OFFICE OF THE VALUER-GENERAL

ANNUAL REPORT

2017 / 2018 FINANCIAL YEAR

OFFICE OF THE VALUER-GENERAL

Contents

PART A: GENERAL INFORMATION 3

Office of the Valuer General: General Information 4

List of Abbreviations/ Acronyms 5

Foreword by the Minister of Rural Development and Land Reform 6

CHIEF EXECUTIVE OFFICER'S OVERVIEW 7

Statement of responsibility and confirmation of accuracy for the annual report 9

Strategic Overview 10

LEGISLATIVE AND OTHER MANDATES 11

ORGANISATIONAL STRUCTURE 13

PART B: PERFORMANCE INFORMATION 14

PART C: GOVERNANCE 24

INTRODUCTION 25

PART D: HUMAN RESOURCES MANAGEMENT 26

INTRODUCTION 27

HUMAN RESOURCE OVERSIGHT STATISTICS 27

PART E: FINANCIAL INFORMATION 30

Report of the External Auditor 31

Annual Financial statements 36

PART A: GENERAL INFORMATION

Office of the Valuer General: General Information

PHYSICAL ADDRESS	:	Praetor Forum Building
	:	3rd Floor
		267 Lilian Ngoyi
	:	Pretoria
	:	0002
POSTAL ADDRESS	:	Private Bag X812
	:	Pretoria
	:	0001
EMAIL	:	vg@ovg.org.za

List of Abbreviations/ Acronyms

AA	Accounting Authority
AG	Auditor-General
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
CEO	Chief Executive Officer
DRDLR	Department of Rural Development and Land Reform
HRM	Human Resource Management
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
OCRD	Office of the Chief Registrar of Deeds
OVG	Office of the Valuer-General
PFMA	Public Finance Management Act
SCM	Supply Chain Management
VG	Valuer-General

Foreword by the Minister of Rural Development and Land Reform

The financial year 2017/18 saw the Office of the Valuer-General begin to practically occupy the space that is legislatively created for it in terms of the Property Valuation Act (Act no, 17 of 2014). It is in this period that the OVG has had a sustained impact on the Land Reform programme for an entire financial year. We have begun to see the impact of the OVG's work on the Land Reform programme as a whole and we expect to see more.

In the year under review, the OVG was listed, by the Minister of Finance, as a schedule 3(A) public entity in terms of the Public Finance Management Act. This provides certainty around the nature of this important organization within the Land Reform value chain. In this period we continued to wean the OVG away from the Department of Rural Development and Land Reform as we saw the OVG move into its own separate office space. This process will be completed during the 2018/19 financial year as the OVG progresses in practically operating as an autonomous entity in line with the Property Valuation Act and the Public Finance Management Act.

It is during the year under review that the OVG continued to strengthen its presence within the property valuations profession. We have seen a significant number of valuers in private profession increasingly make themselves available to perform valuations for and on behalf of the OVG. We have further seen the profession show increased interest in meeting the requirements of the OVG by completing the compulsory programme on Land Reform and Expropriation valuation offered in collaboration with the University of Cape Town. In 2017/18 we further saw the OVG appear formally in front of the Parliamentary Portfolio Committee on Rural Development and Land Reform thereby deepening the requisite accountability initiatives.

It gives me great pleasure to support the Valuer-General in presenting this maiden annual report of the OVG which contains, amongst others, a clean audit outcome at first attempt.

Ms Maite Nkoana-Mashabane (MP)
Minister of Rural Development and Land Reform
26/09/2018

CHIEF EXECUTIVE OFFICER’S OVERVIEW

The Office of the Valuer-General (OVG) was established through the Property Valuation Act No. 17 of 2014 (PVA). The PVA became effective from the 1st of August 2015. The first staff appointment to be effected was that of the Valuer-General (VG), who officially started on the 17th of August 2015. The VG, who is also the Chief Executive Officer (CEO) and Accounting Authority (AA) of the OVG, has spent time getting the OVG off the ground and creating an organisation as envisaged in the Public Finance Management Act (PFMA), the PVA and in the spirit of chapter six of the National Development Plan (NDP).

