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

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Deeds Registration Trading Account set out on pages 236 to 274, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amount for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. 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 2018, and its financial performance and cash flows for the year then ended 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).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the trading entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

### Emphasis of matters

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

## Restatement of corresponding figures

7. As disclosed in note 23 to the financial statements, the corresponding figures for the previous balance sheet date were restated as a result of an error in the financial statements of the trading entity at 31 March 2018 and for the year then ended.

## Significant uncertainties

8. As reference to note 21 to the financial statements, claims instituted against the entity resulting from litigations before the courts amount to R525 997 million (2016-17: R16 971 million).

## Responsibilities of the accounting officer for the financial statements

9. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the 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.

10. In preparing the financial statements, the accounting officer is responsible for assessing the Deeds Registration Trading Account's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the trading entity or to cease operations, or has no realistic alternative but to do so.

## Auditor-general's responsibilities for the audit of the financial statements

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

13. In terms of section 40(3)(a) of the PFMA trading entities, the targets of the trading entity are incorporated in the reported programme performance of the Department of Rural Development and Land Reform, and are reported under programme 2: geospatial and cadastral services. The usefulness and reliability of the reported performance information was tested as part of the audit of Department of Rural Development and Land Reform and any audit findings are included in the management and auditor's reports of Department of Rural Development and Land Reform.

## Report on the audit of compliance with legislation

### Introduction and scope

14. The strategic objectives, indicators and targets of the trading entity are incorporated in the reported programme performance of the Department of Rural Development and Land Reform, and are reported under Programme 2: Geospatial and cadastral services. As a result, findings relating to the audit of performance information are reported as part of the Department of Rural Development and Land Reform's audit report.

## Other information

15. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the accounting officer's report, audit committee's report. The other information does not include the financial statements and the auditor's report.

16.My opinion on the financial statements and findings on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

17. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

18. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Internal control deficiencies

19. I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

## Other reports

20. I draw attention to the following engagements conducted by various parties that have or could potentially have an impact on the trading entity's financial statements and compliance with applicable legislation and other related matters. The reports noted do not form part of my opinion on the financial statements or compliance with legislation. The summarised other reports will be included in the auditor's report as follows:

21. The Special Investigation Unit investigation into the E-cadastre project is still in progress at the date of our report.

Auditor-General

Pretoria
31 July 2018

AUDITOR-GENERAL
SOUTH AFRICA

*Auditing to build public confidence*

# Annexure - Auditor-General's **responsibility** for the **audit**

**9.** As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and compliance.

## Financial statements

**10.** In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit 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 trading entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of di rectors, which constitutes the accounting officer
- conclude on the appropriateness of the board of directors, which constitutes the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Deeds Registration Trading Account's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a trading entity to cease continuing as a going concern

- evaluate the overall presentation, structure and content of the financial state ments, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Communication with those charged with governance

**11.** I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

# General information

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Nature of business and principal activities** | Registration of Deeds |
| **Business address** | Corner Bosman and Pretorius<br>Rentmeester Building<br>Pretoria<br>0001 |
| **Bankers:** | Standard Bank |
| **Auditors:** | Auditor-General of South Africa |

# Index

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



The annual financial statements set out on pages 236 to 274, which have been prepared on the going concern basis, were approved by the accounting officer on 31 March 2018 and were signed on its behalf by:

CC Swart
Director: Financial Management and Accounting

SJ Ratema
Acting Senior Financial Officer

V Matshidza
Acting Chief Financial Officer

R Sadiki
Acting Director General

# Statement of Financial Position
for the year ended 31 March 2018

| | Note(s) | 2018<br>R'000 | 2017<br>Restated*<br>R'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Inventories | 2 | 3 498 | 3 559 |
| Receivables from exchange transactions | 4 | 62 975 | 94 875 |
| Prepayments | 3 | 2 212 | 3 976 |
| Cash and cash equivalents | 5 | 392 406 | 318 251 |
| | | **461 091** | **420 661** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 6 | 116 162 | 140 689 |
| Intangible assets | 7 | 52 527 | 52 499 |
| Prepayments | 3 | 7 | - |
| | | **168 696** | **193 188** |
| **Total Assets** | | **629 787** | **613 849** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Finance lease obligation | 8 | 1 009 | 577 |
| Payables from exchange transactions | 9 | 50 745 | 47 955 |
| Unspent conditional grants and receipts | 10 | - | 22 818 |
| Provisions | 12 | 7 221 | 17 138 |
| OVG liability | 11 | 57 743 | 8 121 |
| | | **116 718** | **96 609** |
| **Non-Current Liabilities** | | | |
| Finance lease obligation | 8 | 959 | 534 |
| Provisions | 12 | 13 454 | 13 106 |
| | | **14 413** | **13 640** |
| **Total Liabilities** | | **131 131** | **110 249** |
| **Net Assets** | | **498 654** | **503 600** |
| Accumulated surplus | | 498 654 | 503 600 |
| **Total Net Assets** | | **498 654** | **503 600** |

# Statement of Financial Performance
## for the year ended 31 March 2018

| | Note(s) | 2018<br>R'000 | 2017<br>Restated*<br>R'000 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Registration of deeds and sale of information | | 634 267 | 612 382 |
| Management fees earned | | 935 | 171 |
| Other income | | 3 307 | 1 620 |
| Interest received | 15 | 18 876 | 18 111 |
| **Total revenue from exchange transactions** | | **657 385** | **632 284** |
| **Revenue from non-exchange transactions** | | | |
| **Transfer revenue** | | | |
| Government grants and subsidies | | 22 818 | 22 648 |
| Public contributions and donations | | - | 25 |
| **Revenue from non-exchange transactions** | | | |
| **Transfer revenue** | | | |
| Government grants and subsidies | | 22 818 | 22 648 |
| Public contributions and donations | | - | 25 |
| **Total revenue from non-exchange transactions** | | **22 818** | **22 673** |
| **Total revenue** | 14 | **680 203** | **654 957** |
| **Expenditure** | | | |
| Employee related costs | 32 | (480 253) | (450 969) |
| Depreciation and amortisation | | (35 919) | (38 717) |
| Impairment loss/Reversal of impairments | | (1 042) | (92 267) |
| Finance costs | 16 | (225) | (129) |
| Loss on disposal of assets and liabilities | | (1 247) | (1 144) |
| General expenses | 29 | (167 988) | (118 872) |
| **Total expenditure** | | **(686 674)** | **(702 098)** |
| **Deficit for the year** | | **(6 471)** | **(47 141)** |

# Statement of Changes in Net Assets
## for the year ended 31 March 2018

| | Accumulated surplus R'000 | Total net assets R '000 |
|---|---|---|
| **Restated* Balance at 01 April 2016** | **550 741** | **550 741** |
| Changes in net assets | | |
| Surplus for the year | (47 141) | (47 141) |
| Total changes | (47 141) | (47 141) |
| Opening balance as previously reported | 503 600 | 503 600 |
| Adjustments | | |
| Correction of errors | 1 527 | 1 527 |
| **Restated* Balance at 01 April 2017 as restated*** | **505 127** | **505 127** |
| Changes in net assets | | |
| Surplus/ (Deficit) | (6 471) | (6 471) |
| Total changes | (6 471) | (6 471) |
| **Balance at 31 March 2018** | **498 656** | **498 656** |

