal auditing on performance against predetermined objectives, accounted for some of the observable progress achieved towards improving governance and accountability. These initiatives are also viewed within the strategic context of improving service delivery.

As a result of the developments outlined above, the department made significant progress towards meeting its targeted performance in the following service delivery areas:

- Surveying of State land in the former homelands
- Verification of the State land register
- Providing socio-economic infrastructure to households
- Assisting rural communities with agricultural infrastructure and services
- Skills development and creating job opportunities
- Settling of land claims

Service Delivery Improvement Plan

The department developed a Service Delivery Improvement Plan (SDIP) in line with its Annual Performance Plan (APP) and Operational Plan. The following tables reflect the components of the SDIP as well as the progress made in the implementation of the plan.

Main service	Actual customers	Potential customers	Standard of service	Actual achievement against standards
Deeds registration that underpins security of land tenure	<ul style="list-style-type: none"> Land owners Potential land owners Holders of real rights in land Conveyancers /Notaries Municipalities Government departments Financial institutions 	<ul style="list-style-type: none"> Land owners Potential land owners Holders of real rights in land Conveyancers /Notaries Municipalities Government departments Financial institutions 	<ul style="list-style-type: none"> 380 000 All registerable deeds available for registration in seven days; CRDP deeds in five days 97% registered deeds captured, verified in six days after registration Deliver in 15 days after registration Archive of scanned deeds and documents in seven days 90% of all court reports made available in seven days after request has been received 	<ul style="list-style-type: none"> 913 299 deeds registered as per Section 3 of the Deeds Registration Act Not all deeds were available for registration in seven days; and not all CRDP deeds were available in five days Not all deeds were captured and verified in six days after registration Delivery was not always 15 days after registration Scanned deeds and documents were not always archived in seven days All court reports were made available in seven days after receiving the request
To settle restitution claims and provide settlement support	<ul style="list-style-type: none"> Dispossessed communities 	<ul style="list-style-type: none"> Dispossessed communities 	<ul style="list-style-type: none"> 380 land rights restored or awards of equitable redress finalised 133 land claims settled 	<ul style="list-style-type: none"> 376 land rights or awards of equitable redress were finalised 602 claims were settled
To acquire and allocate strategically located land	<ul style="list-style-type: none"> Rural communities and emerging farmers 	<ul style="list-style-type: none"> Rural communities and emerging farmers 	<ul style="list-style-type: none"> 321 122 ha acquired 595 emerging farmers capitalised 416 farms recapitalised 288 jobs created through land reform projects 	<ul style="list-style-type: none"> 157 556 ha distributed 421 emerging farmers capacitated 200 farms recapitalised 1 059 jobs created through land reform projects

Consultation arrangements with customers

Type of arrangement	Actual customer	Potential customer	Actual achievements
Quarterly client satisfaction surveys	<ul style="list-style-type: none"> • Internal staff • Land reform beneficiaries • Land surveyors • Conveyancers • General public 	<ul style="list-style-type: none"> • Internal staff • Land reform beneficiaries • Land surveyors • Conveyancers • General public 	Internal client survey for internal staff conducted. External client satisfaction surveys in some offices of the DRDLR conducted

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 undertaken included stalls and exhibitions. Furthermore, a community outreach was held and senior managers of the department were deployed at the service delivery level
New Offices	During the 2012/13 financial year; the department procured three new offices; namely: <ul style="list-style-type: none"> • Bathaping Street Building in Mmabatho for the Regional Land Claims Commission • 14 Long Street building in Cape Town for the PSSC • 66 Prince Alfred Road in Queenstown for the District Office

Service information tool

Types of information tool	Actual achievements
Exhibitions, workshops	46 exhibitions were held to market and disseminate information about the department
Community outreach programmes	Several outreach programmes were undertaken

Complaint mechanism

Complaint mechanism	Actual achievements
No of complaints received = 254	Resolved = 8 Closed = 143 Outstanding = 103

Organisational environment

In the year under review, the department focused on an internal process of re-aligning the corporate form aimed at achieving a solid organisational development base to better deliver on its complex mandate.

In this regard, the organisational development base began to incorporate different forms intended to pay in-depth attention to the pillars of the mandate. This is evidenced by work done to establish the following corporate forms of governance:

- Creation of the Chief Operations Officer position ;
- Splitting the existing Land Reform and Administration Branch into two branches, with a view to improving service delivery at provincial and district levels;
- Draft Business Operating Model which will be adopted and implemented in phases to ensure strong coordination of the operations of Provincial and District Offices.

The department committed to keep the vacancy rate within the 10% regulated norm in the year under review. Despite not achieving the target, critical positions in the following functional areas were filled: Human Resources and Organisational Development, Legal Services, Safety and Security, Provincial Shared Services Centre for the Mpumalanga Province, Rural Infrastructure Development, Rural Enterprise and Industrial Development, Deeds Registration, Financial Management and Restitution Management Support. The filling of these critical positions is viewed within the strategic context of improving service delivery.

Key policy developments and legislative changes

The period covered by this Annual Report saw the department place greater emphasis on extensive public and stakeholder consultation on policy and legislation development. This was informed by the realisation that greater cohesion, common understanding and unanimous agreement on the policy direction are necessary to achieve the socio-economic benefits espoused in the CRDP. While the targets set were not achieved conclusively, the following progress was recorded:

Policy

- The Policy on Property Valuations which provides for the establishment of the Office of the Valuer-General was delivered as planned;
- Although not all the targets were met as per the commitments, significant and commendable progress was achieved in the process of developing policies. Of the nine policies that could not be finalised, the progress is as follows:
 - Land Management Commission Policy was approved in March 2013.
 - The Policy on Land Owned by Foreign Nationals (PLOF) reached Cabinet Committee level and was referred back for further consultation, research and development.
 - The Land Tenure Security Policy for Commercial Farming Areas was completed through the approval of the Minister and the processes of amending the Extension of Security of Tenure Act commenced.
 - The Communal Tenure Policy (CTP) is in the last stages of consultation.
 - The Policy on Free Hold Tenure with Limited Extent is undergoing the last stages of development.
 - The Draft Rural Development Policy Framework (RDPF) was completed before 31 March 2013 and is awaiting approval by the Minister.

- The Rural Cooperatives Financing Facility (RuCoFF) has gone through initial research and conceptualisation.
- Rural Development Agency policies have gone through initial research and conceptualisation.
- The Restitution Policy was approved by the Minister by the end of the financial year.

Legislation

- Four pieces of legislation were submitted to Parliament. These included the Spatial Planning and Land Use Management Bill (SPLUMB), Geomatics Profession Bill, Deeds Registries Amendment Bill and Sectional Titles Amendment Bill with the latter two introduced to Parliament on the 16 May 2013.
- The Property Valuations Bill which provides for the establishment Office of the Valuer-General (OVC), and the Restitution of Land Rights Amendment Bill have been approved for public comment by Cabinet.
- Three Bills were taken out of the 2012 Legislation Programme through the permission of the Leader of Government Business. These are:
 - Land Tenure Security Bill withdrawn and the proposed legislative imperatives will be catered for in the amendment to the Extension of Security of Tenure Act (ESTA), No. 62 of 1997.
 - Spatial Data Infrastructure Amendment Bill withdrawn from the programme because the department identified a requirement for a more controlled framework for policy development within government.
 - Electronics Deeds Registration Bill was withdrawn because of the finalisation of the policy development.
- The drafting of the Land Protection Bill was stopped because of a process to solidify the policy position which is expressed in the Policy on Land Owned by Foreign Nationals (PLOF).
- The policy on the Land Management Commission (LMC) has been finalised and the drafting of the Bill has commenced.
- The Communal Property Association (CPA) Amendment Bill, is being finalised in tandem with the policy.

04. Strategic outcome oriented goals

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

05. Performance information by programme

Programme I: 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 Services Sector Education and Training Authority. The programme comprises the following sub-programmes:

- Ministry
- Management
- Corporate Support Services
- Financial Services

Strategic objectives: The following are the strategic objectives of Programme I: Administration

- Compliance with relevant policies and legislation governing the management of the public sector by 2014
- Rural development and land reform policies and legislation developed by 2014

Performance indicators and targets

Acknowledging that good management practices and corporate governance are prerequisites for effective and efficient service delivery, the department focused on implementing a host of interventions. These interventions were organised under the Organisational Renewal Plan, effective budget and expenditure management, coordination of the implementation of corrective action plans to resolve audit findings and development of policies as well as legislation that is informed by best practice and evidence gathered through intensive consultation processes. While most of the targets were not fully achieved, the department made significant progress in building a solid foundation necessary to promote good governance. This is evidenced by commendable performance in the areas of promoting good financial governance and extensive public and stakeholder consultation on policy and legislation development.

Programme 1: Administration

Strategic objective	Performance indicator	Baseline (Actual output) 2011/12	Actual performance against target		Reasons for variance
			Target (2012/13)	Actual (2012/13)	
Compliance with relevant policies and legislation governing the management of the public sector by 2014	% of budget spent	98.3%	100%	99.4%	The variance is as a result of funded vacant posts that could not be filled.
	% of audit management action plans implemented	New indicator	100%	68%	The variance is attributed to the fact that some of the activities related to some of the targeted action plans were only completed after the year end.
	% of funded vacant posts	11.47%	10%	16%	The variance is attributed to the increase in the number of funded posts and is traced from the following business areas: <ul style="list-style-type: none"> • Programme 1: 18% • Programme 2: 5.5% • Programme 3: 41.5% • Programme 4: 13.4% • Programme 5: 13.6 % • Deeds: 11.21%
	% of the organisational renewal plan implemented	New indicator	50%	47%	Two deliverables of the total targeted for the period under review, were removed and these two constitute the variance.
	Number of pieces of legislation submitted to Parliament	4	11	4	Of the seven pieces of legislation which constitute the variance: <ul style="list-style-type: none"> • Three Bills were taken out of the 2012 Legislation Programme through the permission of the Leader of Government Business. These included the: <ul style="list-style-type: none"> - Land Tenure Security Bill and the proposed legislative imperatives will be catered for in the amendment to the Extension of Security of Tenure Act (ESTA); - Spatial Data Infrastructure Amendment Bill because the department has identified a requirement for a more controlled framework for policy development within government. - Electronic Deeds Registration Bill because of the finalisation of the policy development.



Programme I: Administration					
Strategic objective	Performance indicator	Baseline (Actual output) 2011/12	Actual performance against target		Reasons for variance
			Target (2012/13)	Actual (2012/13)	
					<p>Two Bills were approved by Cabinet for public consultation just after the year end. These are:</p> <ul style="list-style-type: none"> - Property Valuations Bill and - Restitution of Land Rights Amendment Bill. <ul style="list-style-type: none"> • The drafting of the Land Protection Bill was stopped because of a process to solidify the policy position which is expressed in the Policy on Land Owned by Foreign Nationals (PLOF) • The Communal Property Association Amendment Bill, (CPA) is being finalised in tandem with the policy.
Rural Development and Land Reform policies and legislation developed by 2014	Number of policies submitted to Cabinet	Draft Green Paper on Land Reform and a draft policy developed	10	1	<p>The variance on the submission of targeted policies to Cabinet is attributed to the prioritisation of participatory consultation processes and the necessary intensive research undertake. However, although the target was not fully achieved, the progress is as follows:</p> <ul style="list-style-type: none"> • Land Management Commission Policy was approved in March 2013. • Policy on Land Owned by Foreign Nationals (PLOF) was referred back for further consultation. • Two policies were approved internally, these are: Land Tenure Security Policy for Commercial Farming Areas and the Restitution Policy. The draft Rural Development Policy Framework was completed before 31 March 2013 and is awaiting approval by the Minister. • Rural Cooperatives Financing Facility (RuCoFF) and Policy on Rural Development Agency have gone through initial research and conceptualisation. • Communal Tenure Policy (CTP) is at the last stages of consultation. • Policy on Free Hold Tenure with Limited Extent is undergoing extensive last stages of development.

Changes to planned targets

The scope of the Organisational Renewal Plan changed subsequent to the finalisation of the annual targets. This change emanated from a diagnosis that sought to ascertain organisational service delivery challenges facing the department.



Programme 2: Geospatial and Cadastral Services

Purpose: The Geospatial and Cadastral Services programme is responsible for providing cadastral surveys, geodetic and topographical 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, spatial information and administration system to promote an equitable, sustainable land use and allocation by 2014
- Skills development and sustainable economic opportunities created by 2014

Performance indicators and targets

This programme provides technical services in support of sustainable and effective land management for effective targeted development. In this regard, the department recorded significant performance in the following areas: surveying of State land in the former homelands, verification of State land register and skills development in the form of championing training in geomatics to mitigate against the scarcity of technical expertise in this area of service.

One of the major achievements has been the verification of 99.5% of the State land register

Programme 2: Geospatial and Cadastral Services					
Strategic objective	Performance indicator	Baseline (Actual output) 2011/12	Actual performance against target		Reasons for variance
			Target (2012/13)	Actual (2012/13)	
An integrated land planning, spatial information and administration system to promote an equitable, sustainable land use and allocation by 2014	Number of Spatial Plans formulated	0 SDFs completed	37	14	The department continued to service the backlog of 25 spatial plans which could not be delivered in the 2011/12 financial year and this led to the variance. Therefore, the total delivered in the year under review is 39 (14 actual for 12/13 and 25 for 11/12). The focus on servicing the backlog of 25 SDFs accounted for the variance of 23 against the set target of 37. Furthermore, the limited human resources focused on supporting Parliament in the processing of the SPLUM Bill.

Programme 2: Geospatial and Cadastral Services

Strategic objective	Performance indicator	Baseline (Actual output) 2011/12	Actual performance against target		Reasons for variance
			Target (2012/13)	Actual (2012/13)	
An integrated land planning, spatial information and administration system to promote an equitable, sustainable land use and allocation by 2014	Number of hectares of State land in the former homelands surveyed	66% (993 726.4313 hectares)	2.7 million hectares	2.4 million hectares (2 350 374.9975)	The target of 2.7million hectares was set before the exact extent of land to be surveyed was determined and as such, the variance is attributed to the fact that the target set was an estimate since the extent of unsurveyed land was not accurately established during targeting.
	Average number of working days taken to process registerable diagrams, sectional plans	21 days	14 days	21 days	Variance is attributed to limited skilled and experienced personnel and staff shortages. Other projects (such as State land audit, calculation of extent) kept the officials out of offices thus affecting the turnaround time on the processing of registerable diagrams and sectional plans. It must be noted that other offices such as the Surveyor General Western Cape and Bloemfontein met the target of 14 days.
	% of the State land register verified	54%	100%	99.5%	A slight variance in the verification of the State land is attributed to the fact that field workers were denied access to certain areas. Furthermore, some land parcels could not be located at all in some areas. A total of 5 931 land parcels in KwaZulu-Natal, Gauteng and Free State mostly residential in nature could not be verified.
An integrated land planning, spatial information and administration system to promote an equitable, sustainable land use and allocation by 2014	Operational e-cadastre	e-Deeds version I completed. Workshops completed E-cadastre not yet operational	E-cadastre developed	Not achieved	The non achievement of targets on the development of the E-cadastre is attributed to the fact that the project fell behind schedule due to a number of reasons including disagreement between the department and the service provider. However, all disputes were resolved. The department subsequently developed a "catch-up" plan however delivery deadlines within the plan may not be realised, hence the department is developing a detailed plan for all deliverables to be achieved within realistic time frames. The development processes has in the year under review delivered on the following:



Programme 2: Geospatial and Cadastral Services

Strategic objective	Performance indicator	Baseline (Actual output) 2011/12	Actual performance against target		Reasons for variance
			Target (2012/13)	Actual (2012/13)	
					Certain planning documents, certain design documents and development verification to the Gijima system development and test environment in respect of: <ul style="list-style-type: none"> • Content management • User access management • The portal
Skills development and sustainable economic opportunities created by 2014	Number of people trained in geomatics	One programme initiated. The examinations for pupil Cadastral officers were set.	60	57	The training programme takes two years to complete. The variance is as a result of trainees who have not graduated.

Changes to planned targets

Given that the training in the Geomatics programme lasts for two years, the target is on the number of intake rather than graduates. Therefore, reporting was based on the number of students who graduated in the current financial year (2012/13) although they were enrolled in the previous financial year (2011/12). This clarifies the issue of what the target is about and the variance between the target and the actual performance. On the indicator “Number of hectares of State land in the former homelands surveyed” the target of 2.7 million hectares was changed to 2.5 million hectares.

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 (CRDP) 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

- Integrated service delivery facilitated through the coordination of government and development stakeholders by 2014
- Recapitalisation and development support provided to land reform beneficiaries and rural communities by 2014
- Profiled rural households enabled to improve their food security by 2014
- Socio-economic infrastructure facilitated to improve access to services by 2014
- Skills development and sustainable economic opportunities created by 2014

Performance indicators and targets

In pursuit of promoting vibrant, sustainable and equitable rural communities, the department performed significantly well in the following service areas: assisting rural communities with agricultural infrastructure and services, providing households with access to socio-economic infrastructure using the CRDP model, skills development (especially targeting rural youth) in order to improve rural livelihoods and creating jobs through rural development initiatives.

In these performance areas, the department did not just meet its commitments for the year under review; it exceeded its set targets. This is viewed as a positive indication towards the realisation of the CRDP objectives.

Programme 3: Rural Development					
Strategic objective	Performance indicator	Baseline (Actual output) 2011/12	Actual performance against target		Reasons for variance
			Target (2012/13)	Actual (2012/13)	
Integrated service delivery facilitated through the coordination of government and development stakeholders by 2014	Number of functional service delivery forums	464	93	75	Filling of key positions impacted on the finalisation of the establishment and functioning of forums.

Programme 3: Rural Development

Strategic objective	Performance indicator	Baseline (Actual output) 2011/12	Actual performance against target		Reasons for variance
			Target (2012/13)	Actual (2012/13)	
Recapitalisation and development support provided to land reform beneficiaries and rural communities by 2014	Number of rural communities assisted with agricultural infrastructure and services	New indicator	60	63	The variance is attributed to the fact that the budget was stretched to accommodate other communities. Furthermore, there were emergency projects that came up during projects implementation which needed to be considered for implementation.
	Number of irrigation schemes under revitalisation	New indicator	8	7	The variance is attributed to the fact that the second phase of Ncorha Irrigation Scheme could not be completed due to community conflict and challenges with the strategic partner. Conflicts experienced by the Tyefu community resulted in challenges with the finalisation of resolutions required to move forward with implementation.
Profiled rural households enabled to improve their food security by 2014	Number of households accessing food security interventions	947 food gardens established	1 800	2 131	The variance is attributed to the fact that the department reached more households than anticipated due to the needs identified during the delivery.
Socio-economic infrastructure facilitated to improve access to services by 2014	Number of households accessing socio-economic infrastructure using the CRDP model	New indicator	20 000	29 405	The variance is attributed to the fact that the budget was stretched to accommodate other communities. Furthermore, there were emergency projects that came up during project's implementation which needed to be considered for implementation.



Programme 3: Rural Development					
Strategic objective	Performance indicator	Baseline (Actual output) 2011/12	Actual performance against target		Reasons for variance
			Target (2012/13)	Actual (2012/13)	
Skills development and sustainable economic opportunities created by 2014	Number of people assisted to access skills to improve rural livelihoods	3819	3200	4564	The variance is attributed to the fact the department responded to more training needs than anticipated
	Number of jobs created through rural development initiatives	4589	2980	3545	The variance is attributed to community conflicts about who to employ and who not to employ. Therefore, more community members were accommodated to resolve the conflicts.
	Number of youth skilled through the NARYSEC programme	5460	3000	5881	The variance is attributed to the fact that programme participants (youth) who were recruited late in 2011/2012 financial year (but not included in the 2012/13 annual target) enrolled at the beginning of 2012/13 financial year and as a result, they were added in the performance of 2012/2013 financial year. This, performance reported exceeded the target set as a result of this addition.

Changes to planned targets

The indicator “number of irrigation schemes under revitalisation” and its targets were moved from the Land Reform Programme to the Rural Development Programme. This was informed by the fact that revitalisation of irrigation schemes has a lot to do with infrastructure development which is the competence of the Rural Infrastructure Development Branch. As a result of this, both the indicator and its targets were moved to the Rural Infrastructure Development Branch.

Programme 4: Restitution

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

Strategic objectives: The following is the strategic objective of Programme 4: Restitution

- Land rights restored or alternative forms of equitable redress awarded to claimants by 2014.

Performance indicators and targets

Restoration of land rights through the settlement of land rights and provision of support to land beneficiaries is at the heart of an effective land reform programme. In this regard, the department exceeded its target on settling land claims by a significant proportion. This is indicative of significant progress in making profound changes in the land ownership patterns and promoting access to land by previously disadvantaged individuals.

Programme 4: Restitution					
Strategic objective	Performance indicator	Baseline (Actual output) 2011/12	Actual performance against target		Reasons for variance
			Target (2012/13)	Actual (2012/13)	
Land rights restored or alternative forms of equitable redress awarded to claimants by 2014	Number of land rights restored or awards of alternative equitable redress finalised	209	380	376	The variance is attributed to disputes between family members and the delays in the conveyancing processes.
	Number of land claims settled	416	133	602	The variance is attributed to the fact that most of the senior and executive management positions were filled which contributed to the improvement on the capacity of the Commission to deliver. Furthermore, the Commission settled more financial compensation claims where research work had already been completed and fewer cases which warranted referral to court resulting in an administrative settlement.

Changes to planned targets

No changes were made on the planned targets.

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

- Strategically located land acquired and allocated by 2014
- Recapitalisation and development support provided to land reform beneficiaries and rural communities by 2014
- Skills development and sustainable economic opportunities created by 2014

Performance indicators and targets

Land reform remains a critical priority of the department and one of the central pillars of the CRDP. The focus of the department has been on acquiring strategically located land and allocating it to beneficiaries. In this regard, a total of 157 556 hectares of land were acquired and allocated to beneficiaries.

Improving the productivity of the acquired farms, forms part of the department's support provided to emerging farmers. A total of 200 farms were placed under the Recapitalisation and Development Programme over the financial year under review.

Furthermore, the department performed significantly well in creating 1059 jobs through the land reform programme. This together with the training of farmers which is aimed at improving productivity of the land reform farms play a significant role in promoting sustained rural livelihoods in line with the objectives of the CRDP.

Programme 5: Land Reform					
Strategic objective	Performance indicator	Baseline (Actual output) 2011/12	Actual performance against target		Reasons for variance
			Target (2012/13)	Actual (2012/13)	
Strategically located land acquired and allocated by 2014	Number of hectares acquired	392 850	321 122 ha	157 556 ha	The department changed from a hectare-driven approach to acquisition of going-concerns (existing agricultural business concerns). Furthermore, 25% of the land acquisition budget was shifted to fund the Recapitalisation and Development Programme.



Programme 5: Land Reform

Strategic objective	Performance indicator	Baseline (Actual output) 2011/12	Actual performance against target		Reasons for variance
			Target (2012/13)	Actual (2012/13)	
Recapitalisation and development support provided to land reform beneficiaries and rural communities by 2014	Number of new farms under recapitalisation	387	416	200	Farms under recapitalisation and development require intensive investment. Therefore, as a result of limited financial resources, the projected targets could not be realised as planned.
Skills development and sustainable economic opportunities created by 2014	Number of jobs in land reform project	New indicator	288	1059	The strategic partners responded positively to the call for job creation and as such, jobs created exceeded the target set.
	Number of farmers trained	277	595	421	Challenges were experienced with the administration and collection of data on training.

Changes to planned targets

The indicator “number of irrigation schemes under revitalisation” and its targets were moved from the Land Reform Programme to the Rural Development Programme. This was informed by the fact that revitalisation of irrigation schemes has a lot to do with infrastructure development which is the competence of the Rural Infrastructure Development Branch. As a result of this, both the indicator and its targets were moved to the Rural Infrastructure Development Branch.

06. Summary of financial information

Departmental receipts

Departmental receipts	2012/2013			2011/2012		
	Estimate	Actual amount collected	(Over)/Under collection	Estimate	Actual amount collected	(Over)/Under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Tax receipts	-	-	-	-	-	-
Casino taxes	-	-	-	-	-	-
Horse racing taxes	-	-	-	-	-	-
Liquor licences	-	-	-	-	-	-
Motor vehicle licences	-	-	-	-	-	-
Sale of goods and services other than capital assets	18,659	20,143	(1,484)	22,883	19,069	3,814
Transfers received	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	-	-	-	-
Interest, dividends and rent on land	13,734	31,507	(12,211)	21,840	15,165	6,675
Sale of capital assets	963	205	758	224	1,606	(1,382)
Financial transactions in assets and liabilities	5,394	27,771	(22,377)	5,000	10,309	(5,309)
Total	38,750	79,626	(35,314)	49,947	46,149	3,798

Collection of departmental revenue for the financial year 2012/13 amounted to R79,6 million. The bulk of the revenue was in respect of revenue recovered from the previous financial year amounting to R26,8 million which relates to the following:

- Expenditure for Nkosi Dalibhunga Mandela Legacy bridge amounting to R11,4 million;
- Revenue recovered from fidelity funds and repayment of land deal that did not materialise amounting to R5,9 million;
- Expenditure recovered from Deeds Trading Account for guarding services amounting to R1,8 million;
- Overpayments made on recapitalisation and development of Bakolobeng project in North West amounting to R1,1 million.

Followed by interest received on the bank account amounting to R22 million, and survey inspection fees for R15,3 million. Rent earned from lease agreements with beneficiaries amounting to R2,7 million and interest earned from conveyances Cheadle Thompson Hyson Attorneys amounting to R672 165.

Programme expenditure

Programme name	2012/2013			2011/2012		
	Final appropriation	Actual expenditure	(Over)/Under collection	Final appropriation	Actual expenditure	(Over)/Under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	1,107,274	1,103,430	3,844	940,483	934,244	6,239
Geospatial and Cadastral Services	550,932	548,364	2,568	587,010	582,988	4,022
Rural Development	1,086,208	1,075,584	10,624	866,868	786,396	80,472
Restitution	2,885,753	2,865,733	20,020	2,393,051	2,376,290	16,761
Land Reform	3,343,918	3,326,456	17,462	3,349,285	3,317,807	31,478
Total	8,974,085	8,919,567	54,518	8,136,697	7,997,725	138,972

The department's expenditure for the period ended 31 March 2013 amounted to R8,919 billion against the adjusted appropriation amounting to R8,974 billion, leaving a balance of R 54,5 million. In spending percentage terms, this recorded spending yield performance of 99,4% which is 0.7% better than 98.3% that was recorded in 2011/12. The under-spending of R54,5 million was mostly attributed to vacant posts not filled (R33,6 million), household grants (R17,8 million) and goods and services (R9,2 million) due to late submission of invoices, hence they could not be processed for payment before system closure.

Transfer payments (excluding public entities)

A total of R195,7 million was transferred to a number of entities that the department has collaboration agreements with in the form of memorandum of agreement and memorandum of understanding. These agreements exist in order to assist the department to implement the comprehensive rural development programme in a manner that is efficient, speedily and economical. The details of these entities and their payments are listed in the table below

Name of entity or institution	Purpose of the transfer	Actual expenditure R'000
Independent Development Trust	Food security programme	65,249
Agricultural Research Council	<ul style="list-style-type: none"> • Training of the Agricultural Para Professionals • Training of small holder livestock producers • Establishment of fruit and vegetable enterprises in different provinces in SA • To breed 50 bonsmara beef cattle and two bonsmara bulls and also train and mentor beneficiaries of Segogoane's Valley Trust in Thaba Nchu within Mantsopa Local Municipality in Free State 	72,247

Name of entity or institution	Purpose of the transfer	Actual expenditure R'000
Agri SETA	Farm Together roll out which is a project aimed at up skilling the cooperatives sector	4,514
Development Bank of Southern Africa	<ul style="list-style-type: none"> Assist the department with the Sustainable Development Plan for five years in Muyexe Assist the department to conduct a full due diligence study that aims to rationalise 658 cooperatives to 110 trading enterprises 	5,260
Goedgedacht Trust	<ul style="list-style-type: none"> Strengthen the Goedgedacht Trust Rural Path Out of Poverty Youth Development Programme. Funds were transferred to assist the Trust with the construction of the Youth Development Academy 	2,361
Coega Development Corporation (PTY)LTD	<ul style="list-style-type: none"> Assist the department with the development and implementation of its renewal strategy 	32,275
Human Sciences Research Council (HSRC)	Policy Research - 1913 centenary research	5,000
Free State Provincial Government: Agriculture	Renovation of the Thaba Nchu College	1,237
Mhlongamvula Farming cooperative	Fund the operations of the cooperative	7,579
TOTAL		195,722

Public Entities

During the financial year 2012/13, the department transferred a total of R2,328 billion to its trading entities, namely Deeds Registration Trading Account, Agricultural Land Holding Trading Account and the Ingonyama Trust Board. Of the transferred amount, R2,101 billion was spent by all entities and the variance of R227 million is attributed to the ALHA Trading Account under spending. The following table provides a detailed breakdown of the above-mentioned expenditure.