This is therefore, the first formal annual report to be prepared by the OVG. This report is submitted to Parliament, through the Executive Authority, the Minister of Rural Development and Land Reform, Honourable Minister Maite Nkoana-Mashabane. The report includes the audited financial statements of the OVG for the financial year ending 31st March 2018, as well as the Auditor General’s (AGSA) report. The OVG aspires to ensure that it provides optimal value to its clients from the use of its financial and other resources.

In order for the OVG to succeed in beginning the implementation of the PVA, it received 3 valuers from the Department of Rural Development and Land Reform (DRDLR) by way of formal and permanent transfer. Along with the Valuer-General, these are the resources that we utilised during this period to conduct, commission and quality assure valuations in line with the PVA. This proved to be an interim measure that cannot be sustained beyond the 2017/18 financial year if the OVG is to respond to the needs of the Land Reform programme and also fully implement the demands of the PVA. As a result of these capacity constraints the OVG relied immensely on the valuations capacity that exists in the private sector. The overwhelming majority of the valuations conducted for the Land Reform programme was conducted by valuers in private practice, reviewed and quality assured by the OVG. The OVG intends to progressively rely less on private valuers and create its own internal capacity in carrying out its mandate.

During the period under review, the Office of the Valuer-General became practically alive to the full extent of the task at hand and also started testing its capability to meet the demands of its mandate. A number of capacity constraints were, at this point, already known to the OVG hence its decision to undertake the ‘’determination of the business operating model and establishment of internal controls” project aimed at creating the OVG as a modern day and compliant organization. With the initial “start-up” capacity that the OVG was granted, it began to operate as an entity supported by the Office of the Chief Registrar of Deeds (OCRD). This support was provided in so far as the corporate functions of Finance, Supply Chain Management (SCM) and Human Resource Management (HRM) were concerned. This placed considerable pressure on the OCRD resources and it became clear that it is not an arrangement that can be sustained beyond the specifically agreed timelines. Notwithstanding these pressures and much as the OVG had no capacity of its own to run the Finance, SCM and HRM functions, the support provided by the OCRD proved to suffice for the OVG to get off the ground.

As part of the “determination of the business operating model and establishment of internal controls” project referred to above, the OVG is in the process of putting into place its own SCM policies, standard operating procedures, as well as delegations of authority. These will be implemented once the OVG operates without support from the OCRD. In the year under review, the OVG relied on the OCRD’s functional and established SCM internal control system and this has proved to have been a wise approach given the audited financial outcomes of the 2017/18 financial year.

As it stands the OVG has established healthy relationships with the Department of Rural Development and Land Reform (DRDLR) as well as the National Treasury in so far as its funding is concerned. Sufficient funding, given the start-up nature of the OVG was provided during the year under review as well as the rest of the Medium-Term Expenditure Framework (MTEF) period. This is an ongoing relationship that we will endeavour to strengthen over the years lying ahead. The OVG received a budget of R64,806,000 in the 2017/18 financial year. It also received National Treasury approval to retain R9,199,000 which brought the total budget to R74,005,000. At the end of the 2017/18 financial year, the OVG spent R16,136,000. The unspent funds form part of the plans of the OVG as it continues on its full capacity drive during the 2018/19 to 2020/21 financial years, and as such an application will be made to retain and utilise such funds.

The OVG wishes to express its profound gratitude and appreciation to all staff in the Office of the Chief Registrar of Deeds for all their dedication and support to our office. I especially thank the Chief Registrar of Deeds for her singular support to the OVG. Without their support, the OVG would not have taken off the ground. We trust and hope that this is the beginning of a long and beneficial relationship to ensure that we continue to serve the people and all the communities of South Africa as well as our African and other international stakeholders.

Further, on behalf of all employees of the OVG, I wish to thank the Executive Authority, Honourable Minister Maite Nkoana-Mashabane for her contribution and support towards the deepening of the operations of the OVG.

Mr Christopher Gavor
Valuer-General/ Chief Executive Officer
Date: 26/09/2018

Statement of responsibility and confirmation of accuracy for the annual report

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor- General.