# Cash Flow Statement
for the year ended 31 March 2018

| | Note(s) | 2018<br>R'000 | 2017<br>Restated*<br>R '000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Registration of Deeds and sale of information | | 670 330 | 572 105 |
| Grants | | 64 806 | 14 300 |
| Interest income | | 18 864 | 18 003 |
| Other income | | 213 | 120 |
| | | 754 213 | 604 528 |
| **Payments** | | | |
| Employee costs | | (492 330) | (452 956) |
| Suppliers | | (179 347) | (134 768) |
| | | (671 677) | (587 724) |
| **Net cash flows from operating activities** | 20 | **82 536** | **16 804** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (6 559) | (30 317) |
| Proceeds from sale of property, plant and equipment | | 3 | 27 |
| **Net cash flows from investing activities** | | **(6 556)** | **(30 290)** |
| **Cash flows from financing activities** | | | |
| Finance lease payments | | (1 600) | ( 1 317) |
| Finance costs- Lease payments | | (225) | (129) |
| **Net cash flows from financing activities** | | **(1 825)** | **( 1 446)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **74 155** | **(14 932)** |
| Cash and cash equivalents at the beginning of the year | | 318 251 | 333 183 |
| **Cash and cash equivalents at the end of the year** | 5 | **392 406** | **318 251** |

# Statement of Comparison of Budget and Actual Amounts
## for the year ended 31 March 2018

## Budget on Accrual Basis

| | Approved budget R '000 | Adjustment R '000 | Final Budget R '000 | Actual amounts on comparable basis R '000 | Difference between final budget and actual R '000 | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange Transactions** | | | | | | |
| Registration of Deeds and sale of information | 674 953 | (9 875) | 665 078 | 634 267 | (30 811) | 1. |
| Management fees earned | - | - | - | 935 | 935 | 2. |
| Other income | - | - | - | 3 307 | 3 307 | 3. |
| Retention surplus | 58 056 | 12 624 | 70 680 | - | (70 680) | 4. |
| Interest received-investment | 16 225 | 842 | 17 067 | 18 876 | 1 809 | 5. |
| **Total revenue from exchange transactions** | **749 234** | **3 591** | **752 825** | **657 385** | **(95 440)** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Transfer revenue** | | | | | | |
| Government grants & subsidies | - | - | - | 22 818 | 22 818 | 26. |
| **Total revenue** | **749 234** | **3 591** | **752 825** | **680 203** | **(72 622)** | |
| **Expenditure** | | | | | | |
| Personnel | (548 298) | - | (548 298) | (480 253) | 68 045 | 6. |
| Depreciation and amortisation | (42 794) | 100 | (42 694) | (35 919) | 6 775 | 7. |
| Impairment loss/ Reversal of impairments | - | - | - | (1 042) | (1 042) | 8. |
| Finance costs | - | - | - | (225) | (225) | 9. |
| Repairs an maintenance | (24 071) | 11 103 | (12 968) | (14 147) | (1 179) | 11. |
| General Expenses | (134 071) | (14 794) | (148 865) | (153 841) | (4 976) | 12. |
| **Total expenditure** | **(749 234)** | **(3 591)** | **(752 825)** | **(685 427)** | **67 398** | |
| **Operating deficit** | **-** | **-** | **-** | **(5 224)** | **(5 224)** | |
| Loss on disposal of assets and liabilities | - | - | - | (1 247) | (1 247) | 13. |
| **Deficit before taxation** | **-** | **-** | **-** | **(6 471)** | **(6 471)** | |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **-** | **-** | **-** | **(6 471)** | **(6 471)** | |

# Statement of Comparison of Budget and Actual Amounts
for the year ended 31 March 2018

## Budget on Accrual Basis

| | Approved budget | Adjustment | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| | R '000 | R '000 | R '000 | R '000 | R '000 | |
| **Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| **Current Assets** | | | | | | |
| Inventories | 3 559 | - | 3 559 | 3 498 | (61) | 14. |
| Receivables from exchange transactions | 58 750 | - | 58 750 | 62 975 | 4 225 | 15. |
| Prepayments | - | - | - | 2 212 | 2 212 | 16. |
| Cash and cash equivalents | 280 026 | - | 280 026 | 392 406 | 112 380 | 17. |
| | **342 335** | **-** | **342 335** | **461 091** | **118 756** | |
| **Non-Current Assets** | | | | | | |
| Property, plant and equipment | 32 198 | (1 331) | 30 867 | 116 162 | 85 295 | 18. |
| Intangible assets | 53 000 | - | 53 000 | 52 527 | (473) | 19. |
| Prepayments | - | - | - | 7 | 7 | 16. |
| | **85 198** | **(1 331)** | **83 867** | **168 696** | **84 829** | |
| **Total Assets** | **427 533** | **(1 331)** | **426 202** | **629 787** | **203 585** | |
| **Liabilities** | | | | | | |
| **Current Liabilities** | | | | | | |
| Finance lease obligation | 600 | - | 600 | 1 009 | 409 | 20. |
| Payables from exchange transactions | 41 200 | - | 41 200 | 50 745 | 9 545 | 22. |
| Provisions | 2 000 | - | 2 000 | 7 221 | 5 221 | 23. |
| OVG liability | - | - | - | 57 743 | 57 743 | 21. |
| | **43 800** | **-** | **43 800** | **116 718** | **72 918** | |
| **Non-Current Liabilities** | | | | | | |
| Finance lease obligation | 520 | - | 520 | 959 | 439 | 20. |
| Provisions | 13 400 | - | 13 400 | 13 454 | 54 | 24. |
| | **13 920** | **-** | **13 920** | **14 413** | **493** | |
| **Total Liabilities** | **57 720** | **-** | **57 720** | **131 131** | **73 411** | |
| **Net Assets** | **369 813** | **(1 331)** | **368 482** | **498 656** | **130 174** | |
| **Net Assets** | | | | | | |
| **Net Assets Attributable to Owners of Controlling Entity** | | | | | | |
| **Reserves** | | | | | | |
| Accumulated surplus | 369 813 | (1 331) | 368 482 | 498 656 | 130 174 | 25. |

1. The variance is due to fact that 6 out of 11 Deeds Registries are not generating revenue to sustain operations. Only 5 out of 11 offices are generating sufficient revenue to sustain the entire entity and its operations. The economy also has a direct effect on property registration therefore this budget is only an estimate.

2. The amount of R935 thousand is management fees received for rendering services for the office of the Valuer General as part of a memorandum of understanding between Deeds and OVG. The amount was not budgeted for.

3. The actual amount relates to bad debts recovered and staff debts recovered for example, private telephone usage. The amount is not budgeted for.

4. This relates to Retention of surplus from the 2016/17 financial year R70.6 million to supplement the revenue shortfall.

5. The favorable bank interest received was due to the high bank balance in the current financial year. The high carrying amount was due to the retention of surplus for the 2016/17 financial year and improved debtors collection.

6. The variance is attributed to various vacant posts under Deeds Registries that should have been filled in the first half of the financial year.

## Statement of Comparison of Budget and Actual Amounts
for the year ended 31 March 2018

### Budget on Accrual Basis

7. The reduced depreciation expense is due to a reduction in procurement of PPE from budgeted procurement. Contributing to this are disposals and write off which took place in current financial year.

8. Impairment expenses are not budgeted for and relate to debtors over 90 days.

9. Finance costs are related to finance leases and are not budgeted for.

11. The increase in repairs and maintenance is due to an increase in contract price for maintenance and support for hardware.

12. The variance is attributed mainly to previous financial year surplus payment to National Treasury and settlement of court cases against the entity.