Name of transferee	Purpose for which the funds were used	Amount transferred (R'000)	Amount spent by the entity	Reasons for the funds unspent by the entity
Ingonyama Trust Board	To augment the budget of the board	18,816	18,816	N/A
Registration of Deeds Trade Account	To augment the budget of the trading entity	11,129	11,129	N/A
Agricultural Land holding Account	To fund the pro-active acquisition of the strategically located agricultural land	2,298,335	2,071,187	The balance of R227 148 has been committed on land but the transfer of properties has not yet taken place



Conditional grants and earmarked funds received

The department did not receive any conditional grants during the period under review.

Donor funds

The following table provides a report on donor funding that the department received during the period under received.

Name of donor	European Union	Belgium Development Corp
Full amount of the funding (R'000)	R8,7000	60,000
Period of the commitment	2012 - 2015	01 Sept 2011 to Aug 2015
Purpose of the funding	Job creation in rural area, agricultural skills development and establishing a new rural industry	Poverty reduced through recreation of rural sustainable livelihoods of land reform beneficiaries
Expected outputs	25 hectares of oil crops under cultivation and extraction of 100 kg of high quality organically certified quality essential oils for sale to the international market in 2012/13	Three results areas
Actual outputs achieved	Target achieved	Result area no. 1
Amount received in current period (R'000)	3,000	972
Amount spent by the department (R'000)	3,000	869
Reasons for the funds unspent	-	The policies have not yet been finalised
Monitoring mechanism by the donor	-	-

Capital investment, maintenance and asset management plan

For the period under review the following capital projects were registered with the Department of Public Works to address maintenance related matters:

Project description	Completion date	Contractor allocation 2012/13 R'000	Contractor allocation 2013/14 R'000	Contractor allocation 2012/13 R'000	Contractor allocation 2013/14 R'000
Bloemfontein Deeds Office: Upgrading of the sewer system	30 March 2014	-	1 196	370	212
Bloemfontein Deeds Office: Maintenance of the fire protection system	30 March 2014	-	24	278	158
Bloemfontein Deeds Office: Erection of shade ports	30 March 2014	-	230	74	42
Cape Town: Surveyor-General Building, Plein Street 90: Upgrading of the kitchen and toilet facilities	30 June 2012	4 102	-	2 689	-
Cape Town, Mowbray, van der Sterr Building: Upgrading and installation of back-up generator	30 March 2014	1 028	-	613	-
Pretoria, Old Cooperation Building: Upgrading of power supply and reticulation	30 October 2012	3 758	-	1 441	-
Pretoria, Old Cooperation Building: Replacement of lifts	30 March 2015	3 896	3 942	343	49
Pretoria, Old Cooperation Building: Upgrading of ablution facilities	30 March 2015	-	946	185	57
Pretoria, Old Cooperation and South Block buildings: Upgrading of Offices	30 March 2015	-	33	1 573	57

The long term plan of the department is to consolidate office accommodation in major cities, including Cape Town, East London, Polokwane, Mahikeng and Pietermaritzburg. This will decrease the number of leases that the department has. The Department of Public Works has already issued procurement instructions in this regard. The department spent R4 494 866.81 on normal day-to-day maintenance of buildings which included power shut-downs, plumbing, partitions, painting, carpets, etc. The actual expenditure was in line with the planned maintenance works.

Part C

Governance



01. Introduction

The department continued with the institutionalisation of mechanisms and building the capacity which is necessary to promote good governance in conducting its business. These efforts include promoting good ethical conduct necessary to combat and prevent fraud and corruption, implementing risk management strategies, promoting occupational health and safety measures, proper delegation of authority, proper management of the information communication and technology and other mechanisms required to entrench good governance.

02. Risk management

The department has an approved Risk Management Policy and Strategy. A functional structure in the form of a Risk and Compliance Committee chaired by an independent chairperson drives the implementation of the Risk Management Policy and Strategy. The committee met quarterly to consider and review the risk management policies and provide oversight on the effectiveness of risk management within the department.

The Directorate: Risk Management was elevated to a Chief Directorate level, reporting administratively directly to the Director-General and functionally to the Risk and Compliance Committee. These institutional arrangements are meant to inculcate a risk management culture across the department with a view to improve performance.

As part of implementing the Risk Management Strategy, the department conducted a comprehensive risk assessment. The assessment focused on risks at process, operational and strategic levels. The assessment was aligned to the operational and annual performance plans in order to ensure that efficient management of risks contributes to improved performance.

03. Fraud and corruption

The department has an approved Fraud Prevention Policy and Plan that provide mechanisms for the implementation of fraud prevention. Education and awareness programmes were also conducted to encourage whistle blowing. The National Anti-Corruption Hotline number was also communicated to staff members in order to ensure that they know where to report suspected fraud and corruption cases anonymously.

The department also receives and administers formal, informal and anonymous reported matters from various communication mediums. As part of implementing the Fraud Prevention Policy, the department focused on rolling out training and awareness campaigns to popularise the policy.

04. Minimising conflict of interest

The objective of Chapter 3 of the Public Service Regulations is to identify any conflict of interests in order to promote just and fair administrative actions of officials in senior positions and thereby to protect the public service from actions that may be detrimental to its functioning and that may constitute unlawful administrative actions as a result of ulterior motives. In general, it aims to promote open and accountable government and the lawful use of taxpayers' money and therefore the principles and values in section 195(1) of the Constitution. It also assists the senior management service (SMS) members by enabling them to disclose their financial interests and



thereby places a duty on the employer (i.e. executing authority) to indicate if she/he is satisfied that the employees' financial interests will not negatively impact on the execution of their function(s). Of the 230 SMS financial disclosures targeted for submission to the Public Service Commission, all 230 were submitted. This is indicative of 100% compliance.

05. Code of conduct

The department utilises the Code of Conduct for the Public Service, which is a set of rules regulating standards of conduct. It provides direction to employees by setting out their responsibilities in the execution of their duties. It outlines what is expected of them from an ethical point of view in their relationship with the legislature, political and executive office-bearers, other employees and the public. Compliance to the Code of Conduct within the department enhances professionalism by promoting exemplary conduct which has the effect of instilling confidence in the department. If there is non-compliance with the Code of Conduct or a contravention of any of the provisions of the Code, this will constitute misconduct and it will be dealt with in terms of the Disciplinary Code and Procedure for the Public Service (PSCBC Resolution 1 of 2003).

A draft Code of Conduct was submitted for approval and seven work sessions were conducted and 160 employees of the department were trained on the code of conduct during the year under review.

06. Health, safety and environmental issues

The Occupational Health and Safety (OHS) endeavors of the department seek to comply with the requirements of the Occupational Health and Safety Act, No. 85 of 1993 by providing and maintaining a working environment that is safe and without risk to the health and safety of employees.

In the financial year under review, the department conducted 25 Occupational Health and Safety Audits to determine the level of compliance with the Occupational Health and Safety Act and advise management to promote health and safety standards in the workplace. Based on the findings of the Occupational Health and Safety Audits conducted, the department implemented the following interventions to promote a safe working environment:

- Reviewed the current OHS policy to address the current needs and challenges
- Developed standard operating procedures to ensure a systematic approach in dealing with the safety, health and environmental challenges
- Ensured that senior managers and other statutory appointees across all provinces have been trained as required by the Act to enable them to execute their assigned functions in terms of Occupational Health and Safety Act section 16(2) and section 17(1) respectively
- Formally appointed all OHS structure members in writing as a statutory body to address issues of OHS
- Five emergency evacuation drills were conducted in different offices as required by the legislation
- Emergency evacuation plans in different offices were developed and submitted to the relevant local municipalities for approval
- Ensured that the firefighting equipment in all offices are serviced as required by legislation

07. Internal control unit

In the financial year under review, the department performed the following functions:

- Conducted internal control awareness campaigns
- Identification of weaknesses in the internal control systems
- Provided recommendations on controls that must be implemented in order to address the identified weaknesses
- Monitored the implementation of recommended controls in order to ensure that they are in place and are working effectively to address the identified weaknesses
- Monitored the implementation audit action plans based on the Auditor-General and Internal Audit recommendations.

In this regard, significant improvement in the internal control environment was observed in the financial year under review.

08. Audit committee report


Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2013.

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 and met at least four times in the year under review in accordance with their approved charter. During the current year, seven meetings were held.

Name of member	Number of meetings attended
Mr K. Buthelezi (Chairperson)	7
Mr L. Mangquku	7
Ms K. Moloko (contract ended October 2012)	3
Ms T. Moja	7



Audit Committee responsibility

The committee 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 the charter and has discharged its responsibilities as contained therein.

Effectiveness of internal control

In line with the PFMA requirements, Internal Audit provides the committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process improvements, comprehensive internal audits, as well as the identification of corrective actions and suggested enhancements to the controls and processes. During the year under review, deficiencies and deviations detected by internal audit in the system of internal control were reported to management and reviewed by the committee. The committee monitored, at all of our meetings, management's progress in addressing the reported control weaknesses.

A Risk Committee has been established and reports to the Audit Committee. The purpose of the Risk Committee is to enhance the internal control environment of the department by focusing on areas relating to risk management and risk governance. The Risk Committee is fully functional, with five meetings held during the year.

Based on the committee's review of the interim and final management reports of the Auditor-General South Africa (AGSA), we noted material deficiencies in the systems of internal control governing the preparation of the annual financial statements, predetermined objectives and compliance with laws and regulations. On a positive note, there has been a marked improvement in the system of internal control governing immovable tangible capital assets. This improvement has, in part, resulted in the department receiving an unqualified audit opinion on its annual financial statements.

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

In conclusion, based on the committee's review of internal audit reports and the management reports of the AGSA, we report that the department's system of internal control was not entirely effective for the year under review.

Areas of concern for the Audit Committee

The committee has identified the following areas of concern:

- The E-Cadastre project
- IT environment
- Policies and procedures

The committee has tasked management to provide updated reports and feedback at all Audit Committee meetings on these areas of concern, and they have recommended a forensic investigation on the E-Cadastre project. These matters formed part of the audit committee report to the Executive Authority.

Evaluation of financial statements

The Committee has:

- Reviewed and discussed the annual financial statements to be included in the annual report, with the AGSA, the Accounting Officer and management;
- Reviewed the Auditor-General's interim and final management reports, as well as, management's response thereto;
- Reviewed possible changes in accounting policies and practices;
- Reviewed the department's compliance with legal and regulatory provisions;
- Reviewed the information on predetermined objectives to be included in the annual report;
- Reviewed significant adjustments resulting from the audit.

The committee expresses concern regarding the quality of the annual financial statements submitted to the AGSA on 31 May 2013. These financial statements contained material misstatements and had to be adjusted by management in order to receive an unqualified audit opinion.

The committee concurs with and accepts the AGSA's unqualified audit opinion on the annual financial statements for the year under review.

Internal Audit

The committee is satisfied that the internal audit function is operating effectively and that it has taken into consideration the risks pertinent to the department in its audits. Internal Audit has made significant progress with audits conducted in terms of its three-year rolling plan, as well as with the forensic and special investigations that were performed in addition to the plan. Capacity building is still posing a challenge to the Internal Audit function and therefore co-sourcing has been used as an interim measure.

Auditor-General South Africa

The committee has met with representatives of the AGSA to ensure that there are no unresolved issues.



Mr K. Buthelezi
Chairperson of the Audit Committee
Department of Rural Development and Land Reform
20 August 2013

Part D

Human Resource Management



01. Legislation that govern Human Resource Management

In managing the human resources for operational efficiency, the department was guided by the following legislation:

- Basic Conditions of Employment Act, No. 75 of 1997
- Codes of Remuneration, 1999 (as amended)
- Compensation for Occupational Injuries and Diseases Act, No. 61 of 1997
- Constitution of the Republic of South Africa, Act No. 108 of 1996
- Delegation of Authority
- Department of Public Service and Administration Financial Manual, 2012
- Employment Equity Act, No. 55 of 1998
- General Public Service Sector Bargaining Council Resolutions
- Government Employees Pension Fund Act, No. 21 of 1996
- Grievance Rules for Public Service, 2003
- HRM Policies
- Labour Relations Act, No. 66 of 1995
- National Minimum Information Requirements, 1999
- Occupational Health and Safety Act, No. 85 of 1993
- Protected Disclosure Act, No. 26 of 2000
- Public Finance Management Act, No. 1 of 1999
- Public Service Act, No. 103 of 1994 (as amended)
- Public Service Co-ordinating Bargaining Council Resolutions
- Public Service Regulations, 2001 (as amended)
- Senior Management Service (SMS) Handbook, 2003 (as amended)
- Skills Development Act, No. 97 of 1998
- Skills Development Levies Act, No. 9 of 1999
- South African Qualifications Authority Act, No. 58 of 1995
- White Paper on Affirmative Action in the Public Service
- White Paper on Human Resource Management
- White Paper on Public Service Training and Education
- White Paper on Transformation of the Public Service
- White Paper on Transforming Public Service Delivery

02. Introduction

This section addresses the human resource matters of the department. The focus is on human resource issues prioritised for the year under review, key strategies implemented to attract and recruit a skilled and capable workforce, employee performance management framework and employee wellness programmes. It further provides highlights on human resource policy development achievements, challenges and future human resource plans.

Overview of human resource matters in the department

In the financial year under review, the department focused mainly on the following human resource matters:

- Managed human resource policies, planning and research
- Implemented and managed performance management systems
- Provided staffing services including recruitment and selection and mobility
- Managed employee health and wellness programmes
- Managed human resource benefits
- Facilitated and monitored the implementation of employment equity
- Ensured that an effective PERSAL management infrastructure is in place and maintained
- Monitored and managed statistics and information on PERSAL
- Provided strategic advice to management regarding PERSAL information
- Managed salary administration and occupation specific dispensations (OSDs)
- Facilitated code of conduct, labour relations' guidelines and practices
- Facilitated labour relations services
- Managed employee grievances
- Managed labour disputes
- Managed collective bargaining
- Managed and monitor the implementation of the Skills Development Act, No. 97 of 1998 and internship and learnership programmes
- Coordinated and facilitated the training and development of employees
- Managed and administered bursaries
- Provided organisation development services
- Provided organisation development administrative support services

Set human resource priorities for the year under review and the impact of these priorities

In the financial year under review, the department focused on the priorities presented in the table below. These priorities are informed by the human resource challenges experienced in the previous financial years.

HR priorities	Outcomes	Approach to mitigate risk and achieve outcomes
Manage and review structure	Aligned structure and establishment to support the strategic objectives of the department	<ul style="list-style-type: none"> • An organisational structure was reviewed and approved • Implemented the migration framework wherein the employees were transferred from the old to the revised structure
Maintenance of job descriptions	Updated job profiles	<ul style="list-style-type: none"> • Developed job descriptions for each job • The job descriptions are reviewed when necessary
Determine priority posts to be filled	Recruit, select and appoint employees to be able to achieve the strategic objectives of the department.	<ul style="list-style-type: none"> • Communicated recruitment standards and procedures to all stakeholders involved in the recruitment and selection process • Identification and filling of all critical or priority posts • Implement a recruitment programme for the year
Reduce vacancy rate	Reduced vacancy rate	<ul style="list-style-type: none"> • Advertised funded prioritised posts • Improve the recruitment and selection turnaround times • Vacancy rate maintained at 10 %.
EE Targets implimented	Reach set targets	<ul style="list-style-type: none"> • Align filling of posts to the employment equity targets • Establish EE forums nationally as well as provincially to monitor the implementation of equity plan of the department
Critical skills ensured	Prioritising and communicating critical skills for vibrant, sustainable and equitable rural communities.	<ul style="list-style-type: none"> • Ensure that the HRD Strategy is aligned with National Skills Development Strategy (NSDS) • Partnership with other tertiary institutions enhanced through effective governance
Exit interviews managed	Improve the retention strategy	<ul style="list-style-type: none"> • Exit interview forms have been designed and circulated • Encouraged staff to complete the questionnaires before leaving the department • Compiled and submitted the reports for management's attention



Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

Workforce planning is a systematic business process which brings together information about workforce segments, the internal and external environments, strategic objectives, budgets and future workforce needs to inform the development of workforce strategies and actions. The Human Resource Plan of the department is in place and currently being implemented to address the current and future human resource needs of the department. The plan also guides human resource strategies in the areas of recruitment, performance management, training and development and employee wellness

Employee performance management framework

The Employee Performance Management System and Performance Management and Development System provide a standardised framework for managing employee performance in the department. Performance management is determined by three main levels of performance management namely at:

- Organisational level, top management determines the strategic priorities and overall key result areas of the department, while objectives are identified for the priorities and assigned to components within the department.
- Component level, components undertake the execution of projects and activities that lead to the achievement of the integrated business plans.
- Employee level, each employee develops a performance agreement jointly with his/her supervisor.

Employee wellness programmes

The activities of the employee wellness programmes include the following for:

Psychosocial counselling services

- Direct and confidential access to a 24-hour personal support service
- Individual and/ group face-to-face counseling sessions shall be considered where short-term psychological counseling is appropriate
- Critical incident service offers prompt and professional trauma debriefing and counseling to employees exposed to incidents of trauma EWP is responsible for rehabilitation in line with internal Human Resource Policy and Policy on Incapacity Leave and Ill-Health Retirement (PILIR)

Life Skills, Health and Wellness Promotion

Life skills, health and wellness programmes and interventions are provided to employees as and when a need arise.

Policy development

The department implemented the approved Human Resource Policies. It continues reviewing these policies to ensure alignment with the developments in the legislative framework. The following are the achievements:

Highlight on achievements

The following are the significant achievements recorded in the year under review:

- A total of 42 senior management posts were filled. Among these were the critical executive appointments which included: the Chief Land Claims Commissioner; the Deputy Director General for Rural Infrastructure Development and Deputy Director General for Land Reform and Administration;
- All 230 members of the SMS submitted their financial disclosures forms;



- The version 2.9 of the organisational structure which was approved in March 2011 (as amended) was implemented on the PERSAL system;
- Human resource delegations were compiled, aligned and submitted for approval;
- With regards to external and internal bursaries, all targets were met;
- Targets on the placement of interns and full time study students were met;
- A total of 48 policies were reviewed;
- Training was provided to a total of 3719 employees to address critical skills
- Provincial Employment Equity Consultative Forums (EECF) were established and members serving in these forums were trained.

Challenges faced by the department

- Efforts to align the strategies for the implementation of the mandate of the department necessitated the review of the organisational structure. This impacted on the management of the vacancy rate. It also delayed the implementation of service delivery programmes. The department also experienced challenges in the following business operational areas:
 - o Scarcity of targeted skills in the labour market affects the filling of vacant posts
 - o Difficulties in filling OSD related posts due to stringent OSD requirements
 - o The workplace that is not user friendly to persons with disabilities impacted negatively on the appointment of persons with disabilities. This also had negative implications on improving representivity on the staffing levels.

03. Human resource oversight statistics

3.1 Personnel related expenditure

The following tables summarise the final audited expenditure per Programme (Table 3.1.1) and by salary band (Table 3.1.2). It also provides a summary of expenditure incurred as a result of salaries, overtime, housing allowance and medical assistance per Programme (Table 3.1.3) and salary band (Table 3.1.4).

Table 3.1.1 – Personnel expenditure by Programme

Programme	Total * expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services (R'000)	Personnel cost % of total expenditure (R'000)	Average cost per employee (R'000)
Administration	348,672	332,385	15,228	1,059	95.33	254,311
Restitution	138,733	137,949	784	0	99.43	263,765
Land Reform	146,664	145,830	665	169	99.43	255,842
Rural Development	82,216	81,605	611	0	99.26	300,018
Geo-Spatial and Cadastral Services	249,829	248,382	1,447	0	99.42	237,914
Deeds Registration	325,938	306,215	194	19,529	93.95	268,845
Total	1,292,052	1,252,366	18,929	20,757	96.93	257,954

*This expenditure comprises of Basic salary, overtime, home owner allowance, employer's contribution medical aid, training, professional and special services.

Table 3.1.2 – Personnel costs by salary band

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)	61,903	4.94	159,956
Highly skilled production (Levels 6-8)	518,424	41.40	194,458
Highly skilled supervision (Levels 9-12)	510,885	40.79	324,784
SMS (Levels 13-16)	161,154	12.87	703,729
Total	1,252,366	100.00	257,954

Table 3.1.3 – Salaries, overtime, housing allowance and medical assistance by Programme

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	287,836	22.98	13,501	1.08	11,553	0.92	19,694	1.57
Restitution	122,882	9.81	2,004	0.16	4,676	0.37	8,387	0.67
Land Reform	142,225	11.36	528	0.04	4,834	0.39	8,243	0.66
Rural Development	104,672	8.36	1,206	0.10	2,295	0.18	3,432	0.27
Geo-Spatial and Cadastral Services	231,459	18.48	7,662	0.61	7,720	0.62	11,541	0.92
Deeds Registration	227,631	18.18	181	0.01	10,919	0.87	17,285	1.38
Total	1,116,705	89.17	25,082	2.00	41,997	3.35	68,582	5.48

Table 3.1.4 – Salaries, overtime, housing allowance and medical assistance by salary band

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)	43,782	3.50	3,896	0.31	2,934	0.23	4,739	0.38
Highly skilled production (Levels 6-8)	451,202	36.03	15,211	1.21	25,061	2.00	42,276	3.38
Highly skilled supervision (Levels 9-12)	475,461	37.97	5,975	0.48	10,969	0.88	19,211	1.53
SMS (Levels 13-16)	146,260	11.68	0	0.00	3,033	0.24	2,356	0.19
Total	1,116,705	89.17	25,082	2.00	41,997	3.35	68,582	5.48

3.2 Employment and vacancies

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate and employees who are additional to the establishment.

Table 3.2.1 – Employment and vacancies by Programme

Programme	Number of posts	Number of posts filled	Vacancy rate	Posts additional to establishment
Administration	1597	1307	18.15	23
Restitution	607	523	13.83	18
Land Reform	663	570	14.02	94
Rural Development	529	272	48.58	4
Geo-Spatial and Cadastral Services	1101	1044	5.17	234
Deeds Registration	1283	1139	11.22	10
Total	5780	4855	16.00	383

Table 3.2.2 – Employment and vacancies by salary band

Salary band	Number of posts	Number of posts filled	Vacancy rate	Posts additional to establishment
Lower skilled (Levels 1-2)	0	0	0.00	0
Skilled (Levels 3-5)	434	387	10.82	103
Highly skilled production (Levels 6-8)	3110	2666	14.27	205
Highly skilled supervision (Levels 9-12)	1950	1573	19.33	72
SMS (Levels 13-16)	286	229	19.93	3
Total	5780	4855	16.00	383



Table 3.2.3 – Employment and vacancies by critical occupation

Critical occupations	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Architects	31	31	0.00	13
Cartographers and Surveyors	320	291	9.06	43
Cartographic Surveying and Related Technicians	30	30	0.00	3
Community Development Workers	57	55	3.50	49
General Legal Administration and Related Professionals	1073	949	11.55	8
Natural Sciences Related	527	404	23.33	6
Other	3742	3095	17.29	261
Total	5780	4855	16.00	383

3.3 Job Evaluation

The following tables provide a summary of jobs evaluated, positions and salary upgrades, remuneration and levels exceeding grades determined by job evaluation.

Table 3.3.1 – Job evaluation by salary band

Salary band	Number of posts	Number of jobs evaluated	% of posts evaluated by salary band	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)	434	5	1.15	1	20.00	0	0.00
Highly skilled production (Levels 6-8)	3110	80	2.57	0	0.00	0	0.00
Highly skilled supervision (Levels 9-12)	1950	196	10.05	90	45.91	0	0.00
SMS band A	195	22	11.28	0	0.00	0	0.00
SMS band B	78	6	7.69	0	0.00	0	0.00
SMS band C	10	1	10.00	0	0.00	0	0.00
SMS band D	3	0	0.00	0	0.00	0	0.00
Total	5780	310	5.36	91	29.35	0	0.00

Table 3.3.2 – Profile of employees whose positions were upgraded due to their posts being upgraded

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Total	0	0	0	0	0
Employees with a disability					0

Table 3.3.3 – Employees with salary levels higher than those determined by job evaluation by occupation

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Cartographers and Surveyors	4	9	11	Recruitment/Retention
Community development workers	2	8	9	Recruitment/Retention
Community development workers	2	9	10	Recruitment/Retention
General legal administration and related professionals	2	5	6	Recruitment/Retention
General legal administration and related professionals	6	8	9	Recruitment/Retention
General legal administration and related professionals	2	9	10	Recruitment/Retention
General legal administration and related professionals	2	10	11	Recruitment/Retention
General legal administration and related professionals	2	12	13	Recruitment/Retention
Natural sciences related	5	8	9	Recruitment/Retention
Natural sciences related	2	9	10	Recruitment/Retention
Natural sciences related	4	10	11	Recruitment/Retention
Natural sciences related	2	10	12	Recruitment/Retention
Other	11	5	6	Recruitment/Retention
Other	9	6	7	Recruitment/Retention
Other	9	7	8	Recruitment/Retention
Other	26	8	9	Recruitment/Retention
Other	14	9	10	Recruitment/Retention
Other	2	10	11	Recruitment/Retention
Other	4	12	13	Recruitment/Retention
Other	2	13	14	Recruitment/Retention
Other	3	14	15	Recruitment/Retention
Other	1	14	16	Recruitment/Retention
Total number of employees whose salaries exceeded the level determined by job evaluation				116
Percentage of total Employment				2,38 %

Table 3.3.4 – Profile of employees who have salary levels higher than those determined by job evaluation

Beneficiaries	African	Asian	Coloured	White	Total
Female	42	2	2	8	54
Male	52	4	1	5	62
Total	94	6	3	13	116
Employees with a disability					0

3.4 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 3.4.1) and by critical occupation (Table 3.4.2). Table 3.4.3 identifies the major reasons why staff left the department.

Table 3.4.1 – Annual turnover rates by salary band

Salary band	Number of employees per band as on 1 April 2012	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)	614	93	222	36.15
Highly skilled production (Levels 6-8)	2588	172	94	3.63
Highly skilled supervision (Levels 9-12)	1433	84	42	2.93
SMS band A	139	28	6	4.31
SMS band B	58	4	2	3.44
SMS band C	5	1	1	20.00
SMS band D	3	0	0	0.00
Total	4840	382	367	7.58

Table 3.4.2 – Annual turnover rates by critical occupation

Occupation	Number of employees per band as on 1 April 2012	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Architects	34	0	3	8.82
Cartographers and Surveyors	303	2	14	4.62
Cartographic Surveying and related technicians	193	0	0	2.59
Community Development Workers	494	0	0	0.60
General legal administration and related professionals	951	15	17	1.78
Natural sciences related	362	42	0	0.00
Other	2503	323	333	13.30
Total	4840	382	367	7.58

Table 3.4.3 – Reasons why staff left the department

Termination type	Number	% of total
Death	7	1.90
Resignation	75	20.43
Expiry of contract	246	67.02
Dismissal – misconduct	18	4.90
Discharged due to ill-health	1	0.27
Retirement	18	4.90
Transfers to other public service departments	2	0.54
Total	367	100.00
Total number of employees who left as a % of the total employment		7.58

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 the department
Lower skilled (Levels 1-2)	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0
Highly skilled 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
Total	0	0	0	0

Table 3.4.4 – Promotions by critical occupation

Occupation	Employees per band as on 1 April 2012	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	20	58.82
Cartographers and Surveyors	303	4	1.32	242	79.86
Cartographic Surveying and related technicians	193	0	0.00	90	46.63
Community Development Workers	494	0	0.00	213	43.11
General legal administration and related professionals	951	12	1.26	94	9.88
Natural sciences related	362	55	15.19	170	46.96
Other	2503	310	12.38	2435	97.28
Total	4840	381	7.87	3264	67.43

Table 3.4.5 – Promotions by salary band

Salary band	Employees 1 April 2012	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 salary band
Lower skilled (Levels 1-2)	0	0	0.00	0	0.00
Skilled (Levels 3-5)	614	43	7.00	563	91.69
Highly skilled production (Levels 6-8)	2588	206	7.95	1926	74.42
Highly skilled supervision (Levels 9-12)	1433	120	8.37	751	52.40
SMS (Levels 13-16)	205	12	5.85	24	11.70
Total	4840	381	7.87	3264	67.43

3.5 Employment Equity

Ensuring representation 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).