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

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (PART E) have been prepared in accordance with the Standards of Generally Accepted Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by Accounting Standards Board.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resource information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

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

Yours faithfully

Mr Christopher Gavor
Valuer-General/ Accounting Authority
Date: 26/09/2018

Strategic Overview

Vision

To be recognised in the market as the centre of excellence and innovation in respect of property valuations, and the professional authority on all land reform-related valuations in particular, thereby enhancing the credibility and efficiency of land reform in South Africa.

Mission

- Support land reform by providing impartial, efficient, just and equitable valuation services for all land-reform related matters in the country.
- Promote accurate professional valuations by informing, communicating and monitoring adherence to the criteria and guidelines applicable to land reform valuations; and
- Enhance efficiency and accuracy of valuations through the development of innovative tools and processes, including a database of property value data accessible to the valuation profession as a whole.
- Provide impartial, efficient, equitable and accurate general valuation services to / on behalf of government departments.

Values

- Integrity
- Objectivity
- Accountability
- Efficiency
- Transparency
- Impartiality
- Accessibility
- Inclusivity

LEGISLATIVE AND OTHER MANDATES

The Office of the Valuer-General is an entity established in terms of the Property Valuation Act, 2014 (Act 17 of 2014). It is a schedule 3A public entity in terms of the Public Finance Management Act, 1999(Act 1 of 1999, as amended by Act 29 of 1999).

Constitutional mandates

The constitutional mandate of the Office of the Valuer-General is derived from section 25 of the Constitution of the Republic of South Africa, 1996 (the property clause), which provides for (a) the protection of property; (b) expropriation for a public purpose or in the public interest, subject to the payment of compensation; (c) the nation's commitment to land reform and the provision of equitable access to South Africa's natural resources, with specific reference also to the three land reform programmes (redistribution, tenure reform and restitution); and (d) the taking by the state of legislative and other measures to achieve land and other natural resources reform.

Legislative mandates

The Office of the Valuer-General discharges its legislative mandate by implementing its foundational act, the Property Valuation Act, 2014 (Act 17 of 2014), which determines that the Office of the Valuer-General must be impartial, exercise its powers and perform its functions, and is accountable to the Minister of Rural Development and Land Reform. The Act states that the Office of the Valuer-General must value all land to be acquired for land reform purposes in accordance with a prescribed set of criteria based on section 25(3) of the Constitution. In addition, the Office of the Valuer-General may, in its discretion, when requested to do so by a national or provincial government department, determine the market value of property to be acquired or disposed of by such government department. The Valuer-General may make recommendations to the Minister of Rural Development and Land Reform relating to criteria, procedures and guidelines, and compliance monitoring. Such recommendations, and any other matters the Office of the Valuer-General is required or permitted to determine in terms of the Act, may be published as regulations by the Minister of Rural Development and Land Reform.

The Valuer-General, valuers appointed as staff members of the Office of the Valuer-General and external valuers contracted to perform valuations in accordance with the Property Valuation Act, 2014 (Act 17 of 2014) must comply with the following Acts to the extent that they provide for matters pertaining to valuation and valuers:

- Expropriation Act, 1975 (Act 63 of 1975);
- Property Valuers Profession Act, 2000 (Act 47 of 2000) (administered by the Department of Public Works);
- Council for the Built Environment Act, 2000 (Act 43 of 2000) (administered by the Department of Public Works); and
- Local Government: Municipal Property Rights, 2004 (Act 6 of 2004) (administered by the Department of Cooperative Governance).