13. Loss on disposal of asset is not budgeted for.

14. The expense is only recognized when store items are issued. The items are budgeted for separately under specific expenditure items.

15. The amount relates to debtors net of impairment, the actual amount is higher than budgeted due to improved collection and recovery.

16. Prepayments are not budgeted for and are due to over-lap on expenditure across financial years.

17. The favorable bank interest received was due to the high bank balance. The high carrying amount was due to the retention of surplus for the 2016/17 financial year. The R57,7 million the remaining portion of the grant for OVG also increased the bank balance.

18. The budget amount of R30, 4 million was budget for procurement of additional Assets including securities Assets e.g CCTV cameras, biometrics, X –ray machines and ICT equipment. The actual amount of R116. 1 million is the carrying value assets since the inception of Deeds Trading Account and the actual additions for PPE are R12.3 million. The variance of R18.1 million is due to cost cutting measures.

19. The actual amount of R52.5 million is the book value for Intangible Asset and is less due to the amortization of licences recognised as a prior period error.

20. An amount of new finance lease contracts for machines was entered into for a period of 3 years.

21. The increase is attributed to the OVG grant of R64.8 million for financial year 2017/18.

22. The variance between actual and budget is due to sundry accruals and accrued leave not taken by employees as at 31 March 2018.

23. An amount of R7 million was provided for work done by Special Investigation Unit. The invoices must be signed off by DRDLR Forensic Investigation Division and were not budgeted for.

24. The budgeted amount on provisions relate to the reduction in the Capped Leave which is attributable to either retirements or death.

25. The amount relates to retained income and is accumulated over years.

26. The amount relates to revenue recognised from the conditional grant for IT related expenditure.

# Accounting Policies
## Audited Annual Financial Statement for the year ended 31 March 2018

### 1. Presentation of Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the effective Standards of Generally Recognized Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

The audited annual financial statements have been prepared on an accrual basis of accounting and incorporated the historical cost conventions as the basis of measurement, except where specific 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 GRAP.

### 1.1 Going concern assumption

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

### 1.2 Comparative figures

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 23 (Prior period error) to the Financial Statements.

### 1.3 Significant judgements and sources of estimation uncertainty

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

#### Trade receivables

The 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 entity makes judgment as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on amounts that are 90 days or more overdue. Assessment for the impairment has been made on individual debtors based on specific probability of recovery. Consideration is also given with regard to payment received from long outstanding debtors after year end, as well as information obtained from any debt collector used by the Trading Entity. The fair value includes the initial recognition of the debts. Interest is levied on dates when debt is due and payable but outstanding.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 12 - Provisions.

#### Management fees received/Receivable

Management fees to be paid into the entity were determined by management based on the monthly balance of the funds held by the entity on behalf of the principal. The calculation of the balance involved assumptions on the distribution and expensing of services rendered by the entity to its principal.

#### Depreciation and amortization

Depreciation recognized 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.

Management determines fair value using available information to determine fair value of PPE acquired through non-exchange transactions.

# Accounting Policies
## Audited Annual Financial Statement for the year ended 31 March 2018

### 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).

### 1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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.

Subsequent to initial recognition, items of property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the depreciable amount using the straight line method over the estimated useful life of the asset. 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 asset residual value, where applicable.

The asset residual values, useful live and depreciation methods are reviewed at each financial year-end and adjusted prospectively, in accordance with GRAP3 if appropriate.

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

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

| Item | Depreciation method | Average useful life |
|---|---|---|
| Furniture and fixtures | Straight line | 15 - 30 years |
| Office equipment | Straight line | 3 - 10 years |
| IT equipment | Straight line | 3 - 10 years |
| Leasehold equipment | Straight line | 5 - 13 years |
| Photographic and technical equipment | Straight line | 13 years |
| Leased Capital Works | Straight line | 25 years |

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

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

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

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

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

# Accounting Policies
## Audited Annual Financial Statement for the year ended 31 March 2018

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

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

The entity separately disclose expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 29).

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

### 1.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physically substance:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

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

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

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

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. Amortization is not provided for, these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortization is provided on a straight-line basis over their useful life.

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

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

### 1.6 Financial instruments

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

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

# Accounting Policies
## Audited Annual Financial Statement for the year ended 31 March 2018

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

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

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

### Initial recognition

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

The entity recognises financial assets using trade date accounting.

### Initial measurement of financial assets and financial liabilities

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

### Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

# Accounting Policies
Audited Annual Financial Statement for the year ended 31 March 2018

### Derecognition

### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

### Financial liabilities

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

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

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

### Presentation

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

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

## 1.7 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.

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

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

# Accounting Policies
Audited Annual Financial Statement for the year ended 31 March 2018

## 1.8 Inventories

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

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

Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arose. The amount of any reversal of any write-off 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.

If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

## 1.9 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. A commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

Recoverable amount o an asset or a cash-generating unit is the higher its fair value nless costs and its value in use.

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, as follows:

[Specify judgements made]

### Identification

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

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

# Accounting Policies
## Audited Annual Financial Statement for the year ended 31 March 2018

### Reversal of impairment loss

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

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

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

## 1.10 Employee benefits

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

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

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

### Short-term employee benefits

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

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

### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed or determinable contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

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

## 1.11 Provision and contingencies

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

# Accounting Policies
Audited Annual Financial Statement for the year ended 31 March 2018

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficits).

## 1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

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

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

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

Judgements made by management in applying the criteria to designate assets as non-cash generating assets or cash-generating assets, are as follows:

### Identification

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

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

# Accounting Policies
## Audited Annual Financial Statement for the year ended 31 March 2018

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

### 1.13 Revenue from exchange transactions

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, (Act 47 of 1937), and approved by the Minister of Rural Development and Land Reform. Revenue is recognised on Registration of Deeds applications as well as on sale of the data that has been requested.

#### Measurement

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

#### Sale of goods

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

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Revenue from deeds registration is recognised once the property has been registered.

#### Interest Income

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

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

### 1.14 Revenue from non-exchange transactions

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

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

# Accounting Policies
## Audited Annual Financial Statement for the year ended 31 March 2018

### Recognition

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

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

### Measurement

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

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

### Services in-kind

The disclosure of the nature and type of services in kind is disclosed by way of note to the financial statements in line with GRAP 23. These services may include:

- Administration Services
- Accomodation Services
- Information Technology
- Staff Training

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

### 1.15 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.16 Fruitless and wasteful expenditure

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

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

### 1.17 Irregular expenditure

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

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

# Accounting Policies
## Audited Annual Financial Statement for the year ended 31 March 2018

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

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

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

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

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

### 1.18 Prepaid Expenses

Prepaid expenses are cash paid amounts that represent costs incurred from which a service or benefit is expected to be derived in the future.

The future write-off period of the incurred cost will normally be determined by the period of benefit covered by the prepayment. When the period arrives to which a prepaid cost relates the costs will be treated as a period cost for the period in question. Normally such prepaid costs will be written off based on the lapse of time and receipt of services rendered/goods received.

Prepaid expenses should be classified as current assets unless a portion of the prepayment covers a period longer than 12-months. If they are prepayment costs with a benefit beyond 12-month, they should be classified as deferred charges in the Statement of Financial Position.

Prepaid expenses will be measured at the value of services or goods to be received/receivable in the future.

### 1.19 Cash and equivalents

Cash for reporting purposes will include cash in the bank and any petty cash.

Cash equivalents - to be included on the cash line in the financial statements - will consist primarily of term deposits, and all other highly liquid investments with a maturity of twelve months or less. Cash equivalents are stated at cost.