Table 3.5.1 – Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2013

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	96	6	8	25	59	6	7	13	220
Professionals	784	73	20	144	769	93	32	194	2109
Technicians and associate professionals	656	34	9	24	518	41	15	93	1390
Clerks	275	23	7	9	500	65	13	70	962
Service and sales workers	11	2	0	5	11	1	0	1	31
Craft and related trades workers	21	1	1	2	1	1	0	3	30
Labourers and related workers	60	3	0	1	38	11	0	0	113
Total	1903	142	45	210	1896	218	67	374	4855
Employees with disabilities	22	4	2	19	20	4	1	16	88

Table 3.5.2 – Total number of employees (including employees with disabilities) in each of the following occupational bands on 31 March 2013

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	6	0	0	0	3	0	1	0	10
Senior management	98	7	8	27	56	6	7	14	223
Professionally qualified specialists and mid-management	437	32	19	86	348	25	13	71	1031
Skilled technical and academically qualified workers,	1175	79	17	90	1368	165	46	289	3229
Semi-skilled and discretionary decision making	187	24	1	7	121	22	0	0	362
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	1903	142	45	210	1896	218	67	374	4855

Table 3.5.3 – Recruitment

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	0	0	0	0	1	0	0	0	1
Senior management	8	0	1	0	2	0	0	1	12
Professionally qualified specialists and mid-management	45	1	0	6	36	2	2	1	93
Skilled technical and academically qualified workers,	76	0	0	0	101	4	1	1	183
Semi-skilled and discretionary decision making	50	2	0	1	37	3	0	0	93
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	179	3	1	7	177	9	3	3	382
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 3.5.4 – Promotions

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	2	0	0	0	0	0	1	0	3
Senior management	14	1	0	2	12	1	1	2	33
Professionally qualified specialists and mid-management	59	2	8	7	42	2	8	5	133
Skilled technical and academically qualified workers,	76	6	2	8	58	5	4	13	172
Semi-skilled and discretionary decision making	13	1	1	2	18	5	0	0	40
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	164	10	11	19	130	13	14	20	381
Employees with disabilities	2	0	0	0	1	0	0	0	3

Table 3.5.5 – Terminations

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	4	1	0	1	2	0	0	0	8
Professionally qualified specialists and mid-management	19	2	0	5	13	0	1	2	42
Skilled technical and academically qualified workers,	42	4	0	1	29	5	0	13	94
Semi-skilled and discretionary decision making	117	6	1	1	94	3	0	0	222
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	183	13	1	8	138	8	1	15	367
Employees with disabilities	1	0	0	0	1	0	0	1	3

Table 3.5.6 – Disciplinary Action

Action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Correctional counseling	0	0	0	0	2	0	0	1	3
Written warning	1	0	0	0	1	0	0	0	2
Final written warning	4	1	0	0	4	0	0	0	9
Demotion	1	0	0	0	0	0	0	0	1
Dismissal	8	1	0	0	7	0	0	0	16
Not guilty	0	0	0	0	2	0	0	0	2
Suspension without pay and final written warning	2	0	0	0	2	0	0	0	4
Suspension without pay, final written warning and corrective counseling	0	0	0	0	1	0	0	0	1
Final written warning and counseling	1	0	0	0	0	0	0	0	1
Total	17	2	0	0	19	0	0	1	39
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 3.5.7 – Skills Development

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	45	3	0	9	61	5	1	2	126
Professionals	591	6	5	14	609	5	4	12	1246
Technicians and associate professionals	448	4	1	14	549	6	2	9	1033
Clerks	398	4	0	3	574	11	0	12	1002
Service and sales workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Elementary occupations	171	0	0	0	139	0	0	2	312
Total	1653	17	6	40	1932	27	7	37	3719
Employees with disabilities	22	4	2	19	20	4	1	16	88

3.6 Performance rewards

To encourage good performance, the department has granted the following performance rewards during the 2012/13 financial year. The information is presented in terms of race, gender, and disability (Table 3.6.1), salary bands (table 3.6.2) and critical occupations (Table 3.6.3).

Table 3.6.1 – Performance rewards by race, gender and disability

Category	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	740	1876	39.45	11,077	14,969
African male	670	1881	35.62	10,624	15,857
Coloured female	36	66	54.55	533	14,806
Coloured male	16	43	37.21	264	16,500
Indian female	90	214	42.06	1,167	12,967
Indian male	56	138	40.58	901	16,089
White female	178	358	49.72	2,727	15,320
White male	72	191	37.70	1,384	19,222
Employees with a disability	36	88	40.91	471	13,083
Total	1894	4855	39.01	29,150	15,391

Table 3.6.2 – Performance rewards by salary band 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
Lower skilled (Levels 1-2)	0	0	0.00	0	0
Skilled (Levels 3-5)	125	387	32.30	850	6,800
Highly skilled production (Levels 6-8)	1104	2666	41.41	12,471	11,296
Highly skilled supervision (Levels 9-12)	665	1573	42.27	15,829	23,803
Total	1894	4626	40.94	29,150	15,391

Table 3.6.3 – Performance rewards by critical occupation

Critical occupations	Beneficiary Profile			Cost	
	Number of beneficiaries	Total number of employees	% of total within group	Cost (R'000)	Average cost per employee (R)
Architects	9	31	29.03	267	29,667
Cartographers and Surveyors	132	291	45.36	2,066	15,652
Cartographic Surveying and related technicians	28	30	93.33	899	32,107
Community development workers	29	55	52.73	2,450	84,483
General legal administration and related professionals	156	949	16.44	2,188	14,026
Natural sciences related	163	404	40.35	3,853	23,638
Other	1377	3095	44.49	17,427	12,655
Total	1894	4855	39.01	29,150	15,391

Table 3.6.4 – Performance related rewards (cash bonus), by salary band for senior management service

Salary band	Beneficiary Profile			Total Cost R'000)	Average cost per employee
	Number of beneficiaries	Number of employees	% of total within salary bands		
SMS band A	0	161	0.00	0	0
SMS band B	0	60	0.00	0	0
SMS band C	0	5	0.00	0	0
SMS band D	0	3	0.00	0	0
Total	0	229	0.00	0	0

3.7 Foreign workers

The tables below summarise the employment of foreign nationals in the department. Information is presented 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 3.7.1 – Foreign workers by salary band

Salary band	1 April 2012		31 March 2013		Change	
	Number	% of total	Number	% of total	% of total	% change
Lower skilled (Levels 1-2)	0	0.00	0	0.00	0	0.00
Skilled (Levels 3-5)	1	20.00	1	14.29	0	0.00
Highly skilled production (Levels 6-8)	0	0.00	0	0.00	0	0.00
Highly skilled supervision (Levels 9-12)	4	80.00	4	57.14	0	0.00
SMS (Levels 13-16)	0	0.00	0	28.57	0	0.00
Total	5	100.00	5	100.00	0	0.00

Table 3.7.2 – Foreign workers by major occupation

Major occupation	1 April 2012		31 March 2013		Change	
	Number	% of total	Number	% of total	% of total	% 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	4	80.00	4	80.00	0	0.00
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	1	20.00	1	20.00	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
Total	5	100.00	5	100.00	0	0.00

3.8 Leave utilisation

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 3.8.1) and disability leave (Table 3.8.2). In both cases, the estimated cost of the leave is also provided.

Table 3.8.3 summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the Public Service Coordinating Bargaining Council in 2000 requires management of annual leave to prevent high levels of accrued leave which would need to be paid at the time of termination of service.

Table 3.8.1 – Sick leave

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	0	0
Skilled (Levels 3-5)	1969	76.13	302	78.04	7	689
Highly skilled production (Levels 6-8)	15443	71.98	2130	79.89	7	8,968
Highly skilled supervision (Levels 9-12)	6619	72.07	1017	64.65	7	8,895
SMS (Levels 13-16)	824	78.28	142	62.01	6	2,402
Total	24855	72.54	3591	73.96	7	20,954

Table 3.8.2 – Disability leave (temporary and permanent)

Salary band	Total days taken	% days with medical certification	Number of employees using disability leave	% of total employees using disability 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)	221	100.00	14	3.62	16	88
Highly skilled production (Levels 6-8)	1449	100.00	99	3.71	15	874
Highly skilled supervision (Levels 9-12)	482	100.00	22	1.40	22	671
SMS (Levels 13-16)	101	100.00	3	1.31	34	282
Total	2253	100.00	138	2.84	16	1,915

Table 3.8.3 – Annual leave

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)	7110	18	387
Highly skilled production (Levels 6-8)	57875	22	2666
Highly skilled supervision (Levels 9-12)	30744	20	1573
SMS (Levels 13-16)	4587	20	229
Total	100315	21	4855

Table 3.8.4 – Capped leave

Salary bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2012
Lower skilled (Levels 1-2)	0	0	0
Skilled (Levels 3-5)	4	2	6
Highly skilled production (Levels 6-8)	142	4	5
Highly skilled supervision (Levels 9-12)	151	4	11
SMS (Levels 13-16)	32	8	23
Total	329	4	8

Table 3.8.5 – Leave payouts

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	119	16	7,438
Capped leave payouts on termination of service for 2012/13	3,384	256	13,219
Current leave payout on termination of service for 2012/13	7,000	169	41,420
Total	10,503	441	23,816

3.9 HIV/AIDS and Health Promotion Programmes

The Employee Wellness Programme (EWP) is a free, voluntary, confidential service accessible to all employees at all levels who have personal and work related challenges that affect productivity. It is a work based programme offering wellness services aimed at improving the quality of life of all employees in order to maximise organisational effectiveness.

Table 3.9.1 – Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
None	None

Table 3.9.2 – Details of health promotion and HIV/AIDS programmes (tick the applicable boxes and provide the required information)

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		Subdirector: Employee Wellness Deputy Director; 2 x Assistant Directors and 1 x Administrative Officer for support services. Annual budget – R 1,456,857.00.
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): Two Policies have been developed (EWP Policy and HIV and AIDS Policy) Psychosocial Services, Health Promotion activities, Life Skills programmes and HIV and AIDS Management including Voluntary Counselling and Testing (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 x Provincial Employee Health and Wellness Committees have been established. All committee members besides the newly appointed officials 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 unions, representatives.



Question	Yes	No	Details, if yes
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 and AIDS, TB and STIs 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 and AIDS policy is being implemented. Awareness and education on HIV and AIDS Management. Provision of care and support by in-house EHW specialists and service providers through psycho-social services.
7. Does the department encourage its employees to undergo Voluntary Counseling and Testing? If so, list the results that you have achieved.	X		VCT is incorporated into health and wellness events/office based services, World AIDS Day and Sexually Transmitted Infections/Condom Week observation sessions. The total number of attendance was 3 110; the number of VCT participants was 575, a percentage of 18% and this amounts to 64% of the total establishment.
8. Has the department developed measures/indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators.	X		Measures or indicators to monitor and evaluate the impact of the health promotion programme include evaluation forms, reports on wellbeing services and GEMS.

Table 3.9.2.1 EHWP Committee Chairpersons and Provincial Coordinators

National Office	
National Coordinators	National Chairperson
Ms B Gcwabe (Programme Manager) Ms NO Morake Ms KE Radebe	Mr TM Mogashoa
Gauteng	
Provincial Coordinator	Provincial Chairperson
Not Appointed	Mr M Molefe
Northern Cape	
Provincial Coordinator	Provincial Chairperson
Mr T Masilo (Resigned 01/09/13)	Mr T Mashoai
North West	
Provincial Coordinator	Provincial Chairperson
Mr P Modipane	Mr P Maponyane
KwaZulu-Natal	
Provincial Coordinator	Provincial Chairperson
Ms H Kwela	Mr J Zwane
Free State	
Provincial Coordinator	Provincial Chairperson
Mr K Mkhonza	Ms Z Mokoena
Mpumalanga	
Provincial Coordinator	Provincial Chairperson
Ms S Mbuyazi	Mr A Mdala



Table 3.9.2.1 EHWP Committee Chairpersons and Provincial Coordinators

Limpopo	
Provincial Coordinator	Provincial Chairperson
Ms M Nefale	Ms P Mogadigoane
Eastern Cape	
Provincial Coordinator	Provincial Chairperson
Ms S Njongi	Mr M Ciko
Union	
Union Representatives	Union
Mr C Mntwini Mr S Radebe Skosana MP	PSA Nehawu Nupshaw

3.10. Labour Relations

Table 3.10.1 – Collective agreements

Total collective agreements	0
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The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

Table 3.10.2 – Misconduct and disciplinary hearings finalised

Outcomes of disciplinary hearings	Number	% of total
Correctional counseling	3	7.69
Written warning	2	5.12
Final written warning	9	23.07
Demotion	1	2.56
Dismissal	16	41.02
Not guilty	2	5.12
Suspension without pay and final written warning	4	10.30
Suspension without pay, final written warning and corrective counseling	1	2.56
Final written warning and counseling	1	2.56
Total	39	100.00

Table 3.10.3 – Types of misconduct addressed at disciplinary hearings

Type of misconduct	Number	% of total
Abuse of State vehicle	2	5.12
Assault/Foul language	3	7.69
Theft/Fraud	16	41.02
Unauthorised absenteeism/late coming	4	10.3
Financial misconduct	1	2.56
Negligence	12	30.75
Dereliction of duties	1	2.56
Total	39	100.00

Table 3.10.4 – Grievances logged

Grievances lodged	Number	% of total
Number of grievances resolved	47	71.00
Number of grievances not resolved	19	29.00
Total	66	100.00



Table 3.10.5 – Disputes logged

Disputes lodged	Number	% of total
Number of disputes upheld	1	8.30
Number of disputes dismissed	11	91.70
Total	12	100.00

Table 3.10.6 – Strike actions

Total number of person working days lost	0
Total cost (R'000) of working days lost	0
Amount (R'000) recovered as a result of no work no pay	0

Table 3.10.7 – Precautionary suspensions

Number of people suspended	9
Number of people whose suspension exceeded 30 days	7
Average number of days suspended	110
Cost (R'000) of suspensions	1,556

3.11 Skills development

This section highlights the efforts of the department with regard to skills development.

Table 3.11.1 – Training needs identified

Occupational categories	Gender	Number of employees as at 1 April 2012	Training needs identified at start of reporting period			
			Learnerships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	76	0	100	0	100
	Male	119	0	90	0	90
Professionals	Female	1073	0	259	0	259
	Male	1026	0	200	0	200
Technicians and associate professionals	Female	690	0	250	0	250
	Male	746	0	150	0	150
Clerks	Female	624	0	545	0	545
	Male	306	0	455	0	455
Service and sales workers	Female	12	0	0	0	0
	Male	19	0	0	0	0
Craft and related trades workers	Female	6	0	0	0	0
	Male	25	0	0	0	0
Elementary occupations	Female	54	0	7	0	7
	Male	64	0	0	0	0
Sub Total	Female	2535	0	1161	0	1161
	Male	2305	0	895	0	895
Total		4840	0	2056	0	2056

Table 3.11.2 –Training provided for the period

Occupational categories	Gender	Number of employees as at 1 April 2012	Training provided within the reporting period			
			Learnerships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	76	0	61	0	61
	Male	119	0	48	0	48
Professionals	Female	1073	0	648	0	648
	Male	1026	0	618	0	618
Technicians and associate professionals	Female	690	0	552	0	552
	Male	746	0	490	0	490
Clerks	Female	624	0	571	0	571
	Male	306	0	421	0	421
Service and sales workers	Female	12	0	0	0	0
	Male	19	0	0	0	0
Craft and related trades workers	Female	6	0	0	0	0
	Male	25	0	0	0	0
Elementary occupations	Female	54	0	171	0	171
	Male	64	0	139	0	139
Sub Total	Female	2535	0	2003	0	2003
	Male	2305	0	1716	0	1716
Total		4840	0	3719	0	3719

3.12 Injury on duty

The following tables provide basic information on injury on duty.

Table 3.12.1 Injury on duty

Nature of injury on duty	Number	% of total
Required basic medical attention only	10	100.0
Temporary total disablement	0	0.00
Permanent disablement	0	0.00
Fatal	0	0.00
Total	10	100.0

3.13 Utilisation of consultants

The department acquires the services of consultants to provide certain professional services. During the period under review, R382 million was spent on consultants. The table below presents the details:

Table 3.13.1 Report on consultant appointments using appropriated funds

Nature of consulting Services	Amount paid
Audit committee (Non-Officials)	563,612.90
Financial management	1,228,237.10
Human resource	155,952.00
Occupational safe and health	1,710.00
Organisational	1,530,892.47
Project management	176,524,832.14
Research and advisor	42,151,912.91
Valuers	10,659,989.69
Qualification verification	36,400.00
Translation and transcript	646,143.65
Geo-information	8,749,968.56
Land and quantity surveyor	346,505.16
Agriculture	6,651,195.63
Legal advice	47,357,984.38
Messenger of court	2,902.35
State Attorney: Legal advice	33,767,608.29
State Attorney: Conveyancing	1,310.00
Artist and performers	88,300.00
Aerial photography	12,559,537.39
Auctioneers	1,292.45
Audio visual services	174,093.19
Casual labourers	2,766,310.93
Employee wellness	1,208,280.26
Event promoters	443,612.08
Graphic designers	9,832.50
Interior decorators	208,143.84
Photographer	12,170.00
Medical services	14,469.95
Sports and recreation	13,600.00
Stage and sound crew	290,690.00
Tracing agents and debt collection	2,965.48
Transport/ relocation control	459,644.21
Plant flowers and other decorations	111,306.45
Outs Contractors: Mnt & Rep N-Inf Ass	5,622,636.44
A&S/O/S: Administration and support staff	24,136,835.05
A&S/O/S: Catering services: communities	1,450,380.60
A&S/O/S: Security services	4,300,733.74
A&S/O/S: Land claim verification	3,235,040.62
A&S/O/S: Professional staff	270,026.10
A&S/O/S: Internal auditors	47,676,702.10
A&S/O/S: Personnel & labour	324,252.93
A&S/O/S: Researcher	5,638,433.61
A&S/O/S: Medical services	22,132.73
Total	441,418,579.88

Part E

Financial Information



01. Report of the Accounting Officer

General review of the state of financial affairs

1.1. Important policy decisions and strategic issues facing the department

In the year under review, the department focused on developing policies and legislation with a view to strengthen the realisation of its mandate. As a result, extensive public consultations on key policies were held. This proved to be a major cost driver in the year under review.

Details on the various policies and legislation implemented by the department are outlined in the Predetermined Objectives part of the Annual Report. The implications of the new policies and legislation will require the department to increase internal capacity to adequately support implementation.

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

The year 2013 marks the centenary of the 1913 Natives Land Act. In this regard, the last quarter of the financial year focused on activities geared towards marking the centenary and reversing the legacy of the past.

1.3. Major projects undertaken during the year

The project to identify state-owned land parcels from the ownership register managed by the Deeds Registries was completed. The construction of the Nkosi Dalibhunga Mandela Legacy Bridge, and access road between Mvezo Village and the N2 turn-off in the King Sabata Dalindyebo Local Municipality in the Eastern Cape was completed. Funding of this project was in collaboration with the Eastern Cape Provincial Government.

1.4. Spending trends

Expenditure for the year amounted to R8.9 billion representing 99.4% of the final appropriation (2011/12: R7.9 billion and 98.3%). This reflects an increased spending of 1.1% or R922 million. Unspent funds of R55 million (0.6%) remained attributable to delays in filling vacant funded posts. The variances per programme are detailed in the notes to the appropriation statements.

1.5. Virement

As disclosed in the Appropriation Statement, the following virements were effected to accommodate excess expenditure in the relevant programmes. The shifting of funds within a programme was also effected in accordance with the Public Finance Management Act.

From		Amount R'000	To Reasons	
2	Geospatial and Cadastral Services	45,000	National Rural Youth Service Corps	To augment the shortfall on the NARYSEC programme for stipend the programme is extended to four years
4	Restitution Grants	75,766	Agricultural Land Holding Account	To implement restitution development projects by the Branch Land Reform in terms of the Recapitalisation and Development Policy.
5	Land Reform	16,000	Corporate Services	To augment the shortfall under goods and services for the renewal strategy.

1.6. Fruitless and wasteful expenditure

The increase in fruitless and wasteful expenditure as disclosed in Note 27 of the Annual Financial Statements is mainly still attributed to interest as compelled by the Court on restitution matters. The department has established a Finance Compliance Committee, whose function is to analyse all transactions that have been identified as possible fruitless and wasteful expenditure. This analysis will then serve as a basis for the recommendations of further action to be taken.

Officials who are found not to have exercised reasonable care and caution when executing their duties will be disciplined accordingly. The advice of the state attorney has also been sought on how to proceed with cases where the affected officials have left the employ of the department.

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 the inventories are accounted for in the Annual Financial Statements in terms of the Financial Reporting Framework.

3. Capacity constraints

The department experienced challenges in delivering some of its commitments targeted for the year under review. The functional areas mostly affected by capacity constraints include internal audit and infrastructure project management and in these areas services were outsourced, hence the increase in the use of Business and Advisory Services.

The department has put mechanisms in place to augment the required capacity in order to reduce the reliance on outsourcing.

4. Utilisation of donor funds

The donor funds as disclosed in Annexure 1G represents local and foreign funds received 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.

- The total amount of R3 million was received during the year under review from the European Union. These funds were utilised for the establishment of three large blueberries out-growers at Keiskammahoek in the Eastern Cape Province. The project is implemented by Essential Amathole Pty.
- The department further received foreign funding from Belgium amounting to R3.7 million of which R869 000 was spent during the year under review for the post settlement and development support for land reform beneficiaries. The remaining total amount of R2.8 million will be utilised in the 2013/14 financial year.

5. Trading entities and public entities

5.1 The Deeds Registration Trading Account:

The Deeds Registries are established in terms of the Deeds Registries Act, 1937 (Act 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 Board is established in terms of the provisions of the Kwazulu-Natal Ingonyama Trust Act, 1994 (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. The entity's audited annual financial statements are disclosed in its own Annual Report.

6. Organisations to whom transfer payments have been made

The department did not have conditional grants transferred to other spheres of government; it had partnerships agreement with entities of government as implementing agents to implement various projects on its behalf. It had transferred over R195 9 million to these entities during the period under review. Funds that were not utilised at year-end are disclosed as receivables. The details of transfer payments made are disclosed in

Name of entity or institution	Purpose of the transfer	Actual expenditure R'000
Independent Development Trust	Food security programme	65,249
Agricultural Research Council	<ul style="list-style-type: none"> • Training of the Agricultural Para Professionals. • Training of small holder livestock producers • Establishment of fruit and vegetables enterprises in different provinces in SA • To breed fifty Bonsmara beef cattle and two Bonsmara bulls and also train and mentor beneficiaries of Segogoane's Valley Trust in Thaba Phachoa within Mantsopa Local Municipality in Free State. 	72,247
Agri SETA	Farm Together Roll Out which is a project aimed at up-skilling the cooperatives' sector.	4,514
Development Bank Of Southern Africa	<ul style="list-style-type: none"> • Assist the department with the Sustainable Development Plan for Five Years in Muyexe • Assist the department to conduct a full due diligence study that aims to rationalise 658 cooperatives to 110 trading enterprises 	5,260

Name of entity or institution	Purpose of the transfer	Actual expenditure R'000
Goedgedacht Trust	To strengthen the Goedgedacht Trust Rural Path Out of Poverty Youth Development Programme - Funds were transferred to assist the Trust with the construction of the Youth Development Academy	2,361
CoegaDevelopment Corporation (PTY)LTD	Assist the department with the development and implementation of its renewal strategy	32,275
Mhlongamvula Farming cooperative	To buy farm machinery, implements, infrastructure, as well as rehabilitate 660 ha forest plantations and plant 400 ha maize production.	7,579
South African Council of Planners	To pay for the department's membership in the council	2,700
Human Sciences Research Council (HSRC)	Policy Research - 1913 centenary research	5,000
Free State Provincial Government: Agriculture	Renovation of Thaba Nchu College	1,237

7. Public Private Partnerships

The relocation of the department's Tshwane staff into one office campus has not progressed as anticipated. This is mainly due to the negotiations that are still taking place with the preferred bidder and National Treasury taking into account the risks associated with the review that was instituted by the reserve bidder.

8. Corporate Governance Arrangements

The department has established governance committees to assist the Accounting Officer in discharging his duties and responsibilities for the effective administration of the department. These include:

- The Risk Management Committee which is managed in terms of the Risk Management Charter. The Committee held six meetings in the year under review. A total of six risk management policies were reviewed including the Fraud Prevention plan which has been approved for the overall coordination of issues associated with the Risk Management Committee, The strategic, process and fraud risk registers were developed risk assessment workshops were held for all the programmes and mitigation strategies were identified and implemented.

- A Chief Risk Officer was appointed in the year under review and assumed duty in April 2013. The Chief Risk Officer is responsible for the overall coordination of issues associated with the Risk Management Committee, including agenda items and the monitoring of issues brought to the attention of the Accounting Officer by the committee.
- The Audit Committee and Internal Audit Chief Directorate respectively operate in accordance with the approved Audit Committee Charter and Internal Audit Charter. The activities of the Audit Committee are reported separately in the Annual Report.

9. Discontinued Activities/Activities to be discontinued

There were no activities which were discontinued in the current financial year.

10. New Proposed Activities

Proposals have been made to the Department of Public Service and Administration to split the Land Reform Branch into two branches, namely Land Redistribution and Development, and Land Tenure Reform and Administration. This will promote more focus on land redistribution and tenure reform.

11. Asset Management

Movable assets are recognized in the Annual Financial Statements in terms of the Financial Reporting Framework and no major challenges were experienced.

The recognition of immovable assets in the Annual Financial Statements and immovable assets registers of departments is governed by the Sector Specific Guide on Immovable assets issued by the National Treasury: Office of the Accountant General. Progress made regarding the immovable asset register is outlined in paragraph 15 of this report.

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

12. Events after reporting date

The Restitution of Land Rights Amendment Bill was approved by Cabinet for public comment during May 2013; the outcome of this process (once the Bill is enacted), will result in the re-opening of the period for the lodgment of claims, by amending the cut-off date to 31 December 2018. Funding will be sourced internally in consultation with National Treasury, for activities relating to preparations for the re-opening of the lodgment period for claims.

13. Information on Predetermined Objectives

In pursuit of improving service delivery and promoting a learning culture for corrective actions, the department conducted evaluation studies on the Comprehensive Rural Development Programme (CRDP) and the Recapitalisation and Development Programme. It is envisaged that the findings of these studies will play a significant role in assisting the department to strengthen the quality of management practices in order to bring about operational efficiencies and improve the achievement of the desired programme results.

As part of its efforts to improve the management of performance against predetermined objectives with a view to mitigate against a possibility of poor audit findings, the department instituted mechanisms to improve the process of collecting, verification, archiving and reporting performance information against predetermined objectives. This is viewed within the strategic context of improving good governance (accountability and transparency).

14. Standing Committee on Public Accounts (SCOPA) Resolution

The department appeared before SCOPA during March 2013 and resolutions emanating from this engagement are awaited. Once received, the department will include these resolutions in its operational plan as part of its endeavours towards achieving a clean audit by 2014.

15. Prior modification to audit reports

The department has obtained a qualified audit report on immovable assets since the year ended 31 March 2009. This resulted from a number of control weaknesses which had never been properly tested until the Auditor-General conducted its regularity audit in 2009.

In November 2009 a project was initiated to verify the accuracy and completeness of the Immoveable Assets Register (IAR). Completeness was tested through a comparison of registered records in all the Deeds Registries with those contained in the Land Administration Web where the IAR is located. This is what is commonly referred to as data analysis. Live copies of Title Deeds and Surveyor General Diagrams were sought from all the Surveyor General offices and Deeds Registries respectively with a view to construct title deed folders or property files for each Title Deed. This was meant to ensure accuracy of the IAR.

Internal controls were developed in the form of the Immoveable Assets Register Policy; Procedure Document for Processing of Restitution Claims on State Land; Circulars and Practice Directives on a variety of matters impacting on acquisitions, disposals, additions and removal of records from the IAR.