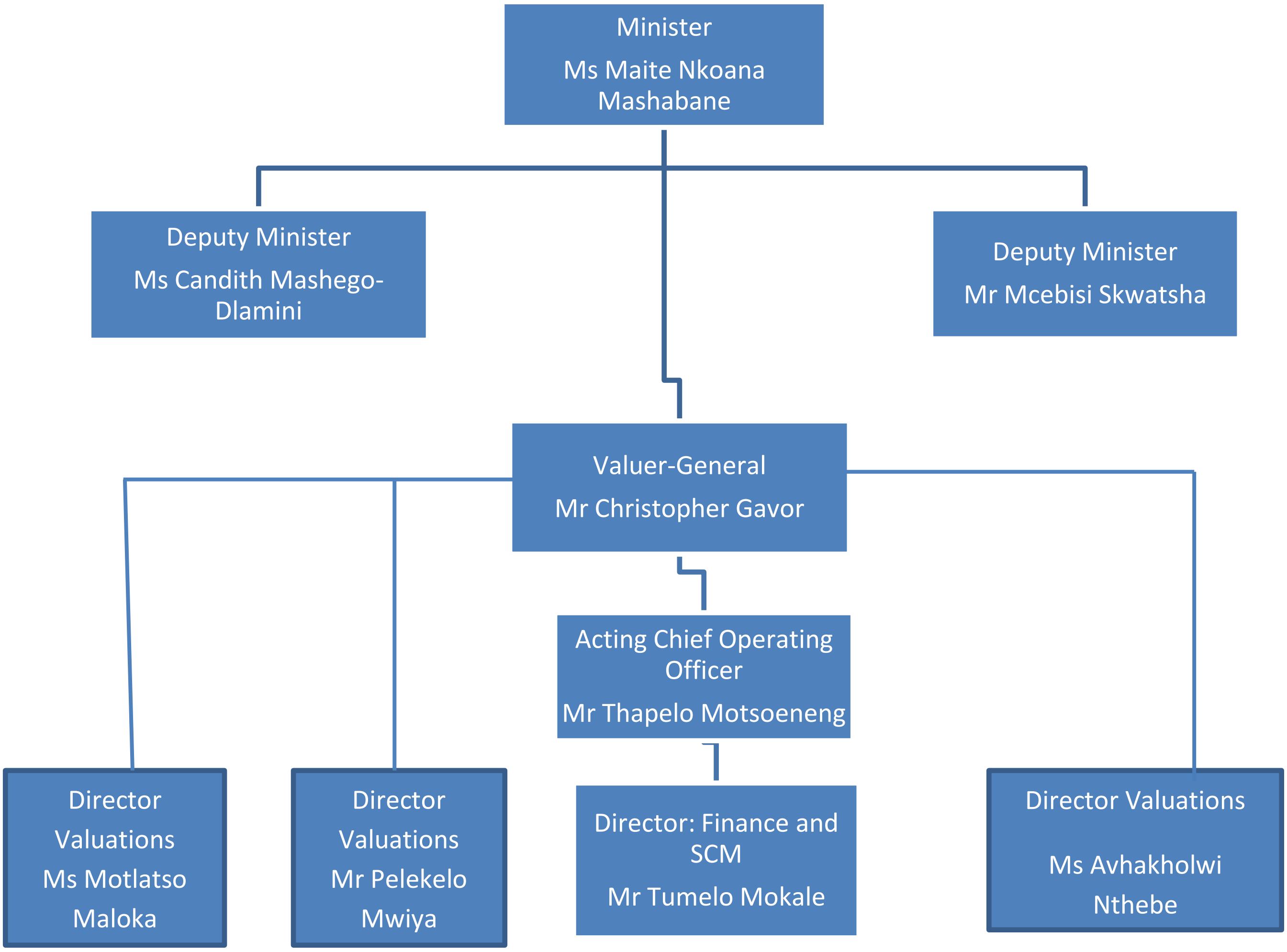
The Office of the Valuer-General must also comply with the provisions relating to land reform and the acquisition, management and disposal of land by national and provincial government departments, as contained in the following Acts:

- Abolition of Certain Title Conditions Act, 1999 (Act 43 of 1999);
- Communal Property Associations Act, 1996 (Act 28 of 1996);
- Conversion of Certain Rights into Leasehold Act, 1988 (Act 81 of 1988);
- Deeds Registries Act, 1937 (Act 47 of 1937);
- Distribution and Transfer of Certain State Land Act, 1993 (Act 119 of 1993);
- Extension of Security of Tenure Act, 1997 (Act 62 of 1997);
- Geomatics Profession Act, 2013 (Act 19 of 2013);
- Government Immovable Asset Management Act, 2007 (Act 19 of 2007);
- Interim Protection of Informal Land Rights Act, 1996 (Act 31 of 1996);
- Kimberley Leasehold Conversion to Freehold Act, 1961 (Act 40 of 1961);
- KwaZulu-Natal Ingonyama Trust Act, 1994 (Act 3 of 1994);
- Land Reform (Labour Tenants) Act, 1996 (Act 3 of 1996);
- Land Administration Act, 1995 (Act 2 of 1995);
- Land Survey Act, 1997 (Act 8 of 1997);
- Land Reform: Provision of Land and Assistance Act, 1993 (Act 126 of 1993);
- Land Titles Adjustment Act, 1993 (Act 111 of 1993);
- Planning Profession Act, 2002 (Act 36 of 2002);
- Provincial State Land Acquisition, Management and Disposal legislation;
- Restitution of Land Rights Act, 1994 (Act 22 of 1994);
- Sectional Titles Act, 1986 (Act 95 of 1986);
- Spatial Data Infrastructure Act, 2003 (Act 54 of 2003);
- Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013);
- State Land Disposal Act, 1961 (Act 48 of 1961);
- Town and Regional Planners Act, 1984 (Act 19 of 1984);
- Transformation of Certain Rural Areas Act, 1998 (Act 94 of 1998); and
- Upgrading of Land Tenure Rights Act, 1991 (Act 112 of 1991).

The Office of the Valuer-General must also comply with all relevant provisions of key transversal national Acts such as the -

- Public Finance Management Act, 1999 (Act 1 of 1999); and
- Public Service Act, 1994 (Proclamation 103 published in Government Gazette 15791 of 3 June 1994.)

ORGANISATIONAL STRUCTURE



PART B: PERFORMANCE INFORMATION

PERFORMANCE INFORMATION

The Office of the Valuer-General (OVG) did not have an Annual Performance Plan (APP) for the year under review as it was still in its formative stage. Performance information will be reported against the 2018/19 – 2022-23 strategic plan and the 2018/19 APP which have been tabled in Parliament.

Below are the highlights of the unaudited performance of the OVG:

1. **Establishment of a programme on land reform valuations in collaboration with the South African Council for the Property Valuers Profession (SACPVP) and the University of Cape Town (UCT)**

   In partnership with the OVG, the University of Cape Town (Faculty of Engineering and Built Environment) is offering a Continuous Professional Development course on "Valuation for Land Reform and Expropriation". This course is designed to equip property valuers with advanced skills regarding the valuation of properties to be acquired by the State under the provisions of the Property Valuation Act (PVA) and the envisaged Expropriation Act. The course is both theoretical and practical, providing a range of skills required for the determination of value as defined in the PVA and of 'just and equitable' compensation, as prescribed in the Constitution and the envisaged "new" Expropriation Act.

   The OVG has made this course compulsory for all property valuers in private practice, who would like to be on the panel of valuers for the OVG.

   This course was established in order to help valuers with training on the PVA and for them to be able to:

   a) Understand and apply the legal framework for valuation for land reform and expropriation;
   b) Understand and apply the conceptual framework for valuation for land reform and expropriation;
   c) Understand and apply methods and techniques relevant for valuation for land reform and expropriation;
   d) Determine the value of property in terms of the PVA, and of "just and equitable" compensation, in terms of the Constitution;
   e) Understand and apply the legislative valuation report writing requirements; and
   f) Understand and apply ethics and good governance principles.

2. **Training of valuers**

   The Office of the Valuer-General has 10 professional Valuers , including the Valuer-General (VG) with who have been trained to ensure that they are competent in conducting valuations in line with the requirements of the Valuation for Land Reform and Expropriation as well as applying the 5 factors accordingly in terms of the PVA.

   The Valuation for Land Reform and Expropriation Course/training was offered on the below mentioned dates:

a) August 2016;
b) November 2016;
c) May 2017;
d) July 2017; and
e) Month 2018.