The following should be excluded from the cash and cash equivalents line in the financial statements reported in current assets:

a. Cash subject to restrictions that prevent its use within the next year; and
b. Cash appropriated for other than its current purposes unless such cash offsets a current liability

Cash is measured at fair value.

### 1.20 Investment property

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligation embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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

# Accounting Policies
## Audited Annual Financial Statement for the year ended 31 March 2018

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature or type of properties classified as held for strategic purposes are as follows:

### 1.21 Expense recognition

The entity reports its expenses on the accrual basis, meaning when the expenses are incurred, not when they are paid. Expenses are incurred when goods are received and services are rendered, whether or not an invoice has been received or payment has been made.

The policy exists to ensure adherence with GRAP, to promote consistent accounting treatment across the entity, and to ensure the operating results of the entity are not misstated as a result of expenses unrecorded or recorded improperly.

### 1.22 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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a third arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs 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 are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity disclose narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its unaudited annual financial statements.

### 1.23 Prior period errors and changes in accounting estimates

#### 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 authorised 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 may include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretation of facts, and fraud.

# Accounting Policies
## Audited Annual Financial Statement for the year ended 31 March 2018

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.

### Changes in accounting estimates.

As a result of uncertainties inherent in delivering services, conducting trading or other activities, many items in financial statements cannot be measured with precision but can only be estimated. The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability. An estimate may need revision if changes occur in the circumstances on which the estimates was based or as a result on new information or more experience. By its nature, the revision of an estimates does not relate to prior periods and is not the correction of an error.

The effect of a change in accounting estimates shall be recognised prospectively by including it in surplus or deficit in:

- The period of change, it the change affects the period only; or
- The period of the change and future periods, if the change affects both.

### 1.24 Segment reporting

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

If the above criteria are all met for a specific activity, the activity is classified as a segment and is reported in the financial statements.

### Aggregation Criteria

Segments are combined if the segments have similar economic characteristics and share a majority of the aggregation criteria or are individually insignificant.

Two or more segments may be aggregated into a single segment if the segments have similar economic characteristics, and the segments share a majority of the following:

- the nature of the goods and/or services delivered;
- the type or class of customer or consumer to which goods and services are delivered;
- the method used to distribute the goods or provide the service; or
- if applicable, the nature of the regulatory environment that applies to the segment.

### Measurement

The amount of each segment item reported shall be the measure reported management for the purposes of making decisions about allocating resources to the segment and assessing its performance.

### 1.25 Payable from exchange transactions

A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Liabilities from exchange transactions will be recognised if:

- it is probable that any future economic benefit or service potential associated with the item will flow from the entity;and
- the item has a cost or value that can be measured reliably

# Accounting Policies
## Audited Annual Financial Statement for the year ended 31 March 2018

As part of the process of maintaining the accounting records in conformity with Generally Recognised Accounting Practice, once a transaction or obligating event has taken place, the liability shall be recorded in the accounting records. This will normally occur upon the earlier of receipt of the invoice or delivery of services/goods.

### 1.26 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.27 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding agreement, to undertake transactions with third parties on its behalf and its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.28 Events after reporting date

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

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

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

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

### 1.29 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

# Accounting Policies
## Audited Annual Financial Statement for the year ended 31 March 2018

### 1.30 Budget information

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

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

The approval budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/04/01 to 2018/03/31.

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

### 1.31 GRAP Standards approved and not yet effective

The following standards have been approved but not yet effective and have not been adopted by the entity:

GRAP 32-Serive Concession Arrangements: Grantor
GRAP 34-Separate Financial Statements
GRAP 35-Consolidated Financial Statements
GRAP 36-Investemnt in Associations and Joint Ventures
GRAP 37-Joint Arrangements
GRAP 38-Disclosure of Interest in Other Entities
GRAP 108- Statutory Receivables
GRAP 110-Living and no-living Resources

All the GRAP standards above have no impact to the entities financial statements in the period of initial application.

# Notes to the Audited Annual Financial Statements
for the year ended 31 March 2018

| | 2018<br>R'000 | 2017<br>R'000 |
|---|---|---|
| **2. Inventories** | | |
| Consumable material on hand | 3 498 | 3 559 |

None of the entity's inventory is carried at net realizable value. Accordingly, the balance as presented, represents the cost of inventories on hand. Inventories consist mainly of stationery and consumable material.

Inventory to the value of R6, 140 million (2017: R6, 663 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 stationery expense line item.

The basis of determining cost is the weighted-average method.

**3. Prepayments**

| | 2018 | 2017 |
|---|---|---|
| Opening balance | 3 976 | 1 149 |
| Add: during financial year | 13 657 | 3 976 |
| Less: expensed in current financial year | (15 422) | (1 149) |
| Add: non-current prepaid expenditure | 7 | - |
| | **2 218** | **3 976** |

Prepayment of R7,410 for telephonic system - private branch exchange.
Amount of R1,082 is prepaid to SABC for television licenses for all Deeds Registries.

Amount of R12,488 is prepaid to Post Office for post box renewals for all Deeds Registries.

Amount of R13, 547 million is prepaid to Oracle for maintenance and support of Oracle software.
Amount of R3,004 is prepaid to SAICA for annual renewal fee.
Amount of R86,041 is prepaid to Oracle for two additional licenses.

# Notes to the Audited Annual Financial Statements
for the year ended 31 March 2018

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| **4. Receivables from exchange transactions** | | |
| Trade receivables | 59 869 | 92 558 |
| Other receivables | 1 631 | 804 |
| Interest receivables | 1 474 | 1 513 |
| | **62 975** | **94 875** |

The gross trade receivables of R62,500 million is stated before a provision for impairment of trade receivables of R2,631 million (2017: R4,783 million on gross trade receivables value of R97,342 million). The provision for impairment of trade 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.

Trade and other receivables impaired

The ageing of these receivables is as follows:

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| **3 to 6 months** | 2 631 | 4 783 |

**Receivables from exchange transactions**
**Reconciliation of provision for impairment of doubtful debts impairments**

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| Opening balance | 4 783 | 3 055 |
| New debtors impaired | 852 | 2 311 |
| Amount written off as uncollectible | (669) | (95) |
| Recovered bad debts | (2 525) | (667) |
| Contribution to provision | 874 | 179 |
| Subsequent payments | (684) | - |
| | **2 631** | **4 783** |
| **Trade receivables age analysis** | | |
| Current | 54 262 | 55 549 |
| 30 days | 4 889 | 21 611 |
| 60 days | 481 | 11 714 |
| 90 days | 138 | 3 030 |
| Over 90 days | 2 730 | 5 437 |
| **Total** | **62 500** | **97 341** |

The current provision for impairment of Trade and Other Receivables has been included in operating expenses in the statement of financial performance under account "Depreciation Amortization 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 carrying value of each class of receivables recognized above. Deeds Registration does not hold any collateral as security.

# Notes to the Audited Annual Financial Statements
for the year ended 31 March 2018

| | 2018<br>R'000 | 2017<br>R'000 |
|---|---|---|
| **5. Cash and cash equivalents** | | |
| Cash on hand (Petty Cash) | 29 | 26 |
| Bank | 392 377 | 318 226 |
| | **392 406** | **318 252** |

Cash and deposits are held with a registered banking institution. Cash on hand at reporting date is R392,406 million (2017: R318,252 million). None of the cash and cash equivalents of the entity are subject to restricted availability as these balances are not encumbered.