An Immoveable Assets Register Steering Committee was established in September 2012 to oversee all the actions that had to be undertaken in order to deal with Immoveable Assets issues. We believe that all the above interventions have collectively resulted in an acceptable governance environment for the IAR related challenges to be resolved.

16. Exemptions and deviations received from National Treasury

The department did not receive any exemptions or deviations from National Treasury.

17. Interim Financial Statements

The department submitted quarterly Interim Financial Statements in a manner as prescribed by the National Treasury. Reconciliations of major accounts were done; any weaknesses identified were addressed during the year.

18. Investigations

On request from the department, and in addition to the Proclamation for Land Reform investigations, the President approved Proclamation No. R 53 of 2012 in September 2012 for the Special Investigations Unit (SIU) to conduct investigations into the Restitution Awards which will assist the department in investigating reported allegations.

During the year under review, the department received 37 reported allegations of corruption; these are in various stages of investigation.

19. Approval

The Annual Financial Statements set out on pages 103 to 172 have been approved by the Accounting Officer:



Mduzuzi Shabane
Accounting Officer
31 May 2013

02. Accounting Officer's statement of responsibility for annual financial statements

The department has in the year under review strengthened financial governance through implementing the established internal control mechanisms designed to provide reasonable assurance on the integrity and reliability of the annual financial statements.

The department's financial statements for the year ended 31 March 2013 have been examined by the external auditors and their report is presented on page 96. In my opinion, the financial statements fairly reflect the operations of the department for the financial year ended 31 March 2013.



Mduduzi Shabane
Accounting Officer
Department of Rural Development and Land Reform
31 May 2013

03. Report of the Auditor-General

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE 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 103 to 161 which comprise the appropriation statement, the statement of financial position as at 31 March 2013, 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.

The 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, the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), 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 audit opinion.

Opinion

6. In my opinion, 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 2013, 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 the requirements of the PFMA and DORA.

Emphasis of matter

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

Significant uncertainties

8. Attention is drawn to note 20.1 to the financial statements, relating to claims instituted against the department amounting to R3 602 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.
9. 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 R205 million, for which once approved by the Minister, it will increase the commitment amount disclosed in note 21 to the annual financial statement.
10. 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 rates on properties within their areas in accordance with their rates policies for current and prior years. The ultimate outcome 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

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

Financial reporting framework

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 and not that they 'present fairly'. 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.

Immovable assets

13. As disclosed in note 34.4 of the financial statements the departments immovable assets are recognised and recorded in terms of the immovable asset sector specific guide issued on 12 June 2013 by National Treasury.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. 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

15. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 25 to 40 of the annual report.
16. 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's 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).
17. The material findings are as follows:

Usefulness of information

Presentation

Reasons for variances not supported by sufficient appropriate evidence

18. The *National Treasury Guide for the preparation of the annual report* requires that explanations for variances between the planned and reported (actual) targets should be provided in all instances and should also be supported by adequate and reliable corroborating evidence. Adequate and reliable corroborating evidence could not be provided for 86% of major variances as disclosed in the annual performance report. The institution's records did not permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the reliability of the reasons for major variances.

Consistency

Changes to objectives, indicators and targets not approved

19. Treasury Regulation 5.1.1 requires that the annual performance plan must be approved by the executive authority. Therefore, if the annual performance plan is changed in-year due to significant policy or mandate changes, the updated plan has to be approved by the executive authority. All changed targets reported in the annual performance report were changed in-year without approval by the executive authority. This is due to the department not keeping proper and relevant records to support approval of decision.

Reported targets not consistent with planned targets

20. Treasury Regulation 5.2.4 requires that the annual performance should form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 29 % of the reported targets were not consistent with the targets as per the approved annual performance plan, This is due to lack of standard operating process for performance reporting.

Measurability

Performance indicators not well defined

21. The National Treasury *Framework for Managing Programme Performance Information (FMPPi)* 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 21% of the indicators and significantly important indicators in relation to the overall mandate of the entity were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. The Planning, Monitoring and Evaluation Chief Directorate did not exercise oversight in ensuring that the indicators and targets included in each of the abovementioned programs complied with the requirements of the National Treasury Framework for Managing Performance Information.

Reliability of information

Reliability of selected programmes in the annual performance report

Programme 3: Rural development

22. The National Treasury *Framework for Managing Programme Performance Information (FMPPi)* requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets with respect to programme 3 are materially misstated. This was due to the lack of standard operating procedures for the accurate recording, monitoring and evaluation of actual achievements.

Programme 5: Land reform

23. The National Treasury *Framework for Managing Programme Performance Information (FMPPi)* requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important target with respect to programme 5 is not reliable when compared to the source information and/or evidence provided. This was due to lack of effective process to evaluate and verify validity, accuracy and completeness of supporting evidence for performance information.

Compliance with laws and regulations

24. 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

25. 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 for the disclosure notes in relating to lease commitments and accruals due to material adjustments that were required to avoid a qualification in this area.

Human resource management and compensation

26. Some SMS members of the department did not have performance agreements and certain employees did not sign performance agreements in the current performance period as required in terms of *Chapter 4 part III B.1, B.2 of the Public Service Regulations and paragraph 7.2.3 of the Employee Performance Management System (EPMS)* of the department.
27. Employees were appointed without following a proper verification process to verify the reported achievement in their applications, which is in contravention of Public Service Regulation 1/VII/D.8.
28. Funded vacant posts were not filled within 12 months as required by Public Service Regulation 1/VII/C.1A.2

Expenditure management

29. The Accounting Officer did not take effective steps to prevent irregular, fruitless and wasteful expenditure as required by TR 9.1.1. and section 38 (1)(c) (ii) of the PFMA

Strategic planning and performance management

30. 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.
31. The department did not have specific and appropriate information systems to enable it to monitor the progress made towards achieving the goals, targets and core objectives as indicated in the strategic/annual plan as required by Public Service Regulation Part IIIB.1 (f)(i)(ii).

Internal control

32. I considered internal control relevant to my audit of the financial statements, 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 on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

33. The Accounting Officer did not have sufficient implemented internal monitoring controls, to ensure adherence to laws and regulations relating to procurement, and human resource management. Furthermore, the Accounting Officer did not ensure that appropriate action was taken against those officials that did not perform.

Financial and performance management

34. The Accounting Officer did not monitor and evaluate regular preparation of accurate and complete financial statements and performance management report that are supported by reliable evidence and aligned to the financial reporting framework.

OTHER REPORTS

Investigations in progress

35. As at 31 March 2013, there were 22 cases under investigation by internal audit. These investigations related to
- Allegation of fraud and corruption at the regional office.
 - Allegation of fraud on projects running at the departments.
 - Allegation of irregularities related to procurement fraud
 - Allegation of irregularities in the appointment of state land clerks
 - Allegation of irregularities related to misuse of funds and assets management issues.
 - Allegation to accident/damage/losses/theft of departmental vehicles
 - Allegation of wasteful expenditure at the regional office.
36. As at 31 March 2013, the Special Investigating Unit was investigating 48 cases relating to allegation of irregularities in certain land reform and restitution projects.
37. The financial impact of the above investigation has not been quantified at this stage as the investigations are still in progress.

Investigations completed

38. As at 31 March 2013, internal audit had completed six investigations for the period under review. These investigations related to:

- Allegation on fraudulent claim from beneficiaries on restitution project
- Allegation on fraud at REID project
- Allegation on irregularities, corruption and fraud at the regional office

The completed investigations resulted in criminal proceedings being instituted against some employees involved, although financial impact has not been quantified.

Auditor-General

Pretoria
31 July 2013



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM
VOTE 33

APPROPRIATION STATEMENT
for the year ended 31 March 2013

Appropriation per programme									
APPROPRIATION STATEMENT	2012/13							2011/12	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
I. ADMINISTRATION									
Current payment	1,056,308	(51,902)	16,000	1,020,406	1,017,502	2,904	99.7%	891,703	888,244
Transfers and subsidies	25,216	39,191		64,407	64,389	18	100.0%	33,045	32,057
Payment for capital assets	9,750	12,711		22,461	19,663	2,798	87.5%	15,735	13,539
Payment for financial assets	-	-	-	-	1,876	(1,876)		-	404
	1,091,274	-	16,000	1,107,274	1,103,430	3,844		940,483	934,244
2. GEOSPATIAL AND CADASTRAL SERVICES									
Current payment	564,320	(3,551)	(45,000)	515,769	517,025	(1,256)	100.2%	422,469	420,802
Transfers and subsidies	16,431	504	-	16,935	16,838	97	99.4%	147,740	147,350
Payment for capital assets	15,181	3,047	-	18,228	13,643	4,585	74.8%	16,801	14,081
Payment for financial assets	-	-	-	-	858	(858)		-	755
	595,932	-	(45,000)	550,932	548,364	2,568		587,010	582,988
3. RURAL DEVELOPMENT									
Current payment	1,011,234	(141,593)	45,000	914,641	917,098	(2,457)	100.3%	764,310	683,710
Transfers and subsidies	26,113	86,314	-	112,427	99,147	13,280	88.2%	88,774	90,763
Payment for capital assets	3,861	55,279	-	59,140	59,121	19	100.0%	13,784	11,618
Payment for financial assets	-	-	-	-	218	(218)		-	305
	1,041,208	-	45,000	1,086,208	1,075,584	10,624		866,868	786,396

Appropriation per programme									
APPROPRIATION STATEMENT	2012/13							2011/12	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
4. RESTITUTION									
Current payment	379,327	(2,684)	-	376,643	361,046	15,597	95.9%	364,570	349,506
Transfers and subsidies	2,578,049	(21,598)	(75,766)	2,480,685	2,470,569	10,116	99.6%	1,891,534	1,889,218
Payment for capital assets	4,143	24,282	-	28,425	27,184	1,241	95.6%	136,947	136,202
Payment for financial assets	-	-	-	-	6,934	(6,934)		-	1,364
	2,961,519	-	(75,766)	2,885,753	2,865,733	20,020		2,393,051	2,376,290
5. LAND REFORM									
Current payment	505,283	(112,751)	(16,000)	376,532	369,048	7,484	98.0%	382,735	367,152
Transfers and subsidies	2,774,710	109,622	75,766	2,960,098	2,952,327	7,771	99.7%	2,948,695	2,944,993
Payment for capital assets	4,159	3,129	-	7,288	4,582	2,706	62.9%	17,855	5,268
Payment for financial assets	-	-	-	-	499	(499)		-	394
	3,284,152	-	59,766	3,343,918	3,326,456	17,462		3,349,285	3,317,807
Subtotal	8,974,085	-	-	8,974,085	8,919,567	54,518	99.4%	8,136,697	7,997,725
TOTAL	8,974,085	-	-	8,974,085	8,919,567	54,518	99.4%	8,136,697	7,997,725
Reconciliation with statement of financial performance									
ADD									
Departmental receipts				79,624				46,150	
Direct Exchequer receipts									
NRF Receipts									
Aid assistance				6,709				17,225	
Actual amounts per statement of financial performance (total revenue)				9,060,418				8,200,072	
ADD									
Aid assistance					3,869				
Prior year unauthorised expenditure approved without funding									14,103
Actual amounts per statement of financial performance (total expenditure)					8,923,436				8,011,828

Appropriation per economic classification									
	2012/13							2011/12	
	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
Current payments									
Compensation of employees	1,483,887	(178,745)	(43,280)	1,261,862	1,228,245	33,617	97.3%	1,148,398	1,094,326
Goods and services	2,032,585	(169,416)	43,280	1,906,449	1,916,129	(9,680)	100.5%	1,677,389	1,613,885
Interest and rent on land	-	35,680	-	35,680	35,678	2	100.0%	-	6,723
Transfers and subsidies									
Provinces and municipalities	125	517	-	642	557	85	86.8%	23,596	23,418
Departmental agencies and accounts	2,063,448	189,071	75,766	2,328,285	2,328,280	5	100.0%	2,592,142	2,592,141
Universities & Technikon									
Foreign governments and international organisations	1,540	-	-	1,540	1,459	81	94.7%	1,195	1,194
Public corporations and private enterprises	14,829	192,503	-	207,332	193,361	13,971	93.3%	89,057	89,056
Non-profit institutions	2,700	-	-	2,700	5,061	(2,361)	187.4%	15,506	15,506
Households Gifts and donations	3,337,877	(110,339)	(75,766)	3,151,772	3,076,217	75,555	97.6%	2,390,281	2,383,066
Payments for capital assets									
Buildings and other fixed structures	-	61,073	-	61,073	61,067	6	100.0%	-	-
Machinery and equipment	36,152	12,142	-	48,294	41,528	6,766	86.0%	68,540	43,156
Heritage assets									
Specialised military assets									
Biological assets									
Land and subsoil assets	-	21,600	-	21,600	21,598	2	100.0%	132,412	132,032
Software and other intangible assets	942	3,633	-	4,575	-	4,575		170	-
Payments for financial assets									
	-	-	-	-	10,387	(10,387)		-	3,222
Total	8,974,085	57,719	-	9,031,804	8,919,567	112,237	98.8%	8,138,686	7,997,725

Detail per sub-programme – Programme 1-Administration	2012/13							2011/12	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
I.1 MINISTRY									
payment	24,783	(1,103)	-	23,680	23,621	59	99.8%	20,251	19,893
Transfers and subsidies	-	10	-	10	9	1	90.0%	6	-
Payment for capital assets	150	503	-	653	643	10	98.5%	414	192
Payment for financial assets	-	-	-	-	7	(7)		-	24
I.2 MANAGEMENT									
Current payment	145,759	(24,751)	-	121,008	117,986	3,022	97.5%	96,503	95,065
Transfers and subsidies	-	-	-	-	-	-	-	170	170
Payment for capital assets	1,263	111	-	1,374	1,370	4	99.7%	1,371	1,137
Payment for financial assets	-	-	-	-	81	(81)		-	30
I.3 CORPORATE SERVICES									
Current payment	689,356	(6,640)	16,000	698,716	699,729	(1,013)	100.1%	600,819	599,157
Transfers and subsidies	25,215	39,181	-	64,396	64,379	17	100.0%	32,868	31,887
Payment for capital assets	8,337	2,947	-	11,284	8,503	2,781	75.4%	13,331	12,210
Payment for financial assets	-	-	-	-	1,788	(1,788)		-	350
I.4 OFFICE ACCOMMODATION									
Current payment	90,875	83,807	-	174,682	174,682		100.0%	154,067	154,066
Payment for capital assets	-	7,844	-	7,844	7,842	2	100.0%	-	-
I.5 GOVERNMENT MOTOR TRANSPORT									
Payment for capital assets	-	1,306		1,306	1,305	1	99.9%	619	-
I.6 SECTOR EDUCATION TRAINING AUTHORITY									
Transfers and subsidies	1			1	1		100.0%	1	-
I.7 WORK CAPITAL									
Current payment	105,535	(103,215)		2,320	1,484	836	64.0%	20,063	20,063
Total	1,091,274	-	16,000	1,107,274	1,103,430	3,844	99.7%	940,483	934,244

Programme 1 Per Economic classification	2012/13							2011/12	
	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
Current payments									
Compensation of employees	455,744	(23,769)	-	431,975	430,642	1,333	99,7%	365,696	364,446
Goods and services	600,564	(28,133)	16,000	588,431	586,860	1,571	99,7%	526,007	523,929
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:									
Provinces and municipalities	24	2	-	26	17	9	65,4%	22	9
Departmental agencies and accounts	1	5,000	-	5,001	5,000	1	100,0%	1	-
Public corporations & private enterprises	-	32,276	-	32,276	32,275	1	100,0%	11,228	11,228
Households	25,191	1,913	-	27,104	27,096	8	100,0%	21,794	20,820
Payment for capital assets									
Building and other fixed structure	-	7,843	-	7,843	7,842	1	100,0%	-	-
Machinery and equipment	9,750	4,868	-	14,618	11,822	2,796	80,9%	15,726	13,408
Land and subsoil assets									
Software and other intangible assets	-	-	-	-	-	-	-	9	-
Payments for financial assets	-	-	-	-	1,876	(1,876)	-	-	404
Total	1,091,274	-	16,000	1,107,274	1,103,430	3,844	99,7%	940,483	934,244

Detail per sub-programme – Programme 2 - Geospatial and Cadastral Services	2012/13							2011/12	
	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
2.1 CADASTRAL SURVEYS									
Current payment	327,715	2,501	(14,874)	315,342	317,925	(2,583)	100.8%	247,336	248,197
Transfers and subsidies	1,008	416	-	1,424	1,412	12	99.2%	161	148
Payment for capital assets	4,711	1,079	-	5,790	1,211	4,579	20.9%	9,951	8,302
Payment for financial assets	-	-	-	-	708	(708)		-	645
2.2 NATIONAL GEOSPATIAL INFORMATION									
Current payment	126,854	(4,337)	(7,255)	115,262	114,736	526	99.5%	99,911	98,549
Transfers and subsidies	1,574	89	-	1,663	1,579	84	94.9%	1,685	1,308
Payment for capital assets	9,348	(1,516)	-	7,832	7,827	5	99.9%	5,160	4,269
Payment for financial assets	-	-	-	-	88	(88)		-	53
2.3 SPATIAL PLANNING									
Current payment	109,751	(1,715)	(22,871)	85,165	84,364	801	99.1%	75,222	74,056
Transfers and subsidies	20	(1)	-	19	18	1	94.7%	-	-
Payment for capital assets	1,122	3,484	-	4,606	4,605	1	100.0%	1,690	1,510
Payment for financial assets	-	-	-	-	62	(62)		-	57
2.4 REGISTRATION OF DEEDS ACCOUNT									
Transfers and subsidies	11,129	-	-	11,129	11,129	-	100.0%	143,323	143,323
2.5 SOUTH AFRICAN COUNCIL FOR PLANNERS									
Transfers and subsidies	2,700	-	-	2,700	2,700	-	100.0%	2,571	2,571
Total	595,932	-	(45,000)	550,932	548,364	2,568	99.5%	587,010	582,988

Programme 2 Per Economic classification	2012/13							2011/12	
	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
Current payments									
Compensation of employees	358,752	(503)	(34,280)	323,969	321,168	2,801	99.1%	293,750	292,440
Goods and services	205,568	(3,056)	(10,720)	191,792	195,850	(4,058)	102.1%	128,719	128,514
Interest and rent on land	-	8	-	-	8	-	100.0%	-	2
Transfers and subsidies to:									
Provinces and municipalities	12	1	-	13	3	10	23.1%	27	4
Departmental agencies and accounts	11,129	-	-	11,129	11,129	-	100.0%	143,323	143,323
Universities & technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	1,540	-	-	1,540	1,459	81	94.7%	1,195	1,194
Non-profit institutions	2,700	-	-	2,700	2,700	-	100.0%	2,571	2,571
Households	1,050	503	-	1,553	1,547	6	99.6%	624	258
Payment for capital assets									
Machinery and equipment	14,239	(586)	-	13,653	13,643	10	99.9%	16,648	13,927
Software and other intangible assets	942	3,633	-	4,575	-	4,575	-	153	-
Payments for financial assets	-	-	-	-	857	(857)	-	-	755
Total	595,932	-	(45,000)	550,932	548,364	2,568	99.5%	587,010	582,988

Detail per sub-programme – Programme 3 – Rural Development	2012/13							2011/12	
	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
3.1 RURAL DEVELOPMENT NATIONAL OFFICE									
Current payment	152,139	(50,738)	-	101,401	107,316	(5,915)	105.8%	309,598	278,284
Transfer and subsidies	-	69,400	-	69,400	56,121	13,279	80.9%	53,340	55,350
Payment for capital assets	1,425	2,097	-	3,522	3,512	10	99.7%	6,164	4,981
Payment for financial assets	-	-	-	-	52	(52)	-	-	190
3.2 RURAL DEVELOPMENT PROVINCIAL OFFICES									
Current payment	445,291	(168,205)	-	277,086	275,375	1,711	99.4%	454,712	405,426
Transfers and subsidies	26,113	16,914	-	43,027	43,026	1	100.0%	35,434	35,413
Payment for capital assets	2,338	53,012	-	55,350	55,344	6	100.0%	7,620	6,637
Payment for financial assets	-	-	-	-	-	-	-	-	115
	-	-	-	-	161	(161)	-	-	-
3.3 NATIONAL RURAL YOUTH SERVICES CORPS									
Current payment	413,804	77,350	45,000	536,154	534,407	1,747	99.7%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	98	170	-	268	265	3	98.8%	-	-
Payment for financial assets	-	-	-	-	5	(5)	-	-	-
Total	1,041,208	-	45,000	1,086,208	1,075,584	10,624	99.0%	866,868	786,396

Programme 3 Per Economic classification	2012/13							2011/12	
	Adjusted Appropriation	Shifting of Funds	Vire-ment	Final Approp- riation	Actual Expen- diture	Variance	Expen- diture as % of final approp- riation	Final Approp- riation	Actual expen- diture
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	179,183	(59,000)	-	120,183	110,570	9,613	92.0%	95,469	79,350
Goods and services	832,051	(82,593)	45,000	794,458	804,861	(10,403)	101.3%	668,841	609,569
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:									
Departmental agencies & accounts	11,285	82,740	-	94,025	94,021	4	100.0%	-	-
Public corporations & private enterprises	14,828	3,487	-	18,315	4,346	13,969	23.7%	77,828	77,828
Non-profit institutions	-	-	-	-	2361	(2,361)	-	12,935	12,935
Households	-	87	-	87	86	1	98.9%	-	-
Payment for capital assets									
Buildings and other fixed structures	-	52,844	-	52,844	52,839	5	100.0%	-	-
Machinery and equipment	3,861	2,435	-	6,296	6,282	14	99.8%	13,784	6,409
Payments for financial assets	-	-	-	-	218	(218)	-	-	305
Total	1,041,208	-	45,000	1,086,208	1,075,584	10,624	99.0%	868,857	786,396

Detail per sub-programme – Programme 4 – Restitution	2012/13							2011/12	
	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
4.1 RESTITUTION NATIONAL OFFICE									
Current payment	52,313	(4,308)	-	48,005	38,276	9,729	79.7%	41,320	34,490
Transfers and subsidies	2	-	-	2	-	2		117	111
Payment for capital assets	335	317	-	652	473	179	72.5%	909	826
Payment for financial assets	-	-	-	-	34	(34)		-	28
4.2 RESTITUTION REGIONAL OFFICES									
Current payment	327,014	1,624	-	328,638	322,770	5,868	98.2%	323,250	315,016
Transfers and subsidies	237	2	-	239	37	202	15.5%	428	225
Payment for capital assets	3,808	23,965	-	27,773	26,711	1,062	96.2%	136,038	135,376
Payment for financial assets	-	-	-	-	6,900	(6,900)		-	1,336
4.3 RESTITUTION GRANTS									
Transfers and subsidies	2,577,810	(21,600)	(75,766)	2,480,444	2,470,532	9,912	99.6%	1,890,989	1,888,882
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total	2,961,519	-	(75,766)	2,885,753	2,865,733	20,020	99.3%	2,393,051	2,376,290

Programme 4 Per Economic classification	2012/13							2011/12	
	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
Current payments									
Compensation of employees	226,999	(33,983)	-	193,016	177,806	15,210	92.1%	200,386	179,381
Goods and services	152,328	(4,373)	-	147,955	147,569	386	99.7%	164,184	163,668
Interest and rent on land	-	35,672	-	35,672	35,670	2	100.0%	-	6,457
Transfers and subsidies to:									
Provinces and municipalities	13	-	-	13	5	8	38.5%	246	170
Households	2,578,036	(21,598)	(75,766)	2,480,672	2,470,563	10,109	99.6%	1,891,288	1,889,048
Payment for capital assets									
Building & other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	4,143	2,682	-	6,825	5,585	1,240	81.8%	4,535	4,170
Land & subsoil assets	-	21,600	-	21,600	21,598	2	100.0%	132,412	132,032
Payments for financial assets	-	-	-	-	6,937	(6,937)	-	-	1,364
Total	2,961,519	-	(75,766)	2,885,753	2,865,733	20,020	99.3%	2,393,051	2,376,290

Detail per sub-programme – Programme 5-Land Reform	2012/13							2011/12	
	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
5.1 LAND REFORM NATIONAL OFFICE									
Current payment	152,046	(9,139)	(11,000)	131,907	127,176	4,731	96.4%	112,540	107,430
Transfers and subsidies	58	-	-	58	58	-	100.0%	23,204	23,152
Payment for capital assets	1,578	919	-	2,497	1,722	775	69.0%	2,598	1,059
Payment for financial assets	-	-	-	-	35	(35)		-	29
5.2 LAND REFORM PROVINCIAL OFFICE									
Current payment	353,237	(103,612)	(5,000)	244,625	241,872	2,753	98.9%	270,195	259,722
Transfers and subsidies	76	772	-	848	786	62	92.7%	301	332
Payment for capital assets	2,581	2,210	-	4,791	2,860	1,931	59.7%	15,257	4,209
Payment for financial assets	-	-	-	-	464	(464)		-	365
5.3 LAND REFORM GRANTS									
Transfers and subsidies	733,542	(91,502)	-	642,040	634,332	7,708	98.8%	476,371	472,691
Payment for capital assets	-	-	-	-	-	-		-	-
5.4 KWA ZULU-NATAL INGONYAMA TRUST BOARD									
Transfers and subsidies	12,314	6,502	-	18,816	18,816	-	100.0%	13,034	13,034
5.5 LAND REFORM EMPOWERMENT FACILITY									
Transfers and subsidies	1	-	-	1	-	1		1	-

Detail per sub-programme – Programme 5-Land Reform	2012/13							2011/12	
	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
5.6 COMMUNAL LAND RIGHTS PROGRAMME									
Current payment	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
5.7 AGRICULTURAL LAND HOLDING ACCOUNT									
Transfers and subsidies	2,028,719	193,850	75,766	2,298,335	2,298,335	-	100.0%	2,435,784	2,435,784
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total	3,284,152	-	59,766	3,343,918	3,326,456	17,462	99.5%	3,349,285	3,317,807

Programme 5 Per Economic classification	2012/13							2011/12	
	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
Current payments									
Compensation of employees	263,209	(61,490)	(9,000)	192,719	188,059	4,660	97.6%	193,097	178,709
Goods and services	242,074	(51,261)	(7,000)	183,813	180,989	2,824	98.5%	189,638	188,205
Interest and rent on land	-	-	-	-	-	-	-	-	264
Transfers and subsidies to:									
Provinces and municipalities	76	514	-	590	532	58	90.2%	23,301	23,235
Departmental agencies and accounts	2,041,033	101,331	75,766	2,218,130	2,218,130	-	100.0%	2,448,818	2,448,818
Public corporations and private enterprises	1	156,740	-	156,741	156,740	1	100%	1	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	733,600	(91,244)	-	642,356	576,925	65,431	89.8%	476,575	472,940
Payment for capital assets									
Buildings and other fixed structure	-	386	-	386	386	-	100.0%	-	-
Machinery and equipment	4,159	2,743	-	6,902	4,196	2,706	60.8%	17,847	5,242
Land and subsoil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	8	-
Payments for financial assets					499	(499)		-	394
Total	3,284,152	57,719	59,766	3,401,637	3,326,456	75,181	97.8%	3,349,285	3,317,807

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM
VOTE 33

NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2013

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 I (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 I (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	Actual Expenditure	Variance R'000	Variance as a % of Final Appropriation
Administration	1,107,274	1,103,430	3,844	0.35%
Geospatial and Cadastral Services	550,932	548,364	2,568	0.47%
Rural Development	1,086,208	1,075,584	10,624	0.98%
Restitution	2,885,753	2,865,733	20,020	0.69%
Land Reform	3,343,918	3,326,456	17,462	0.52%

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 R'000
Current payments				
Compensation of employees	1,261,862	1,228,245	33,617	2.66%
Goods and services	1,906,449	1,916,129	(9,680)	-0.51%
Interest and rent on land	35,680	35,678	2	0.01%
Transfers and subsidies				
Provinces and municipalities	642	557	85	13.24%
Departmental agencies and accounts	2,328,285	2,328,280	5	0.00%
Public corporations and private enterprises	207,332	193,361	13,971	6.74%
Foreign governments and international organisations	1,540	1,459	81	5.26%
Non-profits institutions	2,700	5,061	(2,361)	(87.44)%
Households	3,151,772	3,076,217	75,555	2.40%
Payments for capital assets				
Buildings and other fixed structures	61,073	61,067	6	0.01%
Machinery and equipment	48,294	41,528	6,766	14.01%
Land and subsoil assets	21,600	21,598	2	0.01%
Software and other intangible assets	4,575	-	4,575	100.00%
Payments for financial assets				