3. Support for DRDLR based on work that is provided to the OVG

a) The OVG started doing valuations in August 2016 with only 4 professional valuers including the VG. It has recently appointed 6 new valuers in June 2018 to ensure that the issuing of valuation certificates for land reform purposes is fact tracked;
b) The OVG has helped Land Redistribution and Development (LRD) Branch to meet its targets in the financial year 2017/18;
c) The OVG continues to support DRDLR branches (Restitution, LRD, Land Tenure and Property management) with their requests for valuation reports; and
d) Other government department's such as Public Works and Water and Sanitation have also approached the OVG to prepare valuation reports on their behalf.

4. Office set-up

Engagement with Ernest and Young (EY)

(a) The OVG appointed EY to assist with the determination and designing of its business model and the establishment of adequate systems of internal control.

Development of Regulations

a) The OVG developed draft regulations in line with the Property Valuation Act, No. 17 of 2014. These regulations provide the criteria, procedures and standard guidelines for the valuation of properties identified for land reform, acquisition and disposal purposes;

b) The OVG published the PVA Regulations in line with the Property Valuation Act, No. 17 of 2014. The Regulations were published in the Government Gazette No: 37792 on the 21st April 2017;

c) The OVG has been conducting various workshops with critical stakeholders. Amongst those engaged were professional valuers, academics, government departments and institutions. The rationale behind such a broader consultation on draft regulations was to eliminate any potential risk and threats during the implementation phase. The consultation with regards to the regulations has therefore been handled in a very sensitive manner in order to eliminate any unintended economic consequences; and

d) Public comments were received from different stakeholders and they were consolidated and the final refinement was completed on 3 September 2018. The regulations are in a process of being finalized for the Honourable Minister's scrutiny and approval.

Engagements with the Department of Public Works: Office accommodation

The OVG has secured office accommodation through the Department of Public Works (DPW) and moved into its new building/ office 267 Lilian Ngoyi Street, 3rd floor Praetor Forum Building in Pretoria.

Business Operating Model

A project that informed the business operating model as well as the internal control system of the OVG was commissioned and commenced in October 2016. This project intended to produce:

a) A comprehensive long term strategy document;
b) A comprehensive long term funding model;
c) Defined client engagement processes;
d) Defined information technology requirements to support business processes;
e) Defined human resources capability requirements to support business processes;
f) Defined infrastructure requirements to house business services;
g) A set of financial policies, systems, procedures, forms and delegations of authority; and
h) A set of comprehensive human resources management policies, procedures, forms and delegations of authority.

Situational Analysis

Performance environment

Political environment	Technological environment
- Land reform is a politically charged and sensitive issue in South Africa, particularly given the slow pace and costs incurred by government to-date. - Land ownership patterns continue to be racially skewed, and a greater sense of urgency is building around the issue of land reform. - On the 27th of February 2018 a motion was adopted by the National Assembly to consider amending the Constitution with respect to expropriation of land without compensation. - Land ownership is a particularly emotive issue and there is a need to delicately balance the interests of the public at large and those of the country's economic stability. - Increased scrutiny of valuation processes and outcomes can be expected given this context, and it becomes critical to ensure valuation outcomes are beyond reproach and professionally defendable, particularly where there may be a higher litigation risk. - Legislation already provides certain key interpretations and definitions (for example the definition of "value" in the context of the PVA) that need to be factored into all valuations, some of which may be poorly understood by the general public. - The South African Council for the Property Valuers Profession (SACPVP) will continue to regulate the profession as a whole, but close co-operation with the OVG will be necessary.	- There is currently a lack of a centralized nationwide comprehensive, reliable and collated hub of property data, and the OVG will be expected to address this need. Technology will need to support, for example, data management systems relevant to property valuations such as data mining functionality according to sales prices, land use per district. - Within Land Reform in particular, there may be an inadequate usage of available technology and innovation in arriving at the most accurate property values. For example, the more effective use of GIS systems, property data hubs and analytical tools need to be explored. - Professional valuers involved in Land Reform may not have the specialist skills (technical and technological skills and experience) needed to prepare the required reports in line with international best practice. - Availability of appropriate technology platform for data administration, storage, back up, disaster recovery for future use needs to be considered as this will be critical to creating an enabling and supportive business environment for the OVG. - The availability, relevance, adaptability and cost of a valuations system / software will be a factor in the establishment of the OVG.