OVG balance of grant refer to note.24 for GRAP 109 disclosure financial year 2017/18 (2018: R57.7million), financial year 2016/17 (2017: R8, 1 million).

# Notes to the Audited Annual Financial Statements
for the year ended 31 March 2018

| | 2018 R'000 | 2017 R'000 |
|---|---|---|

## 6 . Property, plant and equipment

| | 2018 R'000 | | | 2017 R'000 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Furniture and fixtures | 43 802 | (21 016) | 22 786 | 38 645 | (19 655) | 18 990 |
| Office furniture | 3 063 | (1 205) | 1 858 | 2 722 | (1 661) | 1 061 |
| IT equipment | 192 398 | (124 321) | 68 077 | 224 044 | (128 231) | 95 813 |
| Leasehold improvements | 10 767 | (6 139) | 4 628 | 10 842 | (4 784) | 6 058 |
| Infrastructure | 14 147 | - | 14 147 | 13 501 | - | 13 501 |
| Photographic equipment | 9 036 | (4 370) | 4 666 | 9 022 | (3 756) | 5 266 |
| | **273 213** | **(157 051)** | **116 162** | **298 776** | **(158 087)** | **140 689** |

**Reconciliation of property, plant and equipment – 2018**

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Furniture and fixtures | 18 990 | 6 390 | (154) | (2 440) | 22 786 |
| Office furniture | 1 062 | 1 870 | - | (1 074) | 1 858 |
| IT equipment | 95 813 | 2 576 | (951) | (29 361) | 68 077 |
| Leasehold improvements | 6 058 | 602 | (143) | (1 889) | 4 628 |
| Infrastructure | 13 501 | 646 | - | - | 14 147 |
| Photographic equipment | 5 265 | 14 | - | (614) | 4 665 |
| | **140 689** | **12 098** | **(1 248)** | **(35 378)** | **116 161** |

**Reconciliation of property, plant and equipment – 2017**

| | Opening balance | Additions | Disposals | Transfer received | Transfer | Depreciation | Total |
|---|---|---|---|---|---|---|---|
| Furniture and fixtures | 19 348 | 2 419 | (305) | - | - | (2 472) | 18 990 |
| Office furniture | 1 243 | 791 | - | - | - | (972) | 1 062 |
| IT equipment | 121 237 | 1 036 | (855) | 6 765 | - | (32 370) | 95 813 |
| Leasehold improvements | 6 460 | - | - | 1 361 | - | (1 763) | 6 058 |
| Infrastructure | 8 126 | 13 501 | - | - | (8 126) | - | 13 501 |
| Photographic equipment | 5 862 | 39 | - | - | - | (636) | 5 265 |
| | **162 276** | **17 786** | **(1 160)** | **8 126** | **(8 126)** | **(38 213)** | **140 689** |

The Department of Public Works provides office accommodation for all 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 amortized over the lease period or useful life, whichever is regarded as shorter period.

Office equipment comprises of photocopy machines which are leased in term of finance lease agreement. The period of the lease agreements are 2-5 years and the carrying value is R1,858 million (financial year 2016/17 R1,062 million). Refer to note.8 where finance lease obligation is disclosed.

Users will find included in PPE the gross carrying amount of R159.00 for fully depreciated property, plant and equipment that is still in use.

# Notes to the Audited Annual Financial Statements
for the year ended 31 March 2018

| | 2018 R'000 | 2017 R'000 |
|---|---|---|

**7. Intangible assets**

| | 2018 R'000 | | | 2017 R'000 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Intangible assets | 52 664 | (137) | 52 527 | 52 627 | (128) | 52 499 |

**Reconciliation of property, plant and equipment – 2018**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Intangible assets | (52 499) | 570 | (542) | 52 527 |

**Reconciliation of property, plant and equipment – 2017**

| | Opening balance | Additions | Amortisation | Impairment loss | Total |
|---|---|---|---|---|---|
| Intangible assets | 142 341 | 534 | (504) | (89 872) | 52 499 |

The entity is required to test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment by comparing its recoverable amount and recoverable service amount, as appropriate, with the carrying amount annually.

The entity has tested the intangible asset disclosed in note.7 for impairment. An impairment of R89 872 million has been recognised in 2017/16 due to the inability to recover the development performed by the service provider as the contract that existed which allowed claim of the developed items was declared by the High Court as null and void. The details of the nullification have been disclosed in note no:26 - Irregular Expenditure.

The remainder of the intangible asset balance has been tested for impairment and is not considered to be impaired. R52,527 million comprise of adobe and application databases.

# Notes to the Audited Annual Financial Statements
for the year ended 31 March 2018

| | 2018<br>R'000 | 2017<br>R'000 |
|---|---|---|
| **8. Finance lease obligation** | | |
| **Minimum lease payments due** | | |
| • within one year | 1 166 | 661 |
| • in second to fifth year inclusive | 1 022 | 576 |
| | 2 188 | 1 237 |
| less: future finance charges | (220) | (126) |
| **Present value of minimum lease payments** | **1 968** | **1 111** |
| **Present value of minimum lease payments due** | | |
| • within one year | 1 009 | 577 |
| • in second to fifth year inclusive | 959 | 534 |
| | **1 968** | **1 111** |
| Non-current liabilities | 959 | 534 |
| Current liabilities | 1 009 | 577 |
| | **1 968** | **1 111** |

The average lease term between 2 and 5 years for office equipment with an average interest rate of 10.50% applied to the leases. The finance leases are secured by the assets leased in terms of the agreement. Please refer to note 6 where the assets held under finance lease are disclosed as part of office equipment.

Contingent rent recognised as an expense in the period amounted to R407 551 (financial year 2016/17 R375 359). The contingent rents relate to copy charges per copy machine.

# Notes to the Audited Annual Financial Statements
## for the year ended 31 March 2018

| | 2018<br>R'000 | 2017<br>R'000 |
|---|---|---|
| **9. Payables from exchange transactions** | | |
| Trade payables | 10 504 | 10 096 |
| Unallocated cash | 77 | 281 |
| Accrued leave pay | 17 384 | 16 800 |
| Accrued bonus | 14 863 | 13 649 |
| Sundry accruals | 5 722 | 4 518 |
| Other payables | 2 195 | 2 611 |
| | **50 745** | **47 955** |

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. Unspent conditional grants and receipts**

Deferred revenue closing balance for 2016/17 refers to an unspent portion of a grant received from Department of Rural Development and Land Reform. The opening balance of the grant was provided for E-Cadastre project since 2014/15 financial year.

**Unspent conditional grants and receipts comprises of:**

| | 2018<br>R'000 | 2017<br>R'000 |
|---|---|---|
| **Reconciliation of unspent conditional grants** | | |
| Balance at the beginning of the year | 22 818 | 45 466 |
| Income recognition during the year | (22 818) | (22 648) |
| | **-** | **22 818** |

During financial year 2017/18 R22,818 million was transferred from Deferred Revenue Augmentation which relates to E-cadastre project expenditure. Refer note.23

**11. OVG Liability**

**Unspent portion of OVG funds**

| | 2018<br>R'000 | 2017<br>R'000 |
|---|---|---|
| Opening balance | 8 121 | 2 474 |
| Grant received on behalf of OVG | 64 806 | 14 300 |
| Expenditure incurred on behalf of OVG | (15 184) | (8 653) |
| | **57 743** | **8 121** |

The only grant received in the c urrent financial year was for the Office of the Valuer General, amounting to R64, 086 million.