*Included in the adjusted appropriation is the R96million roll over for Programme 3

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM
VOTE 33

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2013

PERFORMANCE	Note	2012/13 R'000	2011/12 R'000
REVENUE			
Annual appropriation	<u>1</u>	8,974,085	8,136,697
Departmental revenue	<u>2</u>	79,624	46,150
Aid assistance	<u>3</u>	6,709	17,225
TOTAL REVENUE		9,060,418	8,200,072
EXPENDITURE			
Current expenditure			
Compensation of employees	<u>4</u>	1,228,245	1,094,326
Goods and services	<u>5</u>	1,916,129	1,613,886
Interest and rent on land	<u>6</u>	35,678	6,723
Aid assistance	<u>3</u>	3,869	14,103
Total current expenditure		3,183,921	2,729,038
Transfers and subsidies			
Transfers and subsidies	<u>8</u>	5,604,935	5,104,381
Total transfers and subsidies		5,604,935	5,104,381
Expenditure for capital assets			
Tangible capital assets	<u>9</u>	124,193	175,187
Software and other intangible assets	<u>9</u>	-	-
Total expenditure for capital assets		124,193	175,187
Payments for financial assets	<u>7</u>	10,387	3,222
TOTAL EXPENDITURE		8,923,436	8,011,828
SURPLUS/(DEFICIT) FOR THE YEAR		136,982	188,244
Reconciliation of Net Surplus/(Deficit) for the year			
Voted funds			
Annual appropriation		54,518	138,972
Departmental revenue and NRF Receipts	<u>16</u>	79,624	46,150
Aid assistance	<u>3</u>	2,841	3,122
SURPLUS/(DEFICIT) FOR THE YEAR		136,982	188,244

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM
VOTE 33

STATEMENT OF FINANCIAL POSITION
as at 31 March 2013

POSITION	Note	2012/13	2011/12
		R'000	R'000
ASSETS			
Current assets		382,900	293,919
Fruitless and wasteful expenditure	10	596	596
Cash and cash equivalents	11	335,054	254,938
Prepayments and advances	12	21,628	17,049
Receivables	13	25,622	21,336
Non-current assets		16,112	32,512
Investments	14	16,112	32,512
TOTAL ASSETS		399,012	326,431
LIABILITIES			
Current liabilities		378,638	289,735
Voted funds to be surrendered to the Revenue Fund	15	54,518	138,972
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	16	7,079	2,914
Payables	17	314,200	144,727
Aid assistance unutilised	3	2,841	3,122
TOTAL LIABILITIES		378,638	289,735
NET ASSETS		20,374	36,696
Represented by:			
Capitalisation reserve		16,112	32,512
Recoverable revenue		4,262	4,184
TOTAL		20,374	36,696

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM
VOTE 33

STATEMENT ON CHANGES IN NET ASSETS
for the year ended 31 March 2013

NET ASSETS	Note	2012/13	2011/12
		R'000	R'000
Capitalisation Reserves			
Opening balance		32,512	16,112
Other movements		(16,400)	16,400
Closing balance		<u>16,112</u>	<u>32,512</u>
Recoverable revenue			
Opening balance		4,184	4,243
Transfers:		78	(59)
Irrecoverable amounts written off			(8)
Debts revised		-	-
Debts recovered (included in departmental receipts)		(1,834)	(1,187)
Debts raised		1,912	1,136
Closing balance		<u>4,262</u>	<u>4,184</u>
TOTAL		<u>20,374</u>	<u>36,696</u>

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM
VOTE 33

CASH FLOW STATEMENT
for the year ended 31 March 2013

CASH FLOW	Note	2012/13	2011/12
		R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		9,060,213	8,198,466
Annual appropriated funds received	1.1	8,974,085	8,136,697
Departmental revenue received	2	79,419	44,544
Aid assistance received	3	6,709	17,225
Net (increase)/decrease in working capital		160,608	63,865
Surrendered to Revenue Fund		(214,431)	(220,106)
Surrendered to RDP Fund/Donor		(3,121)	(10,845)
Current payments		(3,183,921)	(2,729,038)
Payments for financial assets		(10,387)	(3,222)
Transfers and subsidies paid		(5,604,935)	(5,104,381)
Net cash flow available from operating activities	18	204,026	194,739
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	9	(124,193)	(175,187)
Proceeds from sale of capital assets	2.3	205	1,606
(Increase)/decrease in investments		16,400	(16,400)
Net cash flows from investing activities		(107,588)	(189,981)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in net assets		(16,322)	16,341
Net cash flows from financing activities		(16,322)	16,341
Net increase/(decrease) in cash and cash equivalents		80,116	21,099
Cash and cash equivalents at beginning of period		254,938	233,839
Cash and cash equivalents at end of period	19	335,054	254,938

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

ACCOUNTING POLICIES

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

I. Presentation of the Financial Statements

I.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.

I.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.

I.3 Rounding

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

I.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.

I.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. 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 in the Act.

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 R I.

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

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 R.I 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 not 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

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

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.

I. Annual Appropriation

I.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:

	2012/13			2011/12
	Final Appropriation R'000	Actual Funds Received R'000	Funds not requested/ not received R'000	Appropriation received R'000
Administration	1,107,274	1,091,274	16,000	911,483
Geospatial and Cadastral Services	550,932	595,932	(45,000)	555,902
Rural Development	1,086,208	1,041,208	45,000	901,868
Restitution	2,885,753	2,961,519	(75,766)	2,497,293
Land Reform	3,343,918	3,284,152	59,766	3,270,151
Total	8,974,085	8,974,085	-	8,136,697

2. Departmental revenue

	Note	2012/13 R'000	2011/12 R'000
Sales of goods and services other than capital assets	2.1	20,142	19,070
Interest, dividends and rent on land	2.2	31,507	15,165
Sales of capital assets	2.3	205	1,606
Transactions in financial assets and liabilities	2.4	27,770	10,309
Departmental revenue collected		79,624	46,150

2.1 Sales of goods and services other than capital assets

	Note	2012/13 R'000	2011/12 R'000
Sales of goods and services produced by the department	2	20,140	19,058
Sales by market establishment		881	954
Administrative fees		16,325	15,167
Other sales		2,934	2,937
Sales of scrap, waste and other used current goods		2	12
Total		20,142	19,070

2.2 Interest, dividends and rent on land

	Note <u>2</u>	2012/13 R'000	2011/12 R'000
Interest		22,558	10,867
Rent on land		8,949	4,298
Total		31,507	15,165

2.3 Sale of capital assets

	Note <u>2</u>	2012/13 R'000	2011/12 R'000
Tangible assets		205	1,606
Machinery and equipment		15	249
Land and subsoll assets		190	1,357
Total		205	1,606

2.4 Transactions in financial assets and liabilities

	Note <u>2</u>	2012/13 R'000	2011/12 R'000
Receivables		972	704
Other Receipts including Recoverable Revenue		26,798	9,605
Total		27,770	10,309

3. Aid assistance

3.1 Aid assistance received in cash from RDP

	Note	2012/13 R'000	2011/12 R'000
Local			
Revenue	Current	3,000	3,600
Expenditure		(3,000)	(3,600)
		<u>(3,000)</u>	<u>(36,00)</u>
Closing Balance		<u>-</u>	<u>-</u>
Foreign			
O pening Balance		3,122	10,845
Revenue		3,709	13,625
Expenditure		(869)	(10,503)
Current		<u>(869)</u>	<u>(10,503)</u>
Surrendered to the RDP		<u>(3,121)</u>	<u>(10,845)</u>
Closing Balance		<u>2,841</u>	<u>3,122</u>

3.2 Total assistance

	2012/13 R'000	2011/12 R'000
O pening Balance	3,122	10,845
Revenue	6,709	17,225
Expenditure	(3,869)	(14,103)
Current	<u>(3,869)</u>	<u>(14,103)</u>
Surrendered / Transferred to retained funds	<u>(3,121)</u>	<u>(10,845)</u>
Closing Balance	<u>2,841</u>	<u>3,122</u>

3.3 Analysis of balance

	Note	2012/13 R'000	2011/12 R'000
Aid assistance unutilised		2,841	3,122
Other sources		<u>2,841</u>	<u>3,122</u>
Closing balance		<u>2,841</u>	<u>3,122</u>

4. Compensation of employees

4.1 Salaries and Wages

	Note	2012/13 R'000	2011/12 R'000
Basic salary		838,874	750,130
Performance award		*27,794	21,262
Service Based		3,299	3,102
Compensative/circumstantial		32,188	21,326
Periodic payments		340	1,456
Other non-pensionable allowances		168,201	152,132
Total		1,070,696	949,408

*The performance award includes R20million of performance bonus which was within our budget, R8million was the back pay for the previous years

4.2 Social contributions

	Note	2012/13 R'000	2011/12 R'000
Employer contributions			
Pension		106,055	96,143
Medical		51,296	48,579
Bargaining council		198	196
Total		157,549	144,918
Total compensation of employees		1,228,245	1,094,326
Average number of employees		3,573	*3,385

*The number of employees for the previous year has been re-instated

5. Goods and services

	Note	2012/13 R'000	2011/12 R'000
Administrative fees		27,865	19,091
Advertising		39,216	40,496
Assets less than R5,000	<u>5.1</u>	9,840	10,004
Bursaries (employees)		3,540	2,476
Catering		11,474	12,841
Communication		47,383	40,362
Computer services	5.2	98,950	115,468
Consultants, contractors and agency/outsourced services	5.3	441,419	496,307
Entertainment		17	12
Audit cost – external	5.4	15,134	13,584
Fleet services		8	-
Inventory	5.5	32,120	25,657
Operating leases		142,390	134,264
Property payment	5.6	84,475	93,218
Rental and hiring		3,795	2,394
Transport provided as part of the departmental activities		9,349	1,605
Travel and subsistence	5.7	321,241	229,244
Venues and facilities		62,899	44,635
Training and staff development		20,995	25,396
Other operating expenditure	5.8	544,019	306,832
Total		1,916,129	1,613,886

5.1 Assets less than R5,000

	Note 5	2012/13 R'000	2011/12 R'000
Tangible assets		9,838	9,997
Buildings and other fixed structures		9	3
Biological assets		263	1
Machinery and equipment		9,560	9,993
Transport assets		6	-
Intangible assets		2	7
Total		9,840	10,004

5.2 Computer services

	Note 5	2012/13 R'000	2011/12 R'000
SITA computer services		24,517	27,144
External computer service providers		74,433	88,324
Total		98,950	115,468

5.3 Consultants, contractors and agency/outsourced services

	Note 5	2012/13 R'000	2011/12 R'000
Business and advisory services		233,500	148,764
Infrastructure and planning		15,748	70,845
Legal costs		81,130	58,367
Contractors		23,987	160,591
Agency and support/outsourced services		87,054	57,740
Total		441,419	496,307

5.4 Audit cost – External

	Note 5	2012/13 R'000	2011/12 R'000
Regularity audits		15,059	13,568
Performance audits		-	-
Investigations		75	16
Other audits		-	-
Total		15,134	13,584

5.5 Inventory

	Note <u>5</u>	2012/13 R'000	2011/12 R'000
Learning and teaching support material		524	167
Food and food supplies		905	887
Fuel, oil and gas		71	34
Other consumable materials		5,803	4,303
Maintenance material		2,420	1,191
Stationery and printing		22,380	19,062
Medical supplies		17	13
Total		32,120	25,657

5.6 Property payments

	Note <u>5</u>	2012/13 R'000	2011/12 R'000
Municipal services		34,088	28,651
*Other		50,387	64,567
Total		84,475	93,218

* Expenditure of buildings leased with DPW

5.7 Travel and subsistence

	Note <u>5</u>	2012/13	2011/12
Local		319,237	227,409
Foreign		2,004	1,835
Total		321,241	229,244

5.8 Other operating expenditure

	Note <u>5</u>	2012/13 R'000	2011/12 R'000
Learnerships		517,162	294,005
Professional bodies, membership and subscription fees		218	190
Resettlement costs		2,486	1,540
Other		24,153	11,097
Total		544,019	306,832

6. Interest and rent on land

	Note	2012/13 R'000	2011/12 R'000
Interest paid		35,678	6,723
Total		<u>35,678</u>	<u>6,723</u>

7. Payments for financial assets

	Note	2012/13 R'000	2011/12 R'000
Other material losses written off	7.1	9,166	3,045
Debts written off	7.2	1,221	177
Total		<u>10,387</u>	<u>3,222</u>

7.1 Other material losses written off

	Note 7	2012/13 R'000	2011/12 R'000
Nature of losses			
Damaged Rental vehicles- Officials did not forfeit state cover		1,814	2,782
No Show Accommodation-Officials did not forfeit state cover		173	253
Other		7,179	10
Total		<u>9,166</u>	<u>3,045</u>

7.2 Debts written off

	Note 7	2012/13 R'000	2011/12 R'000
Nature of debts written off			
Breach of contract		571	100
Subsidised Transport		72	-
Salary Debt		409	60
Other		95	3
Telephone Debts		55	-
Tax Debts		11	14
Surveyor-General Office		8	-
Total		<u>1,221</u>	<u>177</u>

8. Transfers and subsidies

		2012/13 R'000	2011/12 R'000
	Note		
Provinces and municipalities	Annex 1A	557	23,418
Departmental agencies and accounts	Annex 1B	2,328,280	2,592,141
Foreign governments and international organisations	Annex 1D	1,459	1,194
Public corporations and private enterprises	Annex 1C	193,361	89,056
Non-profit institutions	Annex 1E	5,061	15,506
Households	Annex 1F	3,076,217	2,383,066
Total		5,604,935	5,104,381

Included in Transfer payments to household is an amount of R853 296 794 where payment was made to conveyancers but the actual transfer of properties has not yet taken place.

9. Expenditure for capital assets

9.1 Capital assets – 2012/13

	Note	Voted funds R'000	Total R'000
Tangible assets		124,193	124,193
Buildings and other Fixed structure		61,067	61,067
Machinery and Equipment	33	41,528	41,528
Land and subsoil assets	34	21,598	21,598
Software and other intangible assets		-	-
Other intangibles		-	-
Total		124,193	124,193

9.1.1 Analysis of funds utilised to acquire capital assets – 2012/13

	Voted funds R'000	Aid assistance R'000	Total R'000
Tangible assets	124,193	-	124,193
Machinery and equipment	41,528	-	41,528
Land and subsoil assets	21,598	-	21,598
Building and other fixed structure	61,067	-	61,067
Software and other intangible assets - Intangible asset	-	-	-
Total	124,193	-	124,193

9.2 Capital assets – 2011/12

	Voted funds R'000	Total R'000
Tangible assets	175,187	175,187
Machinery and equipment	43,155	43,155
Land and subsoil assets	132,032	132,032
Total	175,187	175,187

9.2.1 Analysis of funds utilised to acquire capital assets – 2011/12

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

10. Fruitless and wasteful expenditure

10.1 Reconciliation of fruitless and wasteful expenditure

Note	2012/13 R'000	2011/12 R'000
Opening balance	596	596
Less: Amounts condoned	-	-
Less: Amounts transferred to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>596</u>	<u>596</u>
Analysis of awaiting condonement per economic classification		
Current	596	596
Total	<u>596</u>	<u>596</u>

11. Cash and cash equivalents

Note	2012/13 R'000	2011/12 R'000
Consolidated Paymaster General Account	334,852	254,818
Disbursements	69	-
Cash on hand	133	120
Total	<u>335,054</u>	<u>254,938</u>

12. Prepayments and advances

Note	2012/13 R'000	2011/12 R'000
Travel and subsistence	32	65
Advances paid to other entities	21,596	16,984
Total	<u>21,628</u>	<u>17,049</u>

13. Receivables

		R'000	R'000	R'000	R'000	R'000
		Less than one year	One to three years	Older than three years	Total	Total
Claims recoverable	Note 13.1	8,076			8,076	6,476
Recoverable expenditure	Annex 4 13.2	8,081	957	714	9,752	7,030
Staff debt	13.3	1,861	1,919	3,067	6,847	6,667
Other debtors	13.4	328	83	536	947	1,163
Total		18,346	2,959	4,317	25,622	21,336

13.1 Claims recoverable

	Note 13	2012/13 R'000	2011/12 R'000
National departments		-	65
Provincial departments		60	116
Public entities		8,016	6 295
Total		8,076	6,476

13.2 Recoverable expenditure (disallowance accounts)

	Note 13	2012/13 R'000	2011/12 R'000
Sal: Disallowances account: CA		107	-
Disallowance: miscellaneous		-	3,497
Disallowance: Damaged GG Vehicle		9,640	3,492
Sal: Tax Debt		5	-
Sal: Medical Aid		-	14
Disallowance Accounts: CA		-	27
Total		9,752	7,030

13.3 Staff debt

	Note 13	2012/13 R'000	2011/12 R'000
Salary Debt		1,669	2,005
Bursary Debt		3,386	3,348
Subsidised Motor Scheme		185	324
Telephone Debt		17	70
Cell Phone Debt		66	62
Misconduct		986	228
Government Garage Motor Vehicle Accident		104	136
Other debts		434	494
Total		6,847	6,667

13.4 Other debtors

	Note 13	2012/13 R'000	2011/12 R'000
Transport Payment Suspense: CL		626	795
Sal: Income Tax: CL		321	368
Total		947	1,163

14. Investments

	Note	2012/13 R'000	2011/12 R'000
Non-Current			
Shares and other equity			
Bambanani United Exports (Pty) LTD		-	16,400
*Inala Farms (PTY) LTD		16,112	16,112
Total		16,112	32,512

	2012/13 R'000	2011/12 R'000
Analysis of non-current investments		
Opening Balance	32,512	*16,112
Non- cash movements	(16,400)	16,400
Closing balance	16,112	32,512

*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

	Note	2012/13 R'000	2011/12 R'000
Opening balance		138,972	170,526
Transfer from statement of financial performance		54,518	138,972
Paid during the year		(138,972)	(170,526)
Closing balance		54,518	138,972

16. Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund

	Note	2012/13 R'000	2011/12 R'000
Opening balance		2,914	6,344
Transfer from Statement of Financial Performance		79,624	46,150
Paid during the year		(75,459)	(49,580)
Closing balance		<u>7,079</u>	<u>2,914</u>

17. Payables – current

	Note	2012/13 Total	2011/12 Total
Clearing accounts	17.1	86,057	71,745
Other payables	17.2	228,143	72,982
Total		<u>314,200</u>	<u>144,727</u>

17.1 Clearing accounts

	Note	2012/13 R'000	2011/12 R'000
Payable: Adv:N/Dept:Adv Acc:CL (Restitution claims returned)	17	86,057	71,745
Total		<u>86,057</u>	<u>71,745</u>

17.2 Other payables

	Note	2012/13 R'000	2011/12 R'000
Salaries: Pension Fund: CL	17	11	-
Salaries: Medical: CL		2	-
Salaries: Housing		13	-
Salaries: Bargaining Council		1	-
Transport Suspense Account: CL		550	561
Restitution projects accounts – ABSA		223,706	72,421
Compensation Comm		3,860	-
Total		<u>228,143</u>	<u>72,982</u>

18. Net cash flow available from operating activities

	Note	2012/13 R'000	2011/12 R'000
Net surplus/(deficit) as per Statement of Financial Performance		136,982	188,244
Add back non cash/cash movements not deemed operating activities		67,044	6,495
(Increase)/decrease in receivables – current		(4,286)	(847)
(Increase)/decrease in prepayments and advances		(4,579)	(15,109)
Increase/(decrease) in payables – current		169,473	79,821
Proceeds from sale of capital assets		(205)	(1,606)
Expenditure on capital assets		124,193	175,187
Surrenders to Revenue Fund		(214,431)	(220,106)
Surrenders to RDP Fund/Donor		(3,121)	(10,845)
Net cash flow generated by operating activities		<u>204,026</u>	<u>194,739</u>

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

	Note	2012/13 R'000	2011/12 R'000
Consolidated Paymaster General account		334,852	254,818
Disbursements		69	-
Cash on hand		133	120
Total		335,054	254,938

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

Liability to	Nature	Note	2012/13 R'000	2011/12 R'000
Housing loan guarantees	Employees	Annex 3A	195	291
Claims against the department		Annex 3B	3,601,814	2,402,613
Other departments (interdepartmental unconfirmed balances)		Annex 5	10	-
Total			3,602,019	2,402,904

*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 R205,424,129 as at 31 March 2013. 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

	Note	2012/13 R'000	2011/12 R'000
Nature of contingent asset			
Legal claims by the department		20,838	20,849
Assets seized during forfeiture order by the Assets Forfeiture Unit		35,513	35,081
Total		56,351	55,930

*The total value of the assets seized during the forfeiture order by the Assets Forfeiture Unit amounted to R 36 million, whilst the preservation order amounted to R57 million.

21. Commitments

	Note	2012/13 R'000	2011/12 R'000
Current expenditure			
Approved and contracted		47,279	79,601
Approved but not yet contracted		1,158,985	1,119,658
		1,206,264	1,199,259
Capital expenditure			
Approved and contracted		641	3,480
Approved but not yet contracted		4,971,594	5,022,446
		4,972,235	5,025,926
Total Commitments		6,178,499	6,225,185

Included in commitments are projects older than 3 years (R1 308 976 950) this is due to changes of Restitution settlement options, community, tribal and family disputes and untraceable claim. The department is in the process of finalising these claims.

Capital Expenditure approved but not yet contracted

The Department is committed to settle the restitution claims after Section 42D memo has been approved by the Minister. However, certain processes need to take place by the department and could result in the department only able to enter any agreement in order to settle the claim after a period of time.

22. Accruals

Listed by economic classification	2012/13 R'000		2011/12 R'000	
	30 Days	30+ Days	Total	Total
Goods and services	175,226	11,082	186,308	57,089
Interest and rent on land	10,153		10,153	
Transfers and subsidies	28,000		28,000	
Capital assets		13		
Other	7,336		7,349	36
Total	220,715	11,095	231,810	57,125

Listed by programme level	Note	2012/13 R'000		2011/12 R'000	
Administration		51,298		10,745	
Geospatial and Cadastral Surveys		5,366		2,992	
Rural Development		114,207		33,974	
Restitution		25,411		3,387	
Land Reform		35,528		6,027	
Total		231,810		57,125	

Confirmed balances with departments Confirmed balances with other government entities	Note	2012/13 R'000		2011/12 R'000	
Confirmed balances with departments	Annexure 5	-		123	
Confirmed balances with other government entities	Annexure 5	-		8,311	
Total				8,434	

23. Employee benefits

Employee benefits	Note	2012/13 R'000		2011/12 R'000	
Leave entitlement		47,781		42,193	
Service bonus (Thirteenth cheque)		34,668		30,685	
Performance awards		21,332		17,229	
Capped leave commitments		30,360		21,289	
Total		134,141		111,396	

24. Lease commitments

24.1 Operating leases expenditure

	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
2012/13			
Not later than 1 year	127,023	9,633	136,656
Later than 1 year and not later than 5 years	258,586	5,304	263,890
Total lease commitments	385,609	14,937	400,546

	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
2011/12			
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
Total lease commitments	341,921	12,156	354,077

*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**

	Machinery and equipment R'000	Total R'000
2012/13		
Not later than 1 year	4,219	4,219
Later than 1 year and not later than 5 years	2,838	2,838
Total lease commitments	7,057	7,057

	Machinery and equipment R'000	Total R'000
2011/12		
Not later than 1 year	2,545	2,545
Later than 1 year and not later than 5 years	2,718	2,718
Later than five years	-	-
Total lease commitments	5,263	5,263
LESS: finance costs	346	346
Total present value of lease liabilities	4,917	4,917

25. Receivables for departmental revenue

	Note	2012/13 R'000	2011/12 R'000
Interest, dividends and rent on land		111,720	104,035
Transfers received (incl conditional grants to be repaid)		90,056	69,246
Other		17,071	
Total		218,847	173,281

25.1 Analysis of receivables for departmental revenue

	Note	2012/13 R'000	2011/12 R'000
Opening balance		195,643	96,186
Restated Opening Balance		-	-
Less: amounts received		30,968	14,158
Add: amounts recognised		54,172	91,253
Closing balance		218,847	173,281

26. Irregular expenditure

26.1 Reconciliation of irregular expenditure

	Note	2012/13 R'000	2011/12 R'000
Opening balance		56,169	47,313
Add: Irregular expenditure – relating to prior years		-	1,021
Add: Irregular expenditure – relating to current year		5,688	7,835
Less: Amounts condoned		-	-
Irregular expenditure awaiting condonation		61,857	56,169
Analysis of awaiting condonation per age classification			
Current year		5,688	7,835
Prior years		56,169	48,334
Total		61,857	56,169

26.2 Details of irregular expenditure

Incident	Disciplinary steps taken/criminal proceedings	2012/13 R'000
Non- Compliance with Supply Chain	DRDLR to determine recoverability	1,496
Overspent on Restitution Projects	DRDLR to determine recoverability	4,192
Total		5,688

27. Fruitless and wasteful expenditure

27.1 Reconciliation of fruitless and wasteful expenditure

	Note	2012/13 R'000	2011/12 R'000
Opening balance		83,453	76,730
Fruitless and wasteful expenditure – relating to current year		35,678	6,723
Less: Amounts condoned		-	-
Less: Amounts transferred to receivables for recovery		-	-
Fruitless and wasteful expenditure awaiting condonement		119,131	83,453

27.2 Analysis of awaiting condonation per economic classification

Classification		
Current	116,413	80,735
Capital	2,595	2,595
Transfers and subsidies	123	123
Total	119,131	83,453

27.3 Analysis of Current year's fruitless and wasteful expenditure

Incident	Disciplinary steps taken/criminal proceedings	2012/13 R'000
Interest paid on late payments	Departmental investigation in progress	21
Interest paid as compelled by the court order	Departmental investigation in progress	35,657
Total		35,678

*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

Year end balances arising from revenue/payment

Receivables	8,016	6,295
Payables	-	(8,311)
Total	8,016	(2,016)

*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. Inala Farms (Pty) Limited is a wholly owned subsidiary, but it's in the process of liquidation and no transactions took place during the year under review and previous years.