Economic environment	**Transformational, governance and legislative environment**
- OVG will necessarily be reliant on appropriations from NRF for funding of operations (administration) and the execution of its mandatory valuations (this is a direct consequence of the PVA provisions). - Slower SA economic growth has resulted in pressure on the fiscus, which is the source of the funds to be appropriated to the OVG. Therefore, the OVG will be sensitive to the levels of funding available from government, ultimately impacting on the extent to which the OVG mandate is achievable. - The property market is volatile and this may increase the risk that the OVG will be called upon to defend a valuation in the context of fluctuating and unpredictable economic circumstances.	- As an entity established and funded by government, the OVG will be subject to the provisions of the Public Finance Management Act (PFMA). The PFMA legal framework can be considered complex, with a high compliance requirement. There will also be a high degree of public scrutiny of audit outcomes. The Auditor-General will conduct the annual regulatory audit of the OVG, and a high state of readiness to undergo an audit is required in the first year of operation and beyond. - Legal interpretation of the PVA may result in different views / opinions with respect to the specific role and mandate of the OVG, potentially leading to exposure to court challenges. - No regulations/guidelines envisaged by the PVA have been published by the Minister as yet. - Although the OVG is only in its start-up phase, recruitment practices need to take into account transformation imperatives of the country while balancing these with the need to bring the best experience into the organisation to ensure success. Historically, the demographics of the profession have been skewed.
Social environment	**Environmental factors**
- In line with the political issues already mentioned above, the issue of land ownership is a social problem in that it affects citizens' perceived social status and rights. Although the OVG is not the main driver of land reform (this is the domain of the Department of Rural Development and Land Reform), it is worthwhile considering the social	- Marginal land, where it forms part of Land Reform, may come under increased pressure. Valuation of agricultural land will need to take into account the complexities of accelerating climate change and water scarcity.

context in which the OVG will need to operate and how this might impact the strategy. - Land reform typically targets rural land and, if well-executed, has the potential to create many new jobs and improve the lives of communities previously excluded from land ownership. However, agricultural land reform, if executed poorly, can create new social problems such as food scarcity and increased food prices. Farming enterprises may undergo economic pressures, with a resulting knock-on social effect of job losses in the country. - The OVG's role in this context will need to constantly be carefully managed and considered in order to protect the organisation and demonstrate a positive impact on society as a whole.	

Organisational environment

This section discusses Organisational environment. The following is discussed:

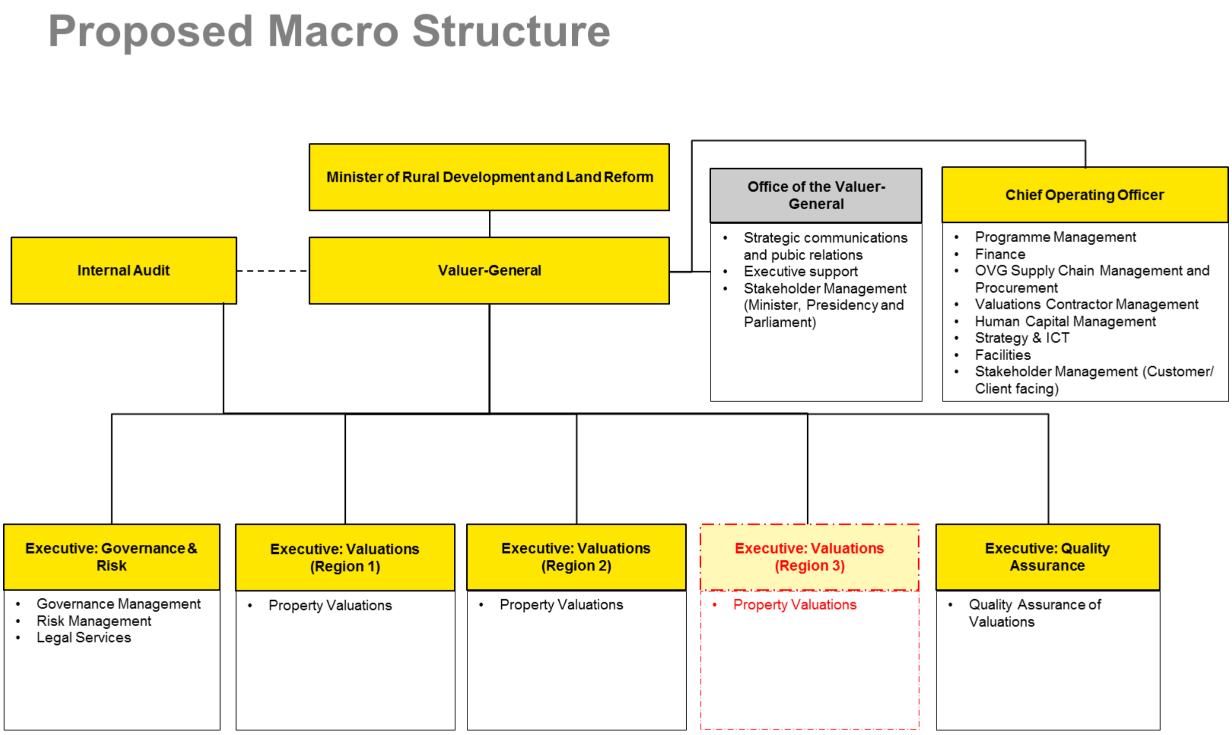
- A:The SWOT Analysis
- B: The Proposed Organisational Structure