# Notes to the Audited Annual Financial Statements
## for the year ended 31 March 2018

| | 2018 R'000 | 2017 R'000 |
|---|---|---|

**12. Provisions**

**Reconciliation of provisions – March 2018**

| | Opening Balance | Additions | Utilized during the year | Total |
|---|---|---|---|---|
| Provision | 17 138 | 7 221 | (17 138) | 7 221 |
| Leave provision | 13 106 | 1 761 | (1 413) | 13 454 |
| | **30 244** | **8 982** | **(18 551)** | **20 675** |

**Reconciliation of provisions – March 2017**

| | Opening Balance | Additions | Utilized during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| Provision | 4 931 | 12 828 | - | (621) | 17 138 |
| Leave provision | 13 048 | - | 58 | - | 13 106 |
| | **17 979** | **12 828** | **58** | | **30 244** |

| | 2018 | 2017 |
|---|---|---|
| Non-current liabilities | 13 454 | 13 106 |
| Current liabilities | 7 221 | 17 138 |
| | **20 675** | **30 244** |

The leave pay provision relates to long term / capped leave that accrued to employees. It is not possible to anticipate the timing of the utilization or the timing of the cash-out of this balance. Accordingly the uncertainty related to the balance is limited to the timing of 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.

# Notes to the Audited Annual Financial Statements
for the year ended 31 March 2018

| | 2018 R'000 | 2017 R'000 |
|---|---|---|

**13. Financial instruments disclosure**

**Categories of financial instruments**

**2018**

**Financial Assets**

| | At amortised cost | Total |
|---|---|---|
| Trade receivables from exchange transactions | 62 500 | 62 500 |
| Cash and cash equivalents | 392 406 | 392 406 |
| | **454 906** | **454 906** |
| **Financial Liabilities** | | |
| Trade and other payables from exchange transactions | 55 868 | 55 868 |

**2017**

**Financial Assets**

| | At amortised cost | Total |
|---|---|---|
| Trade and other receivables from exchange transactions | 97 342 | 97 342 |
| Cash and cash equivalents | 318 251 | 318 251 |
| | **415 593** | **415 593** |
| **Financial Liabilities** | | |
| Trade and other payables from exchange transactions | 62 138 | 62 138 |

**14. Revenue**

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| Registration of deeds and sale of information | 634 267 | 612 382 |
| Management fees earned | 935 | 171 |
| Other income | 3 307 | 1 620 |
| Interest received | 18 876 | 18 111 |
| Government grants & subsidies | 22 818 | 22 648 |
| Public contributions and donations | - | 25 |
| | **680 203** | **654 957** |

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

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| Registration of deeds and sale of information | 634 267 | 612 382 |
| Management fees earned | 935 | 171 |
| Other income | 3 307 | 1 620 |
| Interest received | 18 876 | 18 111 |
| | **657 385** | **632 284** |

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

**Transfer revenue**

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| Government grants | 22 818 | 22 648 |
| Public contributions and donations | - | 25 |
| | **22 818** | **22 673** |

# Notes to the Audited Annual Financial Statements
for the year ended 31 March 2018

| | 2018<br>R'000 | 2017<br>R'000 |
|---|---|---|
| **15. Investment revenue** | | |
| **Interest revenue** | | |
| Interest received – bank | 18 106 | 17 865 |
| Interest received – trade receivables | 729 | 197 |
| Interest received – staff debtors | 41 | 49 |
| | **18 876** | **18 111** |

The amount included in Investment revenue arising from interest received from favourable bank balance and interest from outstanding debtor balances.

| | 2018<br>R'000 | 2017<br>R'000 |
|---|---|---|
| **16. Finance costs** | | |
| Finance leases | 225 | 129 |
| **16. Auditors' remuneration** | | |
| Audit fees | 2 646 | 2 764 |

External audit fees (Auditor General) amounted to R2,646 million (2016/17 R2,764)

**18. Operating leases**

The following amounts are due in future financial years due to contractual obligations.
Operating leases relate to service level agreements.

| | 2018<br>R'000 | 2017<br>R'000 |
|---|---|---|
| **Minimum lease payments due:** | | |
| Due within 12 months | 6 747 | 498 |
| Due within 2-5 years | 8 782 | - |
| | **15 529** | **498** |
| **19. Commitments** | | |
| **Authorised capital expenditure** | | |
| **Already contracted for but not provided for** | | |
| • Property, plant and equipment | 1 356 | 987 |
| **Total capital commitments** | | |
| Already contracted for but not provided for | 1 356 | 987 |
| **Authorised operational expenditure** | | |
| **Already contracted for but not provided for** | | |
| • Due in the next 12 months | 6 990 | 9 070 |
| • Due in 2 – 5 years | - | 274 |
| | **6 990** | **9 344** |
| **Total operating commitments** | | |
| Already contracted for but not provided for | 6 990 | 9 344 |

Commitments relate to operating contracts due in future years. The total future commitments have been detailed above: Operational commitments due within 1 year: R17,848 million (R20, 677 million for financial year 2016/17) and due within 2-5 years R5,196 million (R5, 992 million for financial year 2016/17).

The total capital commitments: Amount due within 1 year: R1, 356 million.

# Notes to the Audited Annual Financial Statements
for the year ended 31 March 2018

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| **20. Cash generated from operations** | | |
| Deficit | (6 471) | (47 141) |
| **Adjustments for:** | | |
| Depreciation and amortization | 35 919 | 38 717 |
| Gain on sale of assets liabilities | 1 247 | 1 144 |
| Finance costs - Finance leases | 225 | 129 |
| Impairment deficit | 1 042 | 92 267 |
| Movements in provisions | (9 568) | 12 266 |
| Interest non-cash items | (1 475) | (1 513) |
| Other non-cash items | 3 943 | 12 567 |
| **Changes in working capital:** | | |
| Inventories | 61 | 412 |
| Receivables from exchange transactions | (31 862) | (41 005) |
| Prepayments | 1 758 | (2 876) |
| Payables from exchange transactions | (2 811) | (31 162) |
| Unspent conditional grants and receipts | (22 818) | (22 648) |
| OVG liability | 49 622 | 5 647 |
| | **82 536** | **16 804** |

**21. Contingent liabilities**

Dataintelect has served a notice of legal proceedings against DRDLR. The legal proceedings is as a result of a dispute regarding specialist project management services for the E-Cadastre project. The duration of the services being 3 years with an effect from 15 August 2012 to 14 August 2015. The total claim instituted against DRDLR is R8,702 million.

Other litigation is in process against the Deeds Trading Account relating disputes around registration of property. The total litigation before the courts is R517,295 million (2016/17 financial year: R16,971 million) and the remainder of the litigation impact could not be quantitatively measured for financial impact.

**Contingent assets**

Subsequent to the court order to settle the claimant in respect of litigation against Deeds referred to in Note 27, civil proceedings have commenced against the co-defendents to recover an amount of R 2,360 million. The court found that the co-defendents are jointly and severely liable- According to council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

Parking deposit of R65 000 equal to one month's parking fees is held by Karabo Parking Management (Pty) Ltd. The deposit shall be retained by Karabo Parking Management unit termination to the agreement, whereupon it will be applied to any amount owing in terms of this agreement. The balance remaining shall be returned to the entity.

Theft and losses amounting to R99 802.99 are under investigation for the entities assets lost or damaged by officials, liability depends on the outcome of theft and loss committee.