29. Key management personnel

	No. of Individuals	2012/13 R'000	2011/12 R'000
Political office bearers	2	3,569	3,492
Officials:			
Level 15 to 16	13	14,934	11,426
Level 14	58	49,608	41,738
Family members of key management personnel		-	-
Total		68,111	56,656

30. Impairment

Note	2012/13	2011/12
	R'000	R'000
Impairment		
Investments	16,112	16,112
	16,112	16,112

31. Provisions

	2012/13	2011/12
	R'000	R'000
DRDLR Lease Debtors	25,882	5,172
Provision for doubtful Debts (Interest due to Conveyances)	37,660	30,639
Transport Payment Suspense	602	617
Legal claim-Richtersveld	-	5,906
Damage Vehicle	3,516	2,458
Fraudulent Payment under investigation	-	1,273
Staff Debts	5,022	5,595
Municipality Rates	10,593	-
Claims against the department	281	-
Cheadle Thompson and Haysom	8116	-
Total	91,672	51,660

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 2013

	Opening balance	Curr Year Adjust- ments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	315,936	(28)	34,251	10,308	339,851
Transport assets	9,204	-	1,305	-	10,509
Computer equipment	212,994	557	18,372	9,389	222,534
Furniture and office equipment	76,410	6,578	7,129	919	89,198
Other machinery and equipment	17,328	(7,163)	7,445	-	17,610
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	315,936	(28)	34,251	10,308	339,851

33.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

	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
MACHINERY AND EQUIPMENT	41,528	-	(6,797)	(480)	34,251
Transport assets	1,305	-	-	-	1,305
Computer equipment	19,194	-	(17)	(805)	18,372
Furniture and office equipment	6,964	-	(48)	213	7,129
Other machinery and equipment	14,065	-	(6,732)	112	7,445
TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS	41,528	-	(6,797)	(480)	34,251

33.2 Disposals

DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	5,590	4,718	10,308	14
Computer equipment	5,498	3,891	9,389	14
Furniture and office equipment	92	827	919	-
Other machinery and equipment	-	-	-	-
TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS	5,590	4,718	10,308	14

Movement for 2011/12

33.3 Movement for 2011/12

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

	Opening balance R'000	Additions R'000	Disposals R'000	Closing Balance R'000
MACHINERY AND EQUIPMENT	275,256	45,004	4,324	315,936
Transport assets	10,021	-	817	9,204
Computer equipment	189,232	26,965	3,203	212,994
Furniture and office equipment	68,479	8,192	261	76,410
Other machinery and equipment	7,524	9,847	43	17,328
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	275,256	45,004	4,324	315,936

33.4 Minor assets

MINOR ASSETS OF THE DEPARTMENT AS AT 31 MARCH 2013

	Number of Minor Assets (‘000)	Machinery and equipment R'000	Total R'000
Opening balance	33	50,783	50,783
Current year adjustment to Prior Balances		9	9
Additions	5	8,916	8,916
Received current but not paid		-	-
Disposals		1,325	1,325
TOTAL MINOR ASSETS	38	58,383	58,383

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
Opening balance	33	41,405	41,405
Additions		9,802	9,802
Received current but not paid		-	-
Disposals		424	424
TOTAL	33	50,783	50,783

34. Immovable Tangible Capital Assets

MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

	Opening balance R'000	Curr Year Adjustments to prior year balances R'000	Additions R'000	Disposals R'000	Closing Balance R'000
LAND AND SUBSOIL ASSETS					
Agricultural Land	1,545,523	(29,735)	32,848	117,262	1,431,374
TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS	1,545,523	(29,735)	32,848	117,262	1,431,374

34.1 Additions

ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

	Cash R'000	Non-cash R'000	(Capital Work in Progress current costs and finance lease pay- ments) R'000	Received current, not paid (Paid current year, received prior year) R'000	Total R'000
LAND AND SUBSOIL ASSETS					
Land	21,598	-	(3,336)	14,586	32,848
TOTAL ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS	21,598	-	(3,336)	14,586	32,848

34.2 Disposal

ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

	Sold for cash R'000	Transfer out or des- troyed or scrap- ped R'000	Total disposals R'000	Cash received Actual R'000
LAND AND SUBSOIL ASSETS				
Land	-	117,262	117,262	190
TOTAL ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS	-	117,262	117,262	190

34.3 Movement for 2011/12

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					
Land	1,519,038	133,104	140,970	(247,589)	1,545,523
	1,519,523	133,104	140,970	(247,589)	1,545,523
TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS	1,519,523	133,104	140,970	(247,589)	1,545,523

34.4 Immovable assets valued at R1

IMMOVABLE ASSETS VALUED AT R1 IN THE ASSET REGISTER AS AT 31 MARCH 2013

	Land and subsoil assets	Total
	R'000	R'000
R1 Immovable assets		
Opening Balance	25	25
Adjustment to opening balance	(2)	(2)
TOTAL	23	23

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

	Land and subsoil assets	Total
	R'000	R'000
R1 Immovable assets	25	25
TOTAL	25	25

*The department's Immovable asset register is recorded in line with the Immovable asset sector specific guide issued by National Treasury on the 12th of June 2013

Un-surveyed State land

- The Nature of un-surveyed land is that no representative data or direct measurement of it exists. With the assistance of all the Survey or-General Offices, all un-surveyed state land was identified in each province by technically interrogating and researching 'gaps' in the Cadastral Spatial Continuous Map. All identified un-surveyed administrative areas are surveyed.
- All State Domestic Facilities on un-surveyed State Land were simultaneously surveyed with the outside figure (Administrative Area), with approved SG diagrams. The survey and approval of diagrams for State Domestic Facilities (SDF) contained within previously surveyed state land is facilitated by a parallel exercise which is a long-term ongoing exercise, owing to the vast number of un-surveyed SDFs .
- All un-surveyed state land, including those from the former TBVC States and Self Governing Territories and state land in the former territory of the Republic of South Africa (pre 27 April 1994)

Surveyed but not registered State land

- Included in the RI value are 868 properties relating to surveyed but unregistered land of which approved diagrams are still being vested.
- All surveyed but unregistered land parcels for which the custodianship is still being determined and which is not confirmed vested in the name of a province or where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA.
- All surveyed but unregistered land parcels where the surveying process has been concluded between 1 October and 31 March of every year or where the relevant information to commence registration has not been handed over to the rightful custodian before 30 September of every year.

Surveyed Land registered

- All land vested with the national government situated in the former TBVC states and the former Self Governing Territories including any tribal land located in these areas with the exclusion of land governed by the KwaZulu-Natal Ingonyama Trust Act, 1994 (Act 3 of 1994) and Amendment Act.
- All former South African Development Trust land unless title clearly resides with another party in terms of specific legislation or have been confirmed vested in a province.
- All national land held for land reform purposes.

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM
VOTE 33

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013

THE ANNEXURES HAVE NOT BEEN AUDITED

ANNEXURE IB

STATEMENT OF UNCONDITIONAL GRANTS AND TRANSPORT TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT			2011/12
	Division of Revenue Act	Roll Overs	Adjust-ments	Total Available	Actual Transfer	Funds With held	Re-allo-cations 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	R'000	R'000		R'000	R'000	%	R'000	R'000	%	R'000
Municipal rates & taxes	338	-	182	520	518	-	100%	-	-	-	23,322
Levies vehicle licences	46	-	59	105	39	-	37%	-	-	-	96
	384	-	241	625	557	-	-	-	-	-	23,418

ANNEXURE IC

STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENT/AGENCY/ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2011/12
	Adjusted Appropriation	Roll Overs	Adjust-ments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Ingonyama Trust Board	7,200	-	-	11,616	18,816	100%	13,034
Registration of Deeds Trading Account	11,129	-	-	11,129	11,129	100%	143,323
Agricultural Land Holdings Account	2,028,719	-	269,616	2,298,335	2,298,335	100%	2,435,784
	2,047,048	-	281,232	2,328,280	2,328,280	-	2,592,141

ANNEXURE IE

STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATION AND PRIVATE ENTERPRISES

FOREIGN GOVERNMENT/ INTERNATIONAL ORGANISATION	TRANSFER ALLOCATION				EXPENDITURE		2011/12
	Adjusted Appropriation Act	Roll overs	Adjust-ments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
COEGA Development Corporation	17,074	-	15,201	32,275	32,275	100%	11,228
Independent Development Trust	14,828	-	50,421	65,249	65,249	100%	40,176
Agricultural Research Council	284	-	71,963	72,247	72,247	100%	15,174
AgriSeta	-	-	4,514	4,514	4,514	100%	-
Development Bank of South Africa	-	-	5,260	5,260	5,260	100%	-
PROV DA: Business Rural Dev Corp	1,237	-	-	1,237	1,237	100%	-
Human Science Res CENCIL (HSRC)	-	-	5,000	5,000	5,000	100%	-
Mhlongamvula Farming Cooperative	-	-	7,579	7,579	7,579	100%	-
Kwazulu Natal Agricultural Development Trust	-	-	-	-	-	-	22,478
Total	33,423	-	159,938	193,361	193,361	-	89,056

I ANNEXURE IF

STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS

FOREIGN GOVERNMENT/ INTERNATIONAL ORGANISATION	TRANSFER ALLOCATION				EXPENDITURE		2011/12
	Adjusted Appropriation Act	Roll overs	Adjust-ments	Total Available	Actual Transfer	% of Available funds Transfer- red	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
UN Membership Fees	1,340	-	200	1,540	1,459	95%	1,194
Total	1,340	-	200	1,540	1,459		1,194

ANNEXURE IG

STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS

NON-PROFIT INSTITUTIONS	TRANSFER ALLOCATION				EXPENDITURE		2011/12
	Adjusted Appropriation Act	Roll overs	Adjust-ments	Total Available	Actual Transfer	% of Available funds transfer- red	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
Free State Department of Agriculture and Rural Development	-	-	-	-	-		10,113
Free State Department of Human Settlements	-	-	-	-	-		2,822
Goedgedacht Trust	-	-	2,361	2,361	2,361	100%	-
South African Council for Planners	2,700	-	-	2,700	2,700	100%	2,571
Total	2,700	-	2,361	5,061	5,061		15,506

ANNEXURE IH

STATEMENT OF TRANSFERS TO HOUSEHOLDS

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2011/12
	Adjusted Appropriation Act	Roll Overs	Adjust-ments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
Restitution Grants (Beneficiaries)	2,577,810	-	(75,766)	2,502,044	2,470,531	99%	1,888,882
Land Reform Grants (Beneficiaries)	733,542	-	(91,502)	642,040	576,613	90%	472,691
Social benefits Bursaries (Non-Employees)	13,936	-	11,000	24,936	26,743	107%	20,349
Social benefits (Severance Package)	33	-	-	33	-		36
Social benefits (Leave Gratuity)	280	-	1,341	1,621	2,330	144%	1,108
Total	3,325,601	-	(154,927)	3,170,674	3,076,217		2,383,066

ANNEXURE 1J

STATEMENT OF AID ASSISTANCE RECEIVED

NAME OF DONOR	PURPOSE	OPENING			CLOSING
		BALANCE	REVENUE	EXPENDITURE	BALANCE
		R'000	R'000	R'000	R'000
European union	Establishment of large blueberry out Grower	385	3,000	3,385	-
Belgium	Post settlement and development support for Land Reform beneficiaries	2,737	972	869	2,840
Total		3,122	3,972	4,254	2,840

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 yearend if not 31 March)	% Held 12/13	% Held 11/12	Number of shares held		Cost of investment R'000		Net Asset value of investment R'000		Profit/(Loss) for the year R'000		Losses guaranteed Yes/ No
				2012/13	2010/11	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	
National/ Provincial Public Entity												
Inala Farm (Pty) Ltd		100%	100%	100%	100%	16,112	16,112	-	-	-	-	
TOTAL				100	100	16,112	16,112	-	-	-	-	

ANNEXURE 2B

STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES (CONTINUED)

Name of Public Entity	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	
		2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Controlled entities									
Inala Farm (Pty) Ltd	Land Reform Project	16,112	16,112	-	-	-	-	-	-
TOTAL		16,112	16,112	-	-	-	-	-	-

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2013 – LOCAL

Guarantor institution	Guarantee in respect of	Original guarantee capital amount	Opening balance 1 April 2012	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2013	Guaranteed interest for year ended 31 March 2013	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
	Motor vehicles								
Stannic		-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
	Housing								
ABSA			-	90	-	-	90	-	-
First Rand Bank			8	-	8	-	-	-	-
MEEG Bank			38	-	-	-	38	-	-
Old Mutual Div Nedbank			13	-	-	-	13	-	-
Standard Bank			95	-	41	-	54	-	-
Nedbank			137	-	137	-	-	-	-
	Subtotal	-	291	90	186	-	195	-	-
	Total	-	291	90	186	-	195	-	-

ANNEXURE 3B

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2013

Nature of Liability	Opening Balance 1 April 2012 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 2013 R'000
Claims against the department					
Action proceedings against the department to make a payment to his family alone	60,000	-	-	-	60,000
Application compelling commission to pay grant money to CPA's account	10,000	-	-	-	10,000
Breach of contract and sued for interest	744	-	-	-	744
Breach of contract and compelling specific performance	1,696	-	-	-	1,696
Claimant dispute claim of just and equitable compensation	28,470	-	-	-	28,470
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
Claimants in this matter are disputing that they received just and equitable comp	54,000	-	-	-	54,000
Commission disputes feasibility and claim for specific performance	15,678	-	-	-	15,678
Commission disputes validity of the contract with applicant	528	-	-	-	528
Commission disputes validity of the contract with applicant	3,491	-	-	-	3,491
Commission were compelled to pay 2 nd 50% of purchase price and interest	1,002	-	-	-	1,002
Consultants are claiming payment for services rendered	1,164	-	-	-	1,164
Current owner want to be paid more than the valuation amount on an approved	4,500	-	-	-	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 2013

Nature of Liability	Opening Balance 1 April 2012 R'000	Liabilities incurred during the year R'000	Liabilities paid/cancel- led/reduced during the year R'000	Liabili- ties recove- rable (Provide details hereun-der) R'000	Closing Balance 31 March 2013 R'000
Interdict against the commission from making payment to Ebrahim family	1,185	-	-	-	1,185
Interest on failure to pay 2 nd 50% as contained in the agreement	253	-	-	-	253
Lease rentals claim	1,516	-	-	-	1,516
Liquidator issued summons against commission matter is opposed breach contract	15,252	-	-	-	15,252
Matter for payment of interest for breach of contract	53	-	-	-	53
Matter going on appeal as claimants want restoration	791,289	-	-	-	791,289
Matter in court due to breach of contract	53	-	-	-	53
Mr Vermaas claims compensation he received was not just & equit	67,989	-	-	-	67,989
Restitution claim, for purchase price and interest of 15.5% & cost	18,927	-	-	-	18,927
State is refusing to buy 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 family	64	-	64	-	-
The claim is for alleged under compensation to the Crowter family	5,000	-	-	-	5,000
This is a direct access case for under compensation	5,377	-	-	-	5,377
Restitution claim for purchase price & interest of 15.5% and cost	-	12,197	-	-	12,197
Claim for valuation performance	-	202	-	-	202
Claim on demolished dwellings	-	1,600	-	-	1,600
Claim on undervaluation of property	-	10,314	-	-	10,314

ANNEXURE 3B

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2013

Nature of Liability	Opening	Liabilities incurred during the year	Liabilities paid/cancelled/reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing
	Balance				Balance
	1 April 2012				31 March 2013
	R'000	R'000	R'000	R'000	R'000
Claim on property	-	74	-	-	74
Restitution claim for purchase price and interest of 15.5% & cost	-	994,230	-	-	994,230
Breach of contract	363	-	-	-	363
Labour dispute	653	-	-	-	653
Breach of agreement	2,812	-	-	-	2,812
aim for losses incurred as result of fire	4,000	-	-	-	4,000
aim for losses incurred as result of fire	6,886	-	-	-	6,886
aim for losses incurred as result of fire	16,783	-	-	-	16,783
Contractual claim	291	-	-	-	291
Grants claim	1,000	-	-	-	1,000
Labour dispute	83	-	83	-	-
Rates claim	147	-	147	-	-
Negligence	100	-	-	-	100
Other	1,067,124	85,852	1,170	-	1,151,806
Personal claim (labour dispute)	202	-	-	-	202
Rates claim	282	-	-	-	282
Contractual claim	-	416	-	-	-
Claim for repair of boundary fence	-	16	-	-	16
Contractual claim	-	297	-	-	-
Negligence by the employees of the deeds office Cape Town	-	917	-	-	917
OSD	-	1,135	-	-	1,135
Constructive Obligations	-	87,388	-	-	87,388
Application for payment in respect of adjustment account	-	740	-	-	740
Application compelling payment	-	6000	-	-	6000
Subtotal	2,402,613	1,201,378	2,177	-	3,601,814
TOTAL	2,402,613	1,201,378	2,177	-	3,601,814

ANNEXURE 3B

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2013

Nature of Liability	Opening Balance 1 April 2012 R'000	Liabilities incurred during the year R'000	Liabilities paid/cancel- led/reduced during the year R'000	Liabili-ties recove- rable (Provide details hereun-der) R'000	Closing Balance 31 March 2013 R'000
Application for payment in respect of adjustment account		740			740
Application compelling payment		6000			6000
Subtotal	2,402,613	1,201,378	2,177		3,601,814
TOTAL	2,402,613	1,201,378	2,177	-	3,601,814

ANNEXURE 4

CLAIM RECOVERABLE

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012	31/03/2013	31/03/2012
	R'000	R'000	R'000	R'000	R'000	R'000
Department						
COO and Traditional Affairs	-	-	-	8	-	8
Gauteng: Road and Transport	-	-	28	-	28	-
Mpumalanga: Human Settlement	-	-	-	16	-	16
Home Affairs	-	-	-	5	-	5
Government Pensions Administration Agency	-	-	-	23	-	23
Limpopo: COO and Traditional Affairs	-	-	-	14	-	14
North West: Local Government & Traditional Affairs	-	-	-	10	-	10
North West: Human Settlement	-	-	31	27	31	27
North West: Arts & Culture	-	-	-	19	-	19
Justice	-	-	-	29	-	29
Limpopo: Economic Development and Tourism	-	-	-	19	-	19
Limpopo: Economic Development	-	-	-	11	-	11
Free State: Dept of Agriculture	-	-	42	-	42	-
	-	-	101	181	101	181
Other Government Entities						
PLAS Trading Entity	-	-	-	3,795	-	3,795
Deeds Registration Trading Accounts	-	-	8,016		8,016	2,500
	-	-	8,016	6,295	8,016	6,295
TOTAL	-	-	8,117	6,476	8,117	6,476

ANNEXURE 5

INTER-GOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012	31/03/2013	31/03/2012
	R'000	R'000	R'000	R'000	R'000	R'000
International Relations & Cooperation	-	-	10	-	10	-
Economic Development, Environment and Tourism	-	3	-	-	-	3
Gauteng Department of Finance	-	73	-	-	-	73
Office of the Presidency	-	22	-	-	-	23
Department of Trade and Industry	-	25	-	-	-	25
Subtotal	-	123	10	-	10	123
Total	-	123	10	-	10	123
OTHER GOVERNMENT ENTITY						
Current						
Agricultural Land Holding Account	-	8,311	-	-	-	8,311
Subtotal	-	8,311	-	-	-	8,311
Total	-	8,434	10	-	10	8,434

ANNEXURE 6

INVENTORY

Inventory	Note	2012/13		2011/12	
		Quantity	R'000	Quantity	R'000
Opening balance		154,784	4,789	119,152	7,974
Add/(Less): Adjustments to prior year balance		251	45	(90)	2
Add: Additions/Purchases – Cash		559,111	48,448	672,836	89,205
Add: Additions - Non-cash		227	2	(1,058)	(35)
(Less): Disposals		(6,480)	(2,661)	4,984	2,211
(Less): Issues		(528,975)	(43,264)	(640,988)	(87,403)
Add/(Less): Adjustments		(13)	(593)	(52)	(7,164)
Closing balance		178,905	6,766	154,784	4,790

ANNEXURE 7

MOVEMENT IN CAPITAL WORK-IN-PROGRESS FOR THE YEAR ENDED 31 MARCH 2013

Description	Opening balance	Current year capital WIP	Completed assets	Closing balance
	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	-	6,797	-	6,797
Computer equipment	-	17	-	17
Furniture and office equipment	-	48	-	48
Other machinery and equipment	-	6,732	-	6,732
LAND AND SUBSOIL ASSETS		3,336		3,336
Land	-	3,336	-	3,336
Total	-	10,133	-	10,133

ANNEXURE 8A

INTER-ENTITY ADVANCES PAID (note 17)

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012	31/03/2013	31/03/2012
	R'000	R'000	R'000	R'000	R'000	R'000
OTHER INSTITUTIONS						
Cheadle Thompson and Hayson Inc	-	-	21,596	16,984	21,596	16,984
Total	-	-	21,596	16,984	21,596	16,984

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM - AGRICULTURAL
LAND HOLDINGS ACCOUNT
VOTE 33

REPORT OF THE AUDITOR-GENERAL
for the year ended 31 March 2013

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE AGRICULTURAL LAND HOLDING ACCOUNT
REPORT ON FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Agricultural Land Holdings Account (ALHA) set out on pages 177 to 211, which comprise the statement of financial position as at 31 March 2013 statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, statement of comparison of budget and actual amounts, 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 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

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.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agricultural Land Holding Account as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the PFMA.

Emphasis of matter paragraphs

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

Impairment of trade receivables

8. As disclosed in note 6 to the financial statements, the trading entity had receivables from exchange transactions totalling R209 035 835 (R135 017 000: 2011-12), with an allowance for impairment of R100 470 000 (R74 995 000: 2011-12) at 31 March 2013. The extent of the recoverability of these amounts is uncertain. This is broken down into trade receivables overdue for a period exceeding 365 days of R79 993 000 (R0: 2011-12) and R4 425 742 (R0: 2011-12) that relates to expired leases.

Impairment of receivable from non exchange transactions

9. As disclosed in note 7 to the financial statements, the trading entity had receivables from non-exchange transactions totalling R523 375 000 (R179 369 000: 2011-12), with an allowance for impairment of R23 387 000 (R0: 2011-12) which had not been spent nor recovered from strategic partners to offset the receivable from non-exchange transactions.

Restatement of corresponding figures relating to property, plant and equipment

10. As disclosed in note 28.1 to the financial statements, the corresponding figure for property plant and equipment, relating to the 31 March 2012 financial period, has been restated as a result of an error discovered during the 31 March 2013 financial period in the financial statements of ALHA at, and for the financial year ended, 31 March 2012 by an amount of R23 882 000.

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. The strategic objectives, programme outputs, indicators and targets of the ALHA 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.

Compliance with laws and regulations

13. I performed procedures to obtain evidence that the entity had 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

14. 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 by the auditors for operating expenditure, lease revenue, receivables, commitments, prepayments and deferred expenses, which resulted in material adjustments being made to the financial statements. Had these misstatements not been corrected by management, ALHA would have received a modified opinion.

Revenue management

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

Expenditure management

16. 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.

Asset management

17. The Accounting Officer did not exercise the utmost care to ensure reasonable protection and safeguarding of the assets and records of the trading entity, as required by section 38(1)(d) of the PFMA.
18. 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 no policies and procedures were in place which were updated and approved as required by section 38(1)(a)(i) of the PFMA.

Internal control

19. 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

20. 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

21. Material adjustments were made to operating expenditure, lease revenue, receivables, commitments, prepayments and deferred expenses in the financial statements submitted for auditing. This was as a result of several weaknesses identified with regard to the record keeping of information supporting the financial statements and performance information. This also gave rise to numerous material non-compliance matters being identified throughout the audit process.

Governance

22. Risk assessment still requires some attention to ensure its effectiveness in addressing the risks of the department

OTHER REPORTS

Investigations in progress

23. The Special Investigating Unit is currently investigating one case relating to allegations of irregularities in certain land reform projects.
24. The Financial impact or above investigations has not yet been quantified at this stage as the investigation is still in progress.

Auditor-General

Pretoria
31 July 2013



DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM - AGRICULTURAL
LAND HOLDINGS ACCOUNT
VOTE 33

STATEMENT OF FINANCIAL POSITION
as at 31 March 2013

	Notes	2013	2012
		R'000	R'000
			Restated
ASSETS			
Non-current assets			
Property, Plant and Equipment	2	8 085 258	6 513 202
Intangible assets	3	2 006	2 006
Other financial assets	4	<u>228 668</u>	<u>216 454</u>
Total non-current assets		<u>8 315 932</u>	<u>6 731 662</u>
Current assets			
Cash and cash equivalents	5	318 802	86 490
		110	
Trade and other receivables from exchange transactions	6	903	61 084
Receivables from non exchange transactions	7	<u>425 816</u>	<u>187 728</u>
Total current assets		<u>855 521</u>	<u>335 302</u>
TOTAL ASSETS		<u>9 171 453</u>	<u>7 066 964</u>
LIABILITIES			
Current Liabilities			
Trade and other payables from exchange transactions	8	24 895	16 435
Trade and other payables from non exchange transactions	9	<u>98</u>	<u>-</u>
TOTAL LIABILITIES		<u>24 993</u>	<u>16 435</u>
NET ASSETS			
Accumulated surplus		<u>9 146 460</u>	<u>7 050 529</u>
Total Net Assets		<u>9 146 460</u>	<u>7 050 529</u>
TOTAL NET ASSETS AND LIABILITIES		<u>9 171 453</u>	<u>7 066 964</u>

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM - AGRICULTURAL
LAND HOLDINGS ACCOUNT
VOTE 33

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2013

	Notes	2013 R'000	2012 R'000 Restated
REVENUE			
Non- exchange transactions		2 298 335	2 435 784
Grant Income – Non exchange	10	2 298 335	2 435 784
Exchange transactions		129 349	98 277
Rental Income		89 050	63 194
Interest	11	26 429	28 180
Other Interest		13 870	6 903
EXPENDITURE			
		(331 753)	(320 363)
Operating expenses farmers/strategic partners	12	(162 295)	(99 993)
Other operating expenditure	12	(69 118)	(48 966)
Impairment of assets	14	(65 012)	(163 941)
Depreciation	2	(35 307)	-
Loss on disposal of assets	2	-	(7 380)
Finance costs	13	(21)	(83)
Surplus for the year		2 095 931	2 213 698

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM - AGRICULTURAL
LAND HOLDINGS ACCOUNT
VOTE 33

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2013

	Notes	Accumulated Surplus R'000	Total Net Assets R'000
Balance at 01 April 2011		4 817 451	4 817 451
Correction of prior year error	28	<u>19 380</u>	<u>19 380</u>
Restated balance		4 836 831	4 836 831
Surplus for the year 2012		<u>2 213 698</u>	<u>2 213 698</u>
Balance at 01 April 2012		7 050 529	7 050 529
Correction of prior year error		<u>-</u>	<u>-</u>
Restated balance		7 050 529	7 050 529
Surplus for the year 2013		<u>2 095 931</u>	<u>2 095 931</u>
Balance at 31 March 2013		<u><u>9 146 460</u></u>	<u><u>9 146 460</u></u>

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM - AGRICULTURAL
LAND HOLDINGS ACCOUNT
VOTE 33

CASH FLOW STATEMENT
for the year ended 31 March 2013

	Notes	2013	2012
		R'000	R'000
			Restated
Cash flows from operating activities			
Cash receipts		2 355 873	2 482 185
Sale of Goods and Other Services		22 109	18 933
Grant Income	10	2 298 335	2 435 784
Interest Income		16 547	20 766
Other Interest		18 882	6 702
Cash paid to suppliers and employees		(492 185)	(2 440 934)
Suppliers and Other Payables	17	(492 164)	(2 440 851)
Interest paid	13	(21)	(83)
Net cash flows from operating activities	15	<u>1 863 688</u>	<u>41 251</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	16	<u>(1 620 212)</u>	<u>-</u>
Net cash flows from investing activities		<u>(1 620 212)</u>	<u>-</u>
Cash flows from financing activities			
Other Financial assets	17	<u>(11 164)</u>	<u>(214 138)</u>
Net cash flows from financing activities		<u>(11 164)</u>	<u>(214 138)</u>
Net (Decrease)/increase in cash and cash equivalents		232 312	(172 887)
Cash at the beginning of the year		<u>86 490</u>	<u>259 377</u>
Total cash at end of the year	5	<u>318 802</u>	<u>86 490</u>

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM - AGRICULTURAL LAND
HOLDINGS ACCOUNT
VOTE 33

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013

ACCOUNTING POLICIES

I. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

Basis of Preparation:

The annual financial statements were prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), and the effective interpretations as issued by the Accounting Standards Board ("ASB") in accordance with section 91(1) of the Public Finance Management Act, (Act 1 of 1999).

The annual financial statements were prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

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.

A summary of the significant accounting policies, which have been applied, are disclosed below.

I.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 are 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

The Entity tests for impairment where there is an indication that an asset may be impaired. In performing an assessment of whether there is an indication of possible impairment the trading entity makes judgments and estimation of the recoverable amount (or recoverable service amount

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.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables approximate their fair values.

Impairment testing

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. 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 possible impairment indicators at the end of the financial year.

Biological Assets

The entity recognises expenditure on biological assets (living animals and plants) as an expense in the statement of financial performance where it is not probable that future economic benefits or service potential 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.

The principal accounting policies applied in the preparation of annual financial statements are set out below. These accounting policies are consistent with accounting policies applied in the preparation of the prior year annual financial statements, unless specified otherwise.

1.2. Presentation currency

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

1.3. Rounding

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

1.4. Going concern assumption

The annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern.

1.5. Prior year

The comparative information has been reclassified and restated from previous year's reported information, where appropriate to comply with reporting requirements. The nature and reasons for such restatement and reclassification are disclosed.

Presentation and classification are consistent except where stated otherwise.

1.6. Budget

Budget information has been provided in a separate disclosure note in accordance with GRAP 1 and 24.

1.7. 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, for rental to others, or for administrative purposes and are expected to be used during more than one period. 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, 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.

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 to dispose 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 (Years)
LAND	
Agricultural Land	Unlimited
INFRASTRUCTURE	
Production facility	40-50
Production Infrastructure	30-50
BUILDINGS	
Farm dwellings	40-50
Farm buildings	40-50
AGRICULTURAL EQUIPMENT	
No moving parts e.g. Ploughs	20-30
High intensity moving parts e.g. Chain Saws	5-7
Low intensity moving parts e.g. Planters	7-12
Mechanical e.g. Tractors	10
Water low intensity e.g. Irrigation pipes	30
Water high intensity e.g. Movable irrigation pumps	15-20
Electrical e.g. Butchery equipment	15
Office Equipment	5
MOTOR VEHICLES	
Motor vehicles	5

Impairment

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.

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 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 Financial Performance.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed off 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.