**22. Related parties**

**Relationships**

**DRDLR**

Department of Rural development and Land Reform id the mother department of the Deeds registration trading Account and certain services between the DRDLR and Deeds are rendered in kind and are not at arms length, these have been disclosed below:

**OVG**

The Office of the Valuer General is a schedule 3A entity of the Department of Rural Development and Land Reform. An MOU was entered into between Deeds and the OVG for rendering of services. The transactions that are not at arms length are disclosed below:

The remainder of the transactions resulting from the Principle Agent relationship between Deeds and OVG have been disclosed in note.24- Accounting for Principle Agent arrangement

# Notes to the Audited Annual Financial Statements
## for the year ended 31 March 2018

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| **Related party transactions** | | |
| **Rendering services to related parties** | | |
| Department of Rural Development and Land Reform | (4 319) | (107 152) |
| Grant received from DRDLR on behalf of OVG | 64 806 | 14 300 |
| Management fee received from OVG | (935) | (171) |
| **Related party transactions** | | |
| **Amounts paid on behalf of Deeds (paid on behalf of DRDLR)** | | |
| Office accommodation – DRDLR 54 715 | 55 964 | 54 715 |
| Travel with Flair involves paid by DRDLR on behalf of Deeds 1 575 339 | 1 575 | 339 |

**Key management levels**

| | 2018 No. of officials | 2017 No. of officials | 2018 remuneration | 2017 remuneration |
|---|---|---|---|---|
| **CRD-13** | 23 | 23 | 22 925 | 21 551 |
| **CRD-14** | 13 | 13 | 15 503 | 14 421 |
| **CRD-15** | 1 | 1 | 1 5144 | 1 339 |
| | **37** | **37** | **39 942** | **37 311** |

**23. Prior period errors**

**a) Accounting by Principle and Agent**

In July 2014 the Property valuation Act brought into existence the Office of the Valuer General (OVG) whose responsibility in accordance with the Act is to perform property valuation for the purpose of the Department of Rural development and Land Reform (DRDLR). Section 4 and 5 establish the office as a juristic person.

Due to unavailability of resources as this office had been structurally established, a Memorandum of Understanding (MOU) was entered into with Deeds registration Trading Account (Deeds). This MOU states that the OVG will receive and pay for services rendered by Deeds and the DRDLR will transfer funds due to the OVG to Deeds trading account.

In accounting for the transactions that resulted, which were initiated by OVG, Deeds consolidated these transactions in error (error of presentation and disclosure of elements of the financial statements) as if they are of Deeds and OVG are one entity. Deeds also did not apply the applicable paragraphs of GRAP 109 – Accounting by principles and agents results in a fairer presentation as financial information becomes more reliable and relevant.

Adjustments made to the earlier prior period presented have been disclosed below, because the error occurred before the earliest prior period presented, the opening balances of assets, liabilities and net assets for the earliest period presented have been restated therefore correct the closing balance.

The resulting correction of error removes all OVG related transactions form Deeds prior reported results and accounts for the transactions resulting from the principal agent relationship, in the current period these transactions have been correctly accounted for in accordance with the statements of GRAP and entity accounting policy:

| | | |
|---|---|---|
| **Statement of Financial Position** | | |
| Property, Plant and equipment - cost | - | (172) |
| Accumulated depreciation | - | 32 |
| Unspent conditional grant | - | (8 121) |
| OVG liability | - | 8 121 |
| Finance lease liability - current portion | - | 39 |
| Finance lease liability - non-current portion | - | 20 |
| Trade payables | - | 115 |
| Sundry accruals | - | 139 |
| Other payables | - | 430 |
| Interest receivable | - | (40) |
| Management fees receivable | - | 40 |
| Change in net assets | - | 603 |
| Opening balance adjustment- 1 April 2016 | - | 716 |
| Current surplus | - | (113) |
| Closing balance adjustment 31 March 2017 | - | 603 |

# Notes to the Audited Annual Financial Statements
for the year ended 31 March 2018

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| **Changes in retained earnings from Statement of Financial Performance items:** | | |
| Revenue | - | 8 825 |
| Operating expenses | - | (8 710) |
| Finance costs | - | ( 2) |
| Retained earnings | - | 113 |

**Important Notes:**

The first OVG transaction was in 2015/16 which is a financial year before the earliest prior period presented in these AFS, for these transactions opening balances have been restated in the Deeds Annual Financial Statements for the above affected line items.

On the 8th of March 2018, the OVG became a Schedule 3A entity which requires the entity to comply with all the relevant provisions of the PFMA.

The effect of the prior period error is stated above

**b) Other prior period error notes**

**Prepaid expenditure and intangible assets**

Included in the prior year prepayment is an amount relating to software licences which should have been capitalized in accordance with GRAP 31 as they meet the recognition criteria. The software licences for 12 months can only be expensed if the one year or less period falls exactly within the financial reporting period of the entity which in this case does not and therefore a retrospective correction has been done.

**Financial year 2016/17**

| | |
|---|---|
| Intangible assets- License software cost additions | R534 thousand |
| Amortization | R 128 thousand |
| Prepaid expenses | R406 thousand |

**Unspent conditional grant and receipts - financial year 2016/17**

An amount relating to e-cadastre project expenditure was incorrectly recognised using deeds instead of project funds, this resulted in the Unspent recognised conditional grant portion not being realized to the statement of financial performance in the year in which the expenditure took place.

| | |
|---|---|
| Unspent conditional grant | R10,657 million |
| Transfer revenue – government grant | R-10 657 |

**Theft and Losses**

An amount relating to cases of theft and losses has been incorrectly recognised as an asset in prior years. The flow of future economic benefit can only be established once the theft and losses committee has concluded its investigation

Theft and loses receivable for the year 2016/17 – R104 thousand

**Commitments**

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| Commitments incorrectly recognised as deeds | | |
| Capital | - | 948 |
| Operational | - | 7 581 |
| | - | 8 529 |

# Notes to the Audited Annual Financial Statements
for the year ended 31 March 2018

| | 2018 R'000 | 2017 R'000 |
|---|---|---|

**24. Principle Agent Arrangement**

In July 2014 the Property Valuation Act brought into the existence the Office of the Valuer General (OVG), the "Principle "whose responsibility in accordance with the Act is to perform property valuation for the purpose of the Department of Rural development and Land Reform. Section 4 and 5 of the Act establishes the office as a juristic person.

Due to unavailability of resources as this office had not been structurally established, a Memorandum of Understanding (MOU) was entered into with the Deeds Registration Trading Account (Deeds) who is the Agent". This MOU states that the OVG will receive and pay for services rendered by Deeds and DRDLR will transfer funds due to the OVG to Deeds.

The transaction undertaken since inception include:
- Purchase of property, plant and equipment;
- Management of finance lease contracts;
- Purchase of other goods and services (non-capital);
- Holding of grant funds in the agent bank account;
- Payment of salaries and wages;
- Procurement and payment of valuation services from other service providers.

The management fee paid by the principle is based on the assumption that there is even distribution or spending of funds during any given financial period. This management fee is the interest received resulting from principle monies held in the agent's bank account.

There are no significant risks that have been identified by the agent in terms of the relationship.

**Cash and cash equivalents**

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| Cash balance held by Agent belonging to principle | 57 744 | 8 121 |

The balance is expected to be remitted in the next 12 months. Risks associated with the balance are detailed in note.13 to the AFS.

**Revenue**

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| Management fees received from principal | 935 | 171 |

The following expenses have been paid or accrued on behalf of the principle, however none of them have been recognised in the agents.