1.8. 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

The packaging and service rights of the department are considered to have an indefinite useful life and are not amortised, but tested for impairment annually and whenever there is an indication that it might be impaired. The useful life of the packaging and service rights is reviewed annually and any change from indefinite to finite will be accounted for as a change in estimate.

Details

Average
Useful life

Packaging and Service rights

Indefinite

Impairments

An intangible asset with an indefinite useful life is tested 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 asset 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 off 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 intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9. 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 non-exchange transactions is measured at the amount of the increase in net assets recognised by the entity.

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:

- (a) The entity has transferred to the purchaser the significant risks and rewards of ownership of the property.
- (b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- (e) 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 1.10

1.10. 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 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, the corresponding amount is recognised as non-exchange revenue as and when the related liability is discharged.

1.11. Leases

Classification

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

The Entity classifies its leases as operating leases. The classification of the leases is based on the extent that the entity does not transfer substantially all the risks and rewards incidental to ownership of the assets to the lessee.

Measurement

The Entity as a lessor

- Lease income from operating leases is recognised in income on a straight-line basis over the lease term.
- Lease income is disclosed under revenue surplus or deficit in Statement of Financial Performance.
- Any contingent rental income is recognised as surplus or deficit in the period in which it is receivable.

1.12. Financial Instruments

Classification

The trading entity classifies its financial assets and financial liabilities into the following categories:

- Financial Assets at amortised cost
- Financial liabilities at amortised cost

Classification depends on the purpose for which the financial instruments were obtained or 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.

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

Financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate 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 receivables

Inter departmental receivables are classified as financial assets at amortised cost.

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

- **Classification**

Trade and other receivables are classified as financial assets at amortised cost.

- **Recognition and measurement**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Allowance and Impairment

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 receivable is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses.

Trade and other payables

Recognition and measurement

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 financial assets at amortised cost.

1.13. Services in kind

The trading entity does not recognise services in kind as revenue. Services in kind are disclosed under related parties.

1.14. 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.

1.15. Transfer of Assets from the department

In 2009/10 financial year the entity recorded transfers of assets from the department as follows:

The transfer of the assets from the department to the trading entity was 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 5. 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.

1.16. Commitments

No provision is made for projects approved for recapitalisation 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, but no expenditure has accrued it is disclosed as commitments in the notes to the financial statements.

1.17. Irregular, Fruitless and Wasteful Expenditure

Irregular expenditure means expenditure, other than unauthorised 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.

1.18. Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted for; 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 surplus or deficit in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19. Other non-financial receivables

Other non-financial receivables consist of transfers to strategic partners for recapitalisation of PLAS' farms, and are recognised as a deferred asset. Considering the nature of this deferred expenditure, the trading entity raises a provision at year end to account for the possible expenditure incurred by the strategic partners, for which documentation has not yet been received by the entity.

I.20. Contingent Asset

A contingent asset is disclosed by the trading entity where there 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.

I.21. Contingent Liability

A contingent liability is disclosed by the trading entity where there is a possible obligation arising 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 ALHA ; OR where there is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

I.22. Events after reporting date

Adjusting events

The entity will adjust the amounts recognised in the financial statements to reflect events that provided evidence of conditions that existed at the reporting date once the event has occurred.

Non - Adjusting events

The entity will disclose the nature of the events and estimates in its financial statements for non – adjusting events, where non disclosure could influence the economic decisions of the users.

I.23. Related parties

The entity has controls in place to aid in the identification of related parties. The entity provides information of transactions with related parties in its financial statements. Disclosure of transactions with other government entities is only provided to the extent that the transaction was not on normal terms (not at arm's length).

I.24. EFFECT OF NEW STANDARDS OF GRAP AND INTERPRETATIONS

I.24.1 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following approved Standards of GRAP are not yet effective and are not likely to significantly affect the value of items recognised 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 20 – Related Parties

New standard of GRAP deal with the presentation and disclosure of related parties' information. The impact on the financial results is considered to be minimal.

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 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 Revenue.

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.

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.

IGRAP11 - Consolidation – Special purpose entities.

IGRAP12- Jointly control entities – Non-monetary contributions by ventures.

IGRAP13 - Operating Leases – Incentives.

IGRAP14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IGRAP15 - Revenue - Barter Transactions Involving Advertising Services.

IGRAP16- Intangible Assets – website cost

2. PROPERTY PLANT AND EQUIPMENT

2013 R'000	Agricultural Land	Buildings	Farm Infrastruct ure	Agriculture Equipment	Motor Vehicles	Work in Progress	Total
Carrying amount 01 April 2012	5 872 088	361 436	188 128	80 597	10 053	900	6 513 202
Gross Carrying amount	5 872 088	361 436	188 128	80 597	10 053	900	6 513 202
Accumulated depreciation & impairment	-	-	-	-	-	-	-
Additions	1 153 323	142 869	203 416	68 611	12 520	39 473	1 620 212
Depreciation	-	(9 825)	(7 603)	(14 385)	(3 494)	-	(35 307)
Impairment	-	(6 954)	(2 552)	(1 833)	(1 510)	-	(12 849)
Carrying amount 31 March 2013	7 025 412	487 526	381 388	132 990	17 569	40 373	8 085 258
Gross Carrying amount	7 025 412	504 305	391 543	149 208	22 573	40 373	8 133 414
Accumulated depreciation & impairment	-	(16 779)	(10 155)	(16 218)	(5 004)	-	(48 156)

Property, Plant and Equipment are carried at cost less accumulated depreciation and impairment losses. The net carrying amount of Property, Plant and Equipment is R 8 085 258 (2012: R 6 513 202) after depreciation and impairment losses of R35 307 and R128 49 respectively. Included in the opening balance is an amount of R10 374 which relates to prior period errors as per note 28.1 and an amount of R2006 was reclassified out of Property Plant and Equipment to Intangible Asset as per note 28.2.

2013	2012
R'000	R'000

3 INTANGIBLE ASSETS

Net carrying amount	2 006	2 006
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Intangible Assets consist of packaging and service rights initially recognised at 31 March 2012. There was no indication that the intangible asset might be impaired or an indication of change in the useful life at 31 March 2013.

4. OTHER FINANCIAL ASSETS

	Deposits	Financial assistance	Total
Opening balance at 01 April 2012	2 316	214 138	216 454
Deposits for the year 2013	1 050	-	1 050
Interest earned	-	11 164	11 164
Balance at 31 March 2013	<u>3 366</u>	<u>225 302</u>	<u>228 668</u>

Other financial assets comprise of Eskom electricity new meter connection deposits and financial assistance to Land Bank as guarantees for farmers in distress. Interest earned on the financial assistance guarantees is capitalised.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2013 R'000	2012 R'000
Cash at bank	<u>318 802</u>	<u>86 490</u>

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.

6. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Operating lease receivables	108 566	60 022
Deferred lease assets	<u>2 337</u>	<u>1 062</u>
	<u>110 903</u>	<u>61 084</u>

Credit quality of trade and other receivables

The carrying value of operating lease receivables of R 108 566 (2012: R60 022 after restatement as per note 28.4), is stated after an allowance for impairment of R 100 470 (2012: R 74 995). An allowance for impairment of operating leases is assessed at the end of the reporting date. The gross operating lease receivables value is R 209 036 (2012: R 135 017).

Trade and other receivables not impaired

Trade and other receivables less than 3 months are not impaired unless individual debtor impairment is identified. Total trade and other receivables of R 108 566 (2012: R 60 022) were not impaired.

	2013 R'000	2012 R'000 Restated
The aging of amounts not impaired is as follows:		
Less than 3 months	63 659	13 240
3 to 6 months	8 631	8 503
6 to 12 months	13 147	14 328
Over 12 months	23 129	23 951
	<u>108 566</u>	<u>60 022</u>

Trade and other receivables impaired

Trade and other receivables of R 100 470 (2012: R 74 995) were impaired.

The aging of the impairment loss is as follows:

3 to 6 months	2 892	3 963
6 to 12 months	13 219	71 032
Over 12 months	79 933	-
Expired contracts	4 426	-
	<u>100 470</u>	<u>74 995</u>

7 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

Department: Rural Development and Land Reform: Receivables	-	8 311
Other Debtors	45	48
Deferred expenses	425 771	179 369
	<u>425 816</u>	<u>187 728</u>

Deferred expenses relates to recapitalization transfers made to Strategic Partners. The carrying value of the deferred expenses is R 425 771 (2012: R 179 369) after providing for an impairment loss of R 2 3387 (2012: R0) and possible expenditure of R40 053 (2012: R0) on Operating Expenditure and R34 119 (2012: R0) on Property, Plant & Equipment. The gross deferred expenses value is R 523 330 (2012: R 179 369).

Opening balance of other debtors was restated as per note 28.1

8	TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS	2013	2012
		R'000	R'000 Restated
	Trade payables	13 323	12 043
	Accrued expense	8 718	8
	Revenue rental received in advance	<u>2 854</u>	<u>4 384</u>
		<u>24 895</u>	<u>16 435</u>

9 TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS

	Inter –departmental creditors	<u>98</u>	<u>-</u>
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The Department of Rural Development and Land Reform paid an amount of R 98 to a supplier on behalf of ALHA.

10 REVENUE

	Grant Income – Non exchange	<u>2 298 335</u>	<u>2 435 784</u>
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The grant was received from the department: Rural Development and Land Reform for the purposes of executing the Pro-Active Land Acquisition Strategy.

11 INTEREST INCOME

	Interest earned – bank	16 548	20 766
	Interest on lease receivables	<u>9 881</u>	<u>7 414</u>
		<u>26 429</u>	<u>28 180</u>

The interest relates to the interest earned from the bank in the current year and interest charged on outstanding lease receivables.

	2013	2012
	R'000	R'000 Restated
12 OPERATING EXPENSES/ GOODS AND SERVICES		
Operating expenses farmers/strategic partners	162 295	99 993
Other operating expenditure	<u>69118</u>	<u>48 966</u>
	<u>231 413</u>	<u>148 959</u>

The operating expenditure was classified between normal operating expenditure and operating expenses for farmers/strategic partners.

13 FINANCE COSTS		
Interest paid	<u>21</u>	<u>83</u>

The amount of interest paid relates to the late payments on electricity, water, municipal rates and taxes accounts.

14 IMPAIRMENT OF ASSETS		
Impairment of movable and immovable assets	12 849	136 701
Impairment of debtors	28 776	27 240
Impairment def exp/transfers	<u>23 387</u>	<u>-</u>
	<u>65 012</u>	<u>163 941</u>

15 RECONCILIATION OF THE NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)		
Surplus for the period	2 095 931	2 213 698
Adjusted for Non Cash Movements:		
Depreciation	35 307	-
Increase in impairment of debtors	52 162	27 240
Impairment of Assets	12 849	136 701
Asset Disposal	-	7 380

	2013	2012
	R'000	R'000 Restated
Adjusted for Changes in Working Capital:		
(Increase)/ decrease in prepayments	(1 050)	-
(Increase)/ decrease in inventories	-	(2 213 408)
(Increase)/decrease in trade and other receivables from exchange transactions	(78 595)	(51 621)
(Increase)/ decrease in trade and other receivables from non exchange transactions	(261 475)	(80 857)
Increase/(decrease) in trade and other payables from exchange transactions	8 461	2 118
Increase/(decrease) in trade and other payables from non exchange transactions	98	-
Net cash inflow generated from operating activities	<u>1 863 688</u>	<u>41 251</u>

16 NET CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property plant and equipment	<u>1 620 212</u>	<u>-</u>
	<u>1 620 212</u>	<u>-</u>

The trading entity acquired property, plant and equipment by means of grants received from the Department of Rural Development and land reform. Cash payments of R1620 212 were made to purchase property, plant and equipment.

17 NET CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from financing activities of R 214 138 in 2012 were reclassified from suppliers and other payables to other financial assets.

18 FINANCIAL ASSET BY CATERGORY

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

2013	R'000	R'000
	Financial Assets at Amortised Cost	Total
Cash and cash equivalents	318 802	318 802
Trade and other receivables from exchange transactions	110 903	110 903
	<u>429 705</u>	<u>429 705</u>

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

2012	Financial Assets at Amortised Cost	Total
Cash and cash equivalents	86 490	86 490
Trade and other receivables from exchange transactions	61 084	61 084
	<u>147 574</u>	<u>147 574</u>

19 FINANCIAL LIABILITY BY CATERGORY

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

2013	Financial liabilities at amortised cost	Total
Trade and other payables from exchange transactions	24 993	24 993

21 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 minimize 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 R'000	Between 3& 6 months R'000	Between 6 months & 1 year R'000
At 31 March 2013			
Trade and other payables from exchange transactions	13 102	120	101

	Less than 3 months R'000	Between 3& 6 months R'000	Between 6 months & 1 year R'000
At 31 March 2012			
Trade and other payables from exchange transactions	16 435	-	-

Trade Receivables

	Less than 3 months R'000	Between 3& 6 months R'000	Between 6 months & 1 year R'000	Over 1 year R'000
At 31 March 2013				
Trade and other receivables from exchange transactions	63 659	8 631	13 147	23 129

	Less than 3 Months R'000	Between 3 & 6 months R'000	Between 6 months & less than 1 year R'000	Over 1 year R'000
At 31 March 2012				
Trade and other receivables from exchange transactions	13 240	8 503	14 328	23 951

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.

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.

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

Financial instruments	2013	2012
	R'000	R'000
Cash and cash equivalents	318 802	86 490
Trade and other receivables from exchange transactions	<u>110 903</u>	<u>61 084</u>
	<u>429 705</u>	<u>147 574</u>

22 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.

23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and W asteful Expenditure

Finance and legal costs	<u>21</u>	<u>439</u>
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The expenditure relates to interest paid on late payment of electricity, municipal rates and taxes accounts. 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.

	2013 R'000	2012 R'000 Restated
24 FUTURE MINIMUM LEASE RECEIVABLE		
Operating leases – as lessor (income)		
Minimum lease payments due		
- within one year	54 162	52 293
- in second to fifth year inclusive	130 774	132 298
- later than five years	3 905	4 331
	<u>188 841</u>	<u>188 922</u>

The trading entity has entered into lease agreements with identified beneficiaries for the lease of farms. The duration of the lease agreement periods range from one year to more than five years. Lease agreements contain escalation clauses of between 5% and 16% per annum. The trading entity calculates and discloses future minimum lease payments annually at year end.

25 COMMITMENTS

The trading entity has the following committed as at 31 March 2013

Contracted recapitalization projects	306 815	180 174
W IP/Recapitalisations	863	6 755
Guarantees Land acquisition	361 095	226 533
Project Management	23 945	63 158
Open orders	5 427*	3 816*
	<u>698 145</u>	<u>480 436</u>

*The trading entity had open orders to the amount of R 5 427 at year end (2012: R 3 816).

The trading entity has generated a net surplus of R 2 095 931 for the year ended 31 March 2013 representing the net asset values of the entity. The net cash on hand is R 318 802. The trading entity prepares its financial statements on accrual basis of accounting; therefore the surplus generated does not necessarily represent excess funds or unspent funds as presented on cash basis. Subsequent to year end, payments for land acquisition and payments to suppliers of R22 041 were made in respect of accruals.

26 CONTINGENT ASSET

During the previous financial year, the Trading Entity determined that a farmer had unlawfully removed movable assets to the value of R 1 596 from the farm. As a result the Trading Entity took legal action against the farmer to recover the loss of assets. The matter is still in the court of law.

During the 2012 financial year, ALHA took a company of conveyances to court for not paying over the total amount transferred by the Trading Entity to the seller over a purchase of land. The amount to be refunded to ALHA is R3.3 million. The matter is in the court of law.

27 CONTINGENT LIABILITY

ALHA's business model involves acquiring Property, Plant and Equipment (Infrastructure, Buildings, and Agricultural Equipment) and leasing out to beneficiaries in return for rental income. It is not clear whether ALHA Trading Entity is required to register as a VAT vendor or not. Management is currently consulting with National Treasury and SARS in order to clarify the uncertainty. If the final outcome requires ALHA to register, it is also not certain whether the VAT amount payable will be applied retrospectively or prospectively, and whether or not there will be any penalties and interest that may be levied. The final outcome will only be confirmed after receiving a written directive from National Treasury and SARS.

28 DISCLOSURE OF PRIOR PERIOD ERRORS

28.1 Property, Plant and Equipment

The Trading Entity identified the following errors during the 2012/13 financial year:

Intangible assets were classified and reported as property, plant and equipment as at 31 March 2012.

As part of the departmental immovable assets verification process, the Trading Entity discovered Agricultural Land with a carrying value of R 17 926 which was acquired under proactive strategic programme but not included in the list of transfers from DRDLR to ALHA in the 2009/10 financial year. The error has been corrected retrospectively from the beginning of 2011 with an adjustment against the opening balance of accumulated surplus.

Repairs and maintenance of R 173 was incorrectly allocated to Property Plant and Equipment during the 2011/12 financial year:

The Trading Entity paid an amount of R 3 more than the value of Land in the financial year ended 2011/12 and therefore land value was overstated with R 3 and the corresponding debt amount was understated in 2011/12 year:

Property, Plant and Equipment to the value of R7380 was disposed off in the 2011/12 financial year and has been corrected.

The errors have been corrected retrospectively and the opening balance of Property, Plant and Equipment has been restated.

The effects of the error is as follows:

	2012
	R'000
Restated statement of financial position:	
Property, Plant and Equipment	
Balance reported as at 31 March 2012	6 504 838
Transfer: Intangible Assets	(2 006)
Correction: Land Acquisition	17 926
Correction: Allocation to repairs and maintenance	(173)
Correction : Overpayment on Land Acquisition	(3)
Correction: Assets Disposed	(7380)
Restated balance as at 31 March 2012	<u>6 513 202</u>

2012

R'000

Trade and other receivables from non exchange transactions

Balance reported as at 31 March 2012	45
Correction of error: Overpayment on Land Acquisition	3
Restated balance as at 31 March 2012	<u>48</u>

Adjustment against accumulated surplus at 01 April 2011

Opening balance reported as at 31 March 2011	4817 451
Correction of error: Land acquisition	<u>17 926</u>
Restated opening balance as at 01 April 2011	<u>4835377</u>

28.2 Intangible Assets

Intangible assets were classified and reported as property, plant and equipment as at 31 March 2012. The classification has been corrected.

The effect of the reclassification is as follows:

	2012
	R'000
Restated statement of financial position:	
Intangible Assets	
Closing balance as at 31 March 2012	-
Transfer to Intangible Asset	<u>2 006</u>
Restated closing balance as at 31 March 2012	<u>2 006</u>

Restated statement of financial performance

Operating expense/goods and services	
Balance reported as at 31 March 2012	148 777
Correction: Allocation to repairs and maintenance	173
Correction of error: operating expense farmers/strategic partners	<u>9</u>
Restated Balance as at 31 March 2012	<u>148 959</u>

	2012 R'000
Expenditure	
Balance reported as at 31 March 2012 (after the above)	312 983
Correction: Loss on disposal of asset	<u>7 380</u>
Restated Balance as at 31 March 2012	<u><u>320 363</u></u>

28.4 Rental Receivable

The Trading Entity identified lease agreements in the current year with lease rental receivables relating to prior periods. The revenue recognition has been corrected retrospectively from the beginning of 2012, with an adjustment against the opening balance of accumulated surplus. Comparative figures were restated appropriately.

	2012 R'000	2011 R'000
Restated statement of financial position:		
Operating lease receivable		
Amount as reported	52 550	34 686
Correction of error	<u>7 472</u>	<u>1 644</u>
Restated amount	<u><u>60 022</u></u>	<u><u>36 330</u></u>
Deferred Lease Assets		
Amount reported as at 31 March 2012		823
Increase in deferred rental revenue assets		<u>239</u>
Restated amount as at 31 March 2012		<u><u>1 062</u></u>

Adjustment against accumulated surplus as at 01 April 2011

Restated opening balance reported as at 31 March 2011	4 835 377
Correction of error	<u>1 454</u>
Restated opening balance as at 01 April 2011	<u>4 836 831</u>

2012
R'000

Restated statement of financial performance

Rental Revenue

Balance reported as at 31 March 2012	57 120
Correction of error	<u>6 074</u>
Restated Balance as at 31 March 2012	<u>63 194</u>

COMPARISON OF BUDGET AND THE STATEMENT OF FINANCIAL POSITION

	Notes	Actuals	Approved budget	Adjustment budget	Final budget	Variance	Variance
		2012/13	2012/13	2012/13	2012/13	2012/13	2012/13
		R'000	R'000	R'000	R'000	R'000	%
ASSETS							
Non-current assets							
Property, Plant and Equipment	2	1 572 056	1 890 022	324 466	2 214 488	(642 432)	(29%)
Intangibles	3	-	8317	-	8317	(8317)	(100%)
Other financial assets	4	12214	-	-	-	12 214	-
Total non-current assets		<u>1 584 270</u>	<u>1 898 339</u>	<u>324 466</u>	<u>2 222 805</u>	<u>(638 535)</u>	<u>(29%)</u>

Current assets							
Cash and cash equivalents	5	232 312	103 903	-	103903	128 409	124%
Trade and other receivables from exchange transactions	6	49 819	41 124	-	41124	8 695	21%
Trade and other receivables from non-exchange transactions	7	238 089	400 000	-	400000	(161 911)	(40%)
Total current assets		520 220	545 027	-	545 027	24 807	(5%)
TOTAL ASSETS							
		2 104 490	2 443 366	324 466	2 767 832	(663 342)	(24%)
LIABILITIES							
Current Liabilities							
Trade and other payables from exchange transactions	8	8 461	17 413	-	17413	(8952)	(51%)
Trade and other payables from non exchange transactions		98	-	-	-	-	-
TOTAL LIABILITIES		8 559	17 413	-	17 413	(8952)	(51%)
NET ASSETS							
Accumulated surplus		2 095 931	2 425 953	324466	2 750419	(654 488)	(24%)
Total Net Assets		2 095 931	2 425 953	324 466	2 750 419	(654 488)	(24%)
TOTAL NET ASSETS AND LIABILITIES							
		2 104 490	2443 366	324 466	2 767 832	(663 342)	(24%)

The actual non-current assets were 29% lower than the final budgeted amount due to some funds being utilised for recapitalisation and development programme. The actual current assets were 5% higher than the final budgeted amount and this is mainly attributable to the increase in cash and cash equivalents. Actual total liabilities were 51% lower than the budgeted trade and other payables. Actual accumulated surplus was 24% higher than the budgeted surplus.

		COMPARISON OF BUDGET AND THE STATEMENT OF FINANCIAL PERFORMANCE					
		Actuals	Approved budget	Adjustment budget	Final budget	Variance	Variance
		2012/13	2012/13	2012/13	2012/13	2012/13	2012/13
		R'000	R'000		R'000	R'000	%
REVENUE							
	Non-exchange transactions	2 298 335	2 028 719	269 616	2 298 335	-	100%
9	Grant Income – Non exchange	2 298 335	2 028 719	269 616	2 298 335	-	100%
	Exchange transactions	129 349	70 969	-	70 969	58 380	82%
	Rental Income	89 050	42 982	-	42 982	46 068	107%
	Interest	26 429	27 987	-	27 987	(1 558)	(6%)
	Other operating Income	13 870	-	-	-	13 870	-
EXPENDITURE		331 753	201 349	(54 850)	146 499	22 959	16%
	Operating expenses farmers/strategic partners	162 295	-	-	-	-	-
12	Other operating expenses	69 118	201 349	(54 850)	146 499	(77 381)	(53%)
	Impairment of assets	65 012	-	-	-	65 012	-
	Depreciation	35 307	-	-	-	35 307	-
	Finance costs	21	-	-	-	21	-
	Surplus for the year	2 095 931	1 898 339	324 466	2 222 805	(35 421)	2%

For the financial year under review the entity received income of R 2.4 billion, of which R 2.2 billion was received as a grant income from the department and R 129 million generated from operations. The entity generated income of over 82 % against the original budgeted income. Operating expenditure of R231 million was spent against the budget of R 146 million which exceeded the budgeted operating expenditure by 53%.

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM - DEEDS
REGISTRATION TRADING ACCOUNT
VOTE 33

REPORT OF THE AUDITOR-GENERAL
for the year ended 31 March 2013

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 217 to 253, which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, statement of changes in equity 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 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 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 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.

Opinion

5. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Deeds Registration Trading Account as at 31 March 2013, 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 PFMA.

Emphasis of matters

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

Significant uncertainties

7. As disclosed in note 16 to the financial statements, the trading entity has investigated incorrect and illegal registration of deeds. The investigation has led to the arrest of the former Registrar of Deeds in Pretoria and the former acting Assistant Registrar in Pretoria. They appeared in the Specialised Commercial Crime Court in Pretoria where the case against them was postponed and they were granted bail. The case was not finalised as at the date of the financial statements and the possibility of litigation against the entity exists. The outcome of the matter cannot be determined therefore no provision has been made for any liability that may result.

Restatement of corresponding figures

8. As disclosed in note 18 to the financial statements the corresponding figures for 31 March 2012 have been restated as a result of errors and prepayments discovered during the 31 March 2013 financial year in the financial statements of the Deeds Registration Trading Account for the year ended 31 March 2012.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. 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

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the report on predetermined objectives as set out on pages 25 to 40 of the annual report.
11. 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's 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 Framework for Managing Programme Performance Information (FMPP)*.

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).

12. The material findings are as follows:

Usefulness of information

Measurability

13. The FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of 100% of the targets. This was due to the fact that the nature and required level of performance for the output is not achievable in the current financial year and project management processors over the E-cadastre payments and deliverables were not effective.
14. The FMPPI requires that it must be possible to validate the processes and systems that produce the indicator. A total of 100% of the indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the fact that the nature and required level of performance for the output is not achievable in the current financial year and project management processes over the E-cadastre payments and deliverables were not effective.

Presentation

15. The National Treasury *Guide for the preparation of the annual report* requires that explanations for variances between the planned and reported (actual) targets should be provided in all instances and should also be supported by adequate and reliable corroborating evidence. Adequate and reliable corroborating evidence could not be provided for all major variances as disclosed in the annual performance report. The institution's records did not permit the application of alternative audit procedures.

Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the reliability of the reasons for major variances.

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 reports

17. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 40(1)(a) and (b) of the PFMA. Material misstatements of prepayments, other receivables, irregular expenditure, intangible assets, operating expenses, accruals, depreciation, accumulated depreciation and retained income identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

18. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.
19. The procurement of consultants, additional enterprise architecture and the awarding of the task to complete the regulatory impact assessment did not comply with the prescribed procurement processes. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1.

Human resource management and compensation

20. A human resource plan was not in place as required by Public Service Regulation 1/III/B.

Expenditure management

21. The Accounting Officer did not take effective steps to prevent irregular, fruitless and wasteful expenditure, as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.
22. Payments were made in advance of the receipt of goods or services in contravention of Treasury Regulation 15.10.1.2.
23. The Accounting Officer did not ensure effective internal controls were in place for payment approval and processing, as required by Treasury Regulation 8.1.1.

Internal control

24. I considered internal control relevant to my audit of the financial statements, report on predetermined objectives and compliance with laws and regulations. The matters reported below are limited to the significant deficiencies that resulted in the findings on the report on predetermined objectives and the findings on compliance with laws and regulations included in this report.

Leadership

25. 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 non compliance with laws and regulations. Review processes in place were lacking in ensuring that only achievable indicators and targets relating to predetermined objectives are recorded in the annual performance plan.

Financial and performance management

26. Management did not implement proper monitoring controls over financial reporting primarily due to managements' lack of understanding of the applicable financial reporting framework. As a result material adjustments were made to the financial statements submitted for audit.

OTHER REPORTS

Investigations

27. Investigations were conducted based on the allegation of corruption due to illegal transfer of properties. The investigation has led to the arrest of the former registrar of deeds in Pretoria and the former acting assistant registrar in Pretoria. They appeared in the Specialised Commercial Crime Court in Pretoria where the case against them was postponed and they were granted bail. The case has not yet been finalised at the date of my report.