**25. 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**

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

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

# Notes to the Audited Annual Financial Statements
for the year ended 31 March 2018

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| **Financial assets exposed to credit risk at year end were as follows:** | | |
| **Financial instrument** | | |
| Deposit with Bank | 392 377 | 318 226 |
| Trade Receivables | 59 869 | 92 558 |

**Interest rate risk**

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

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

**26. Irregular expenditure**

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| Opening balance | 208 080 | 31 811 |
| Add: Irregular Expenditure - current year | 31 811 | 176 269 |
| | **211 261** | **208 080** |
| **Analysis of expenditure awaiting condonation per age classification** | | |
| Current year | 3 181 | 179 269 |

**Details of irregular expenditure – current year**

Deviation from normal procurement to appoint Oracle Corporation SA to provide technical support to Oracle hardware. Contract start period 1 April 2017 to 31 March 2108. Approval was granted by national treasury on 1 June 2017. Therefore April and May 2017 are considered irregular expenditure (1,710 million). Amount of R18 850 was considered irregular for pest control services provided without a purchase order created. Ex-post facto approval was granted for the procurement of two Oracle Software licenses amounting to R159,430 thousand.

Deviation from Public Service regulation for working of overtime resulting in non-compliance with section 49 of the PSR (R1,292 million). On 25 November 2016 Deeds experienced disk failure resulting in the non-availability of Accpac. Management then implemented paid over time to ensure the three month backlog is normalised and ensure accurate reporting.

The irregular expenditure relates to the awarding of a tender to Gijima AST (Pty) Ltd which was recommended by SITA to DRDLR after SITA had performed all procurement processes. The contract was declared null and void by High Court on 13 September 2016. The tender process has been investigated by the SIU and a settlement which was turned into a court order was reached by the SIU and issued by the High Court. The amount of R208,080 million is considered irregular due to non-compliance with section 217 of the constitution, section 38(a) of the PFMA resulting from an error in pricing as said in the court order which compromised the fairness and competitiveness of the procurement process at SITA. The opening balance also relates to Gijima and was declared irregular in the prior years due to procurement processes not being followed from the extension of scope of the contract.

| | |
|---|---|
| **Details of irregular expenditure recoverable (not condoned)** | |
| Court case for recovery is in progress | 208 080 |
| **Details of irregular expenditure not recoverable (not condoned)** | |
| Under investigation by Financial Compliance Committee and Labour | 3 181 |

# Notes to the Audited Annual Financial Statements
## for the year ended 31 March 2018

| | 2018 R'000 | 2017 R'000 |
|---|---|---|

**27. Fruitless and wasteful expenditure**

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| **Reconciliation of fruitless and wastefully expenditure** | 10 | 16 |
| Opening balance | 5 331 | 4 |
| Add: Fruitless and wasteful Expenditure | - | (7) |
| | - | (3) |
| | 5 341 | 10 |

The fruitless and wasteful expenditure of R4,720 million relates to litigation instituted against Deeds. Subsequently a court order instructed Deeds to pay the plaintiff.

Unfair labour practice arbitration was awarded to an official amounting to R104 388.

Court order instructing Deeds to pay the plaintiff in a litigation case regarding transfer of a property amounting to R49 000.

Penalties and interest payment to SARS amounting to R458 105 for understatement of tax by Deeds.

**28. Services in kind**

Administrative services in kind

Deeds trading account falls under the administration of the Department of Rural Development and Land Reform. The executive of the department spend some of their time on the affairs of the Trading Account.

All services paid for by the department which could not be quantified have been disclosed as related party transactions, excluded from those are services that cannot be quantified due to their nature, these include risk management services and internal audit services provided by the department.

**29. General expenses**

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| Advertising | 465 | 6 |
| Auditors remuneration | 2 646 | 2 764 |
| Bank charges | 256 | 252 |
| Cleaning | 7 926 | 7 643 |
| Consulting and professional fees | 32 812 | 23 885 |
| Consumables | 649 | 493 |
| Entertainment | 226 | 220 |
| IT expenses | 39 083 | 36 119 |
| Printing and stationery | 6 140 | 6 663 |
| Repairs and maintenance | 14 147 | 16 223 |
| Security Services | 9 289 | 5 734 |
| Staff welfare | 52 | 53 |
| Subscriptions and membership fees | 1 038 | 1 099 |
| Telephone and fax | 3 878 | 4 253 |
| Transport and freight | 7 217 | 4 661 |
| Training | 2 484 | 1 639 |
| Travel-local | 8 920 | 5 683 |
| Other expense | 26 211 | 592 |
| Bad debts written off | 74 | 95 |
| Operating expenses | 4 474 | 794 |
| | **167 987** | **118 871** |

# Notes to the Audited Annual Financial Statements
for the year ended 31 March 2018

| | 2018 | 2017 |
|---|---|---|
| | R'000 | R'000 |

**30. Alignment of Deeds Registries areas of jurisdictions to provincial boundries.**

The business case for the alignment of deeds registries areas of jurisdictions to provincial boundaries was approved in the 2015/16 financial year. The purpose of the realignment of deeds registries areas of jurisdictions to provincial boundaries (Alignment Programme), arises from the need to address the problem regarding how the Deeds Offices are currently positioned which is an impediment to Constitutional and institutional reforms.

The programme is therefore aimed at aligning the deeds registries areas of jurisdiction to provincial demarcations as articulated in Section103 of the Constitution and to ensure that each Deeds Registry services the province in which it is located, making it accessible to clients.

The alignment programme contains four projects:
i. Identification, separation and transfer of records (from transferring Deeds office and receiving Deeds office).
ii. Establishment of the Limpopo Deeds Registry which was established and opened on the 3rd of April 2017.
iii. Relocation of the Vryburg Deeds Registry to Mahikeng.
iv. The establishment of Deeds information centres.

The anticipated benefits of this programme are two-fold: Firstly, it will serve in the interest of the promotion of better and accessible services that is centrally situated to the broader citizenry of the respective provinces. Secondly, there will be improved turn-around times in the registration and delivery of deeds and related documents. Both benefits will result in improved service delivery that is client-centric.

**31. Reporting segments**

Every Deeds Registry performs similar registration functions as the next and there is no difference in the nature of goods or services delivered, the type of customer being serviced, the method to deliver goods and services and there is also no difference in the regulatory environment. The socio economic characteristics of the provinces in which the Deeds Registries are situated are affected by the same economic impacts of the larger South African economy and are generally similar from province to province.

The Deeds Registries however do generate revenue from registration of Deeds and documents and sale of information, their financial results are not disclosed separately from the results of the entity as a whole as no province reports for financial reporting purposes individually and this information is not readily available as required by the definition of a reporting segment.

Due to the nature of operations at the Deeds Registries and the fact that financial information is not available outside of the financial information produced at the Office of the Chief Registrar of Deeds, separate segment reporting therefore has not been disclosed.

**32. Employee related costs**

| | 2018 | 2017 |
|---|---|---|
| Basic salary | 355 251 | 330 401 |
| Bonus | 33 524 | 29 298 |
| Medical aid – employer contributions | 23 663 | 22 130 |
| Leave pay provision charge | 923 | 900 |
| Defined contribution plans | 43 998 | 40 281 |
| Overtime payments | 1 209 | 3 659 |
| Car allowance | 1 844 | 1 825 |
| Housing benefits and allowance | 17 660 | 16 425 |
| Employer contribution: Bargaining Council | 95 | 86 |
| Leave: accumulated short term and capped | 872 | 5 234 |
| Bonus: accumulated short term | 1 214 | 726 |
| | **480 253** | **450 968** |

Employee related costs include all expenses related to employee services