Auditor-General

Pretoria
31 July 2013



DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM - DEEDS
REGISTRATION TRADING ACCOUNT

VOTE 33

STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2013

	Note	2013	Restated 2012
		R'000	R'000
Non-current Assets			
Property, Plant and Equipment	2	65143	89329
Intangible Assets	26	23 646	-
Current Assets			
Inventories	4	2 352	1 748
Prepayments	25	51 162	51 215
Trade and Other Receivables	5	42152	110801
Cash and cash equivalents	6	95 453	52 383
TOTAL ASSETS		279908	305476
Equity and Liabilities			
Equity			
Retained Income		211141	211 100
Non-current Liabilities			
Finance Lease Obligations	7	693	805
Provision	8	14026	13 732
Current Liabilities			
Finance Lease Obligations	7	990	1 475
Trade and Other Payables	9	53058	65678
Deferred Revenue	23	-	12 686
TOTAL EQUITY AND LIABILITIES		279 908	305476

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM - DEEDS
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STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2013

	Note	2012/2013 R'000	Restated 2011/2012 R'000
Registration of Deeds and Sale of Information	24	418 680	382 765
Other Income		5934	3 486
Grant From Department of Rural Development and Land Reform	20	23 815	130 637
Operating Expenses		(452205)	(471349)
Operating Profit/(Loss)		(3 776)	45539
Investment Revenue	11	3 987	3 052
Finance Costs	12	(170)	(273)
Profit/(Loss) for the year		<u>41</u>	<u>48 318</u>

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM - DEEDS
REGISTRATION TRADING ACCOUNT
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STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2013

STATEMENT OF CHANGES IN EQUITY	Note	2013 R'000	Restated 2012 R'000
Balance at the beginning of the period		211100	162 782 3
Profit /(Loss) for the year ended		41	026
Balance at the end of the year		<u>211141</u>	<u>165808</u>
Prior Period Error Adjustments:			
Increase/(Decrease) in Operating expenditure		-	51 162
Increase/(Decrease) in Operating expenditure		-	(3 970)
Increase/(Decrease) in Operating expenditure		-	(1 900)
Restated balance as a result of Prior Period Error		-	<u>211 100</u>
Balance at the end of the year		<u><u>211 141</u></u>	<u><u>211 100</u></u>

3 026

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM - DEEDS
REGISTRATION TRADING ACCOUNT

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STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	Note	2013 R'000	Restated 2012 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		71 767	15 063
Cash Generated from operations	15	68 346	12 545
Investment Revenue		3 592	2 793
Finance Costs	12	(170)	(274)
CASH FLOWS FROM INVESTING ACTIVITIES		(28 215)	(19 741)
Purchase of Property, Plant and Equipment	2	(4 569)	(19 741)
Intangible Assets	26	(23 646)	-
CASH FLOWS FROM FINANCING ACTIVITIES		(485)	537
Increase/(decrease) in Finance Lease obligations		(485)	537
TOTAL CASH MOVEMENT FOR THE YEAR		43 067	(4 142)
Cash at the beginning of the year		52 384	56 526
TOTAL CASH AT THE END OF THE YEAR	6	95 451	52 384

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM - DEEDS REGISTRATION TRADING ACCOUNT

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

I ACCOUNTING POLICIES

APPLICABLE LEGISLATION AND REGULATIONS

- I.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.
- I.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

I.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 have been 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.

I.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.

1.5.1 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.

1.5.2 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:

1.5.3 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.

1.5.4 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, 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.

1.5.5 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.

1.5.6 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

1.6.1 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 investment income in the statement of comprehensive income. The losses arising from impairment are recognised as an expense in the statement of comprehensive income under impairments.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand (including petty cash), cash with bank (including 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 90 days and more. 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 National Treasury. 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 investment 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 other income in the statement of comprehensive income.

1.6.2 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
- 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, 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, it's 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.

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

- 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 or the useful life of the asset whichever is deemed the shortest.

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 Intangible Assets

An asset is identified as an intangible asset when it:

- Is without physical substance;
- Is identifiable (it is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or arises from contractual rights to other legal rights, regardless of whether those rights are transferable or separate from the economic entity or from other rights and obligations)
- Being controlled by an entity as a result of past events; and
- Future economic benefits are expected to flow to the entity.

An intangible asset is recognised when:

- It is probable that future economic benefits or service potential that are specifically attributable to the asset will flow to the entity and;
- The cost of the intangible asset can be measure reliably.

The costs forming part of internally generated intangible assets recognised as assets are those costs which are directly attributable, or can be allocated on a reasonable basis, related to the creation, production and preparation of the assets for its intended use. Only costs related to development qualify for capitalisation.

Development costs must be capitalised when the following criteria, over and above the normal recognition criteria in terms of the conceptual framework, are met:

- It is technically feasible to complete the asset so that it will be available for use or sale
- There is an intention to complete and use or sell it
- There is an ability to use or sell it
- It will generate probable future economic benefits or service potential
- There are available technical, financial and other resources to complete the development and to use or sell the asset
- The expenditure attributable to the asset during its development can be measured reliably

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Assets with an indefinite useful life are not amortised, but are tested for impairment annually in terms of IAS 36, by comparing these carrying amounts with their recoverable amount on an annual basis and are tested more often than annually where there is an indication that the intangible asset may be impaired.

Intangible assets are derecognised:

- On disposal, or
- When no future economic benefits or service potential are expected from its use or disposal.

I.10 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.

1.11 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.

1.12 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.

1.13 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 sale of the data that has been requested.

1.14 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.

1.15 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.

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability is not discounted.

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

I.17 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.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the irregularity unless it is impracticable to determine in which case reasons therefore is provided in the note.

Irregular expenditure is removed from the note when it is either condoned by the relevant authority or transferred to receivables for recovery.

I.18 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.

I.19 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.

I.20 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.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Entity, directly or indirectly, including any Director of that Entity. All employees level 13 and above (SMS) are regarded as key management as a result of authority and responsibilities assigned as per Deeds Registry Act and SMS hand book.

1.21 Prior Period Error

Prior Period Errors are omissions from, and misstatements in, the Entity's financial statements for one or more prior periods arising from a failure to use, or misuse of reliable information that:

- Was available when financial statements for those periods were authorized for issue; and
- Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Material prior period errors are retrospectively corrected by:

- Restating the comparative amounts for the prior period presented in which the error occurred ;or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

1.22 Contingent Liabilities

Contingency liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly in the control of the entity; or

A present obligation that arises from past events that is not recognised because:

- It is not probable that an out flow of resources and embodying economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

1.23 Standards and interpretations of GRAP

Pursuant to Directive 9, trading accounts /trading entities will be required to adopt and implement Generally Recognised Accounting Practice (GRAP). Bearing this in mind, below is a summary of significant differences in the standard of GRAP and GAAP:

GRAP Standards	IFRS/GAAP Standards
GRAP 23: Revenue from non-exchange transactions	IAS 20: Accounting for government grants and disclosure of government assistance
GRAP 25: Employee benefits	IAS 19: Employee benefits
GRAP 104: Financial instruments	IAS 32,39 and IFRS 7: Financial instruments

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 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 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.

2. Property, Plant and Equipment

	2013			2012		
	Cost/ Valuation	Accumulated Depreciation	Carrying Value	Cost/ Valuation	Accumulated Depreciation	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Furniture and Fixtures	25 090	(11 480)	13 610	24 861	(10 285)	14 576
Office equipment (Finance Lease)	3 814	(2 209)	1 604	5 155	(2 995)	2 159
IT equipment	103874	(60 893)	42981	106 219	(49 174)	57 044
Leasehold improvements	76 667	(71 581)	5 086	89 668	(76 260)	13 409
Photographic equipment	4 056	(2 194)	1 862	4 647	(2 506)	2 141
	213501	(148358)	65 143	230 550	(141 221)	89 329

Reconciliation of Property, Plant and Equipment - 2013	Opening Balance	Additions	Disposals / Transfers / Impairments	Depreciation	AccumDepr. Disposals	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Furniture and Fixtures	14 576	869	(641)	(1 598)	404	13610
Office equipment (Finance Lease)	2 159	998	(2 339)	(1 553)	2 339	1604
IT equipment	57 044	2 688	(5 033)	(15 147)	3 429	42981
Leasehold improvements	13 409	-	(13 001)	(8 131)	12 810	5 086
Photographic equipment	2 141	13	(604)	(254)	567	1 862
	89 329	4 569	(21 618)	(26 684)	19548	65 143

Reconciliation of Property, Plant and Equipment - 2012	Opening Balance	Additions	Disposals	Depreciation	AccumDepr. Disposals	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Furniture and Fixtures	15741	616	(621)	(1 582)	420	14576
Office equipment (Finance Lease)	1 696	2 044	-	(1 580)	-	2159
IT equipment	53 793	16 232	(2 711)	(12 468)	2 197	57 044
Leasehold improvements	27 643	-	(1)	(14 235)	1	13 409
Photographic equipment	1 555	848	(544)	(236)	516	2141
	<u>100 429</u>	<u>19 741</u>	<u>(3 876)</u>	<u>(30 100)</u>	<u>3 134</u>	<u>89 329</u>

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 or useful life, whichever is regarded as the shorter period.

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 R1,683 million (2012: R 2,280 million). Please refer to note 7 in this regard.

3. Financial Assets by category –2013

	Loans and receivables R'000	Loans and receivables R'000
Trade and other receivables	42 152	-
Cash and cash equivalents	-	95 453
	<u>42 152</u>	<u>95 453</u>

Financial Assets by category - 2012

	Loans and receivables R'000	Loans and receivables R'000
Trade and other receivables	110 801	-
Cash and cash equivalents	-	52 383
	<u>110 801</u>	<u>52 383</u>

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

4. Inventories	2013	2012
	R'000	R'000
Consumable material on hand	2 352	1 748
	<u>2 352</u>	<u>1 748</u>

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 R4, 294 million (2012: R 3,687 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.

		Restated
5. Trade and Other Receivables	2 013	2 012
	R'000	R'000
Trade Receivables	39637	41 227
Interest receivable	290	239
Other receivables	2 225	69 335
	<u>4 2152</u>	<u>110 801</u>

The carrying value of Trade Receivables of R39 638 is stated after a provision for Impairment of Trade and Other Receivables of R4 454 (2012: R4 940) and gross trade receivables value of R44 091. 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.

Reconciliation of the doubtful debt provision

Balance at beginning of the year	4 940	7 975
Interest doubtful debt provision	528	270
Bad debts written off in the current year	(408)	(1 327)
Bad debts provided for but recovered in the current year	(1 307)	(2 928)
Contributions to provision	701	950
	<hr/>	<hr/>
Balance at the end of year	<u>4 454</u>	<u>4940</u>

Trade and other receivables impaired

The amount of the provision was R 4,454 million as at 31 March 2013 (2012: R 4,940 million).

The ageing of these receivables is as follows:

Over 90 days due	<u>4 454</u>	<u>4 940</u>
	<u>4 454</u>	<u>4 940</u>

Trade Receivables Age Analysis	Restated	
	2013	2012
	R'000	R'000
Current	34 131	36 084
30 days	4 967	4 829
60 days	213	117
90 days	76	43
Over 90 days	250	91
Total	<u>39637</u>	<u>41164</u>

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.

6. Cash and cash equivalents

	2013	Restated 2012
	R'000	R'000
Cash on Hand (Petty Cash)	19	10
Bank balances	95 434	52 373
	<u>95 453</u>	<u>52 383</u>

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 R95 453 (2012: R 52 383). None of the cash and cash equivalents of the entity are subject to restricted availability as these balances are not encumbered.

	2013	Restated 2012
	R'000	R'000
7. Finance lease obligations		
Minimum lease payments due		
- within one year	1 097	1 648
- In second to fifth year inclusive	744	821
	<u>1 841</u>	<u>2 470</u>
Less: future finance charges	(158)	(190)
Present value of minimum lease payments	<u>1 683</u>	<u>2 280</u>
Present value of minimum lease payments due		
- within one year	990	1 475
- In second to fifth year inclusive	693	805
	<u>1 683</u>	<u>2 280</u>
Non - Current liabilities	693	805
Current liabilities	990	1 475
	<u>1 683</u>	<u>2 280</u>

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 208, 777.52. The contingent rents relate to copy charges per copy machine.

8. Leave Provision

Reconciliation of provisions – 2013	Opening balance R'000	Provision for the year R'000	Reversed/Utilised during the year R'000	Carrying Value R'000
Leave pay provision	13 732	14 026	(13 732)	14 026
	<u>13 732</u>	<u>14 026</u>	<u>(13 732)</u>	<u>14 026</u>

Non - Current liabilities	Restated	
	2013 R'000	2012 R'000
	14026	13 732
	<u>14 026</u>	<u>13 732</u>

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.

9. Trade and Other Payables

	2013	Restated 2012
	R'000	R'000
Trade payables	6 033	42 393
Unallocated Cash	104	138
Leave pay accrual	9 179	8 164
Sundry accruals	26 718	4 757
Bonus accrual	9 796	8 973
Other Payables	1 229	1 253
Deposits received	-	1
	<u>53 058</u>	<u>65 678</u>

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

10. Financial liabilities by category

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

	2013	Restated 2012
	R'000	R'000
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Trade and other payables	53058	65 678
Finance Lease Liability	1 683	2 280
	<u>54741</u>	<u>67 958</u>

11. Investment Revenue	Restated	
	2013	2012
	R'000	R'000
Bank	3643	2 880
Interest charged on trade and other receivables	344	172
	<u>3 987</u>	<u>3 052</u>

12. Finance costs	Restated	
	2013	2012
	R'000	R'000
Finance Leases	170	273
Other interest paid	-	-
	<u>170</u>	<u>273</u>

13. Auditors' remuneration	Restated	
	2013	2012
	R'000	R'000
External audit fees	2 300	2 114
Internal audit fees	6 510	1 087
	<u>8 810</u>	<u>3 201</u>

The increase in internal audit fees is due to additional scope of work regarding E-Cadastre project.

14. Operating Leases

The following amounts are due in future financial years due to contractual obligations:

The following amounts are due in future financial years due to contractual obligations:

	2013	Restated 2012
	R'000	R'000
Minimum Lease payments due:		
Payable within 1 year	17 770	596
Payable within 2nd to fifth year	12 211	359
	<u>29 981</u>	<u>955</u>

15. Cash generated from operations

	2013	Restated 2012
	R'000	R'000
Surplus(Deficit) for the year	41	48 317
Adjustment for:		
Depreciation, amortisation and impairments	27912	31 321
Loss on sale of assets	2 070	724
Interest received	(3 987)	(3 052)
Finance costs	170	273
Bad debts	89	1 059
Employee costs	748	1 200
Other income	(1 434)	(3 211)
Changes in working capital:	<u>25 609</u>	<u>76 632</u>
Prepayments	(53)	(51 072)
Inventories	(605)	(419)
Deferred revenue	(12 686)	12 686
Trade and other receivables	68 700	(60 687)
Trade and other payables and provisions	(12 619)	35 405
	<u>42 736</u>	<u>(64 087)</u>
	<u>68 346</u>	<u>12 545</u>

16. Contingent Liabilities

The Deeds Registration Trading Account provides housing guarantees to financial institutions, in the event of employees unable to honour their commitments to these institutions for the purchase of housing. There is uncertainty around the timing of when the state guarantee will be redeemed.

The trading entity has investigated incorrect registration of deeds. The investigation has led to the arrest of the former Registrar of Deeds in Pretoria and the former acting Assistant Registrar of Deeds in Pretoria. They appeared in the Specialised Commercial Crime Court in Pretoria where the case against them was postponed. The case was not finalised as at the date of the financial statements and the possibility of litigation against the entity exists. The outcome of the matter cannot be determined therefore no provision has been made for any liability that may result.

A contingent liability is noted in respect of the ongoing 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 million.

17. Related Parties

Relationship	Department	
National Department and controlled entities	Department of Rural Development and Land Reform	
Related Party Balances	2013	Restated 2012
	R'000	R'000
Amounts included in Trade Receivables		
Department of Rural Development and Land Reform	85	1 052
Amounts included in Trade Payables		
Department of Rural Development and Land Reform	-	1 876
Rendering of services to Related Parties		
Department of Rural Development and Land Reform	(162 268)	(62 672)
Purchases of goods from Related Parties		
Department of Rural Development and Land Reform	-	-
Settlement of Liabilities on behalf of Related Parties		
Department of Rural Development and Land Reform	-	8 518

Remuneration paid to key management

<u>Levels</u>	2013	Restated	2013	Restated
	<u>No. of officials</u>	<u>No. of officials</u>	R'000	R'000
13	25	17	17 990	9 068
14	9	11	7 850	9 185
15	1	1	1 077	1 071
Total	35	29	26 917	19 324

18. Prior Period Error

In 2012/13 financial year it was identified the useful life allocated to a number of assets were not according to the accounting policy of Deeds Trading Account. The useful life was corrected and comparative amounts for 2011/12 have been restated (R 3 970 million). The effect of each line item of the restatement on the financial statements is summarised below.

Deeds Trading account received a qualified audit report for 2011/12 financial year. The qualification was based on expenditure not allocated in the correct financial period (accruals). Prior period journals (R 1 900 million) were processed to record the expenditure in the correct financial period. The effect of each line item of the restatement on financial statements is summarised below.

An amount of R 51, 162 million was over paid to Gijima for E-cadastre project during 2011/12 financial year. The service provider has agreed to work back the credit, the expenditure for 2011/12 was reversed and recorded as a prepayment. The effect of each line item of the restatement on financial statements is summarised below.

Statement of Financial Position	2012
	R'000
Increase/(Decrease) in Property, Plant and Equipment	(3 970)
Increase/(Decrease) in Current Assets	51 162
Increase/(Decrease) in Current Liabilities	42
Increase/(Decrease) in Equity	3 970
Increase/(Decrease) in Equity	1 900
Increase/(Decrease) in Equity	(51 162)
Increase/(Decrease) in Current Liabilities	(1 942)
Statement of Comprehensive Income	
Increase/(Decrease) in Profit/(Loss) on disposal of asset	-
Increase/(Decrease) in Operating expenditure	(51 162)
Increase/(Decrease) in Operating expenditure	3 970
Increase/(Decrease) in Operating expenditure	1 900

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 ongoing 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 2013	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	53 058	-	-	-
Finance Lease obligations	82	165	742	693
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	65 678	-	-	-
Finance Lease obligations	123	246	1 106	805

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 rates 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 ongoing basis.

Financial assets exposed to risk at year end included:

	Restated	
	2013	2012
	R'000	R'000
Deposits with Banks	95 434	52 373
Trade Receivables	39 637	41 227

20. Services in Kind

Administrative Services in kind

Deeds Registration 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 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 R11 129 million. This grant was given as re-imbusement for increase in salary expenditure.

Other Services in kind

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

21. Irregular, fruitless and wasteful expenditure

	2013	Restated 2012
	R'000	R'000
Opening balance	1 987	
Add: Fruitless and wasteful expenditure	24	43
Less: Fruitless and wasteful expenditure recovered related to prior year	(-43)	-
Add: Irregular expenditure	4 076	1 944
Add: Irregular expenditure – relating to prior year	1 050	-
Add: Irregular expenditure – relating to prior year	31 810	-
Less: Fruitless and wasteful expenditure condoned	-	-
Less: Transfers to receivables for recovery (amounts not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
Fruitless and wasteful expenditure awaiting condonation	<u>38 904</u>	<u>1 987</u>

Analysis of expenditure awaiting condonation per age classification:

Current year	1 987	-
Prior Years	-	119
Total	<u>1 987</u>	<u>119</u>

Details of Irregular Expenditure:

Irregular expenditure is a result of salaries paid to consultants R 4 000 497 for services rendered on Deeds Registration System without following HR and SCM processes. Included is finance lease contracts which were not renewed timely R 20 719 (Use of assets outside a contract) and an amount paid to a supplier without following correct SCM policy and procedures R 1 049 598. Furthermore an amount of R 31 810 059 paid to Gijima for Enterprise Architecture was considered irregular due to not following SCM processes in respect thereof. Fruitless and wasteful expenditure includes interest payments to suppliers amounting to R 24 135.

22. Events after the balance sheet date

The DRDLR was granted permission by SITA to procure Oracle software amounting to R 63 035 051.47. The software will be utilised in the E-Cadastre system to deliver required software services and functionality as per E-Cadastre system functional and technical design specification.

23. Deferred Revenue

Deferred revenue opening balance for 2012/13 refers to an unspent portion of a grant received from Department of Rural Development and Land Reform of R143 323 million in 2011/2012 financial period. The grant was given as re-imbursment for the E-Cadastre project (R66 809 million), increase in salary expenditure (R10 406 million) and additional expenditure (R66 108 million).

Reconciliation of Deferred Revenue for financial period	2013	2012
	R'000	R'000
Opening balance	12 686	-
Amount received from Department of Rural Development and Land Reform		143 323
Amount transferred to comprehensive income	(12 686)	(130 637)
Closing balance	-	12 686

24. Revenue

Major categories of revenue are the following:	2013	2012
	R'000	R'000
Sale of information	93 316	104 522
Registration of title deeds	325 364	278 243
	418 680	382 765

25. Prepayment

The prepayment relates to payments to Gijima amounting to R 50 112 039 for the scanning of microfilm images at the average price of R0.48 per image, this average price was agreed between the parties. Subsequent to an internal audit by DRDLR during July 2012, Gijima was informed to return to the original cost differentiation for the scanning of paper and microfilm as per the Gijima tender response. As a result of the re-calculation this resulted in a prepayment, Gijima therefore agrees to work back the prepayment. The remaining balance of R1,049,598 relates to payment to Gijima for a Regulatory Impact Assessment that was not completed.

26. Intangible Assets

		2013			2012		
	Cost/Valuation	Accumulated Depreciation	Carrying Value	Cost/Valuation	Accumulated Depreciation	Carrying Value	
	R'000	R'000	R'000	R'000	R'000	R'000	
E-Cadastre	23 646	-	23 646	-	-	-	
	23 646	-	23 646	-	-	-	
Reconciliation of Intangible Assets - 2013	Opening Balance	Additions	Disposals	Amortisation / Impairments	Total		
	R'000	R'000	R'000	R'000	R'000		
E-Cadastre	-	23 646	-	-	23 646		
	-	23 646	-	-	23 646		

The entity realised an Intangible Assets to the value of R 23 646 million arising from development costs related to E-Cadastre project. The asset regarded as having an indefinite useful life based on the fact that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Research costs relating to E-Cadastre project in the current period, to the value of R 14 373 million, was directly expensed in the Statement of Comprehensive Income (detailed income statement - other consulting and professional fees).

DETAILED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

			Restated
DETAILED STATEMENT OF COMPREHENSIVE INCOME	Note	2013 R'000	2012 R'000
Revenue		452 416	519940
Registration of deeds and sale of information	24	418 680	382 765
Other Income		5934	3 486
Grant from Department of Rural Development and Land Reform	20	23 815	130 637
Investment Revenue	11	3 987	3 052
Operating expenses		452 205	471 349
Advertising		401	272
Auditors remuneration	13	8 810	3 201
Bad Debts		89	1 059
Bank Charges		232	162
Cleaning		4 858	4 361
Consumables		328	198
Depreciation, amortisation and impairments		27 912	31 321
Employee costs		309624	286 211
Entertainment		546	573
IT Expenses		28 661	31451
Lease rental on operating lease		3 214	3154
Legal expenses		1 947	10 884
Loss on disposal of assets		2 070	724
Other consulting and professional fees	26	21 573	58 520
Other expenses		4 129	1 967
Printing and stationery		4 294	3 687
Repairs and maintenance		4 442	9 063
Security		7 307	7 565
Staff welfare		24	20
Subscriptions		952	980
Telephone and fax		3 439	3 230

		Restated	
	Note	2013 R'000	2012 R'000
Training		1 754	2 250
Transport and freight		7 016	4 557
Travel - local		8 581	5 894
Wasteful and Fruitless Expenditure		-	43
Finance Costs	12	170	273
Profit/(Loss) for the year		41	48 317

LIST OF CONTACT DETAILS

Ministry

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Department of Rural Development & Land Reform

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Chief Financial Officer (Acting):
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Chief Surveyor-General
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DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM
VOTE 33

PROVINCIAL SHARED SERVICE CENTRE (PSSCs)

Telephone and address list

GAUTENG

PROVINCE	POSTAL ADDRESS	OFFICE	TEL. NUMBER & SHORT CODE	CHIEF DIRECTOR	FAX NUMBER
PSSC					
Gauteng	Private bag X01 Arcadia 0007	1145 Burnett Sreet Hatfield Burnetta Building 0007	(012) 432 4200/1/2/3/4	Ms. Rachel Masango 082 577 5581 RMMASANGO@ruraldevelopment.gov.za	(012) 432 4205/6/7/8

EASTERN CAPE

PROVINCE	POSTAL ADDRESS	OFFICE	TEL. NUMBER & SHORT CODE	CHIEF DIRECTOR	FAX NUMBER
PSSC					
Eastern Cape	P O Box 1958 East London 5200	Block F Ocean Terrace 15 Couatts Street Quigney 5211	(043) 700 7000	MsN tombizodwa Mashologu 082 577 5649 NZMashologu@ruraldevelopment.gov.za	(043) 743 4786

WESTERN CAPE

PROVINCE	POSTAL ADDRESS	OFFICE	TEL. NUMBER & SHORT CODE	CHIEF DIRECTOR	FAX NUMBER
PSSC					
Western Cape	Private Bag X9159 CAPE TOWN 8000	Western Cape No.14 Long Street Cape Town 8000	(021) 409 0300	MsBabalwa Magoda 0718540680 BMagoda@ruraldevelopment.gov.za	(021) 409 0536

NORTHERN CAPE

PROVINCE	POSTAL ADDRESS	OFFICE	TEL. NUMBER & SHORT CODE	CHIEF DIRECTOR	FAX NUMBER
PSSC					
Northern Cape	Private Bag X 5007 KIMBERLEY 8302	6 th floor New Public Building Knight and Stead Street KIMBERLEY 8301	(053) 830 4000	Mr.O bed Mvula 082 440 5032 OBMVULA@ruraldevelopment.gov.za	(053) 831 4095

DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM
VOTE 33

PROVINCIAL SHARED SERVICE CENTRE (PSSCs)

Telephone and address list

FREE STATE

PROVINCE	POSTAL ADDRESS	OFFICE	TEL. NUMBER & SHORT CODE	CHIEF DIRECTOR	FAX NUMBER
PSSC					
Free State	Private Bag X 20546 BLOEMFONTEIN 9300	5 th floor, SA Eagle 136 Charlotte Maxeke Street BLOEMFONTEIN 9300	(051) 400 4200	Mr. Gani Ramagaga 082 577 5641 GRAMAGAGA@ruraldevelopment.gov.za	(051) 430 2488

KWAZULU-NATAL

PROVINCE	POSTAL ADDRESS	OFFICE	TEL. NUMBER & SHORT CODE	CHIEF DIRECTOR	FAX NUMBER
PSSC					
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LIMPOPO

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MPUMALANGA

PROVINCE	POSTAL ADDRESS	OFFICE	TEL. NUMBER & SHORT CODE	CHIEF DIRECTOR	FAX NUMBER
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NORTH WEST

PROVINCE	POSTAL ADDRESS	OFFICE	TEL. NUMBER & SHORT CODE	CHIEF DIRECTOR	FAX NUMBER
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ANNEXURE A:

CONFIRMATION OF ACCURACY AND FAIR PRESENTATION

CONFIRMATION OF ACCURACY AND FAIR PRESENTATION OF THE FINANCIAL ANNUAL REPORT

I hereby acknowledge that the annual financial statements of the Department of Rural Development and Land Reform and its reporting entities have been submitted to the Auditor-General for auditing in terms section 40(1)(c) of the PFMA.

I acknowledge my responsibility for the accuracy of the records and the fair presentation of the annual report and confirm, to the best of my knowledge and belief, the following:

Annual Financial statements

- The annual financial statements have been prepared in accordance with GRAP/ modified cash basis of accounting as prescribed in the National Treasury Framework and relevant guidelines specified / issued by the National Treasury.
- All amounts appearing on the annual report and information in the annual report are consistent with the financial statements submitted to the Auditor-General for audit purposes.

Performance Information

- The performance information fairly reflects the operations, the actual outputs against planned targets for performance indicators as per the strategic and annual performance plan of the department for the financial year ended 31 March 2013.
- It has been reported on in accordance with the requirements of the guidelines on the annual report as issued by National Treasury.
- A system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

Human Resource Management

- The human resource information contained in the respective tables in Part D of the annual report, fairly reflects the information of the department for the financial year ended 31 March 2013.
- The human resource information is in accordance with the guidelines on the annual report as issued by National Treasury.

General

The annual report is complete and accurate and is free from any omissions.

Yours faithfully



Accounting Officer
PM Shabane
03 October 2013



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rural development
& land reform

Department:
Rural Development and Land Reform
REPUBLIC OF SOUTH AFRICA