A: The SWOT Analysis

Strengths	Weakness
- Importance of mandate is indisputable and will provide great momentum. - Existing market: • Mandatory valuations provide a guaranteed revenue stream - Financial stability guaranteed by the State: • Established initial funding source; • Budget allocation / appropriation from NRF. - Existing relationships & access to information:	- Valuation Staff Capacity to meet demand - Financial • HR and support functions capacity needs to be developed - No approved organisational structure as yet - Development of new operational policies and procedures to be finalised and implemented with urgency - New systems to be implemented, ensure adequate internal control in the meantime.

<table>
<tr><td>
DRDLR would facilitate co-operation with Surveyor General Office and Deeds Office.
- Professional nature of services will support autonomy / impartiality:
Operational Efficiency;
No Government Influence in professional valuation outcomes;
Accountability
</td><td>
- Governance structures need to be appointed / determined (audit committee, risk committee, remuneration committee, etc.).
- Relationship with Auditor-General to be established in preparation for first audit
</td></tr>
<tr><th>Opportunities</th><th>Threats</th></tr>
<tr><td>
- Potential to grow market
Discretionary valuations, e.g. market OVG services to rest of the state (currently limited to departments by the PVA)
- Opportunity to inform national and international policy & standards for valuations
- Newly developed policies and organisational structure can be tailored to best fit the new institution without the baggage of legacy systems and processes.
- Opportunity to profile the OVG as an enabler of equitable land reform – currently an unknown entity with a “clean slate”.
</td><td>
- New institution:
Unknown, needs to build reputation and standing with customers, suppliers, parliament and general public
- Policy and Standards:
Will require cooperation from Government and SACPVP
- National Database:
Co-operation with Surveyor General Office and Deeds Office to obtain and provide access to data
- Capacity constraints could hamper progress and achievement of objectives
- Reliance on government funding could impact perceptions about the OVG’s impartiality.
- Land Reform process could be severely compromised if valuation bottleneck arises, which would damage the reputation of the OVG
- Financial
PVA is not clear on aspects of the business model to be developed and requires legal interpretation. In particular, revenue in respect of mandatory s12(a) valuations can only be recovered through appropriations from the NRF, which appears to contradict the vision for a self-sustainable and autonomous entity.
</td></tr>
</table>

B: Current High Level Organisational Structure



Revenue collection

In the 2017/18 financial year the OVG did not collect revenue as part of the normal business activities of the OVG. Revenue disclosed by the OVG was due to recoveries from staff members, interest received and grants received.

Capital investments

The OVG has in the past procured fixed assets and office equipment. These items have been disclosed in the Audited financial Statements as property, plant and equipment.

PART C: GOVERNANCE

INTRODUCTION

During the year under review, the OVG subjected itself to the oversight of the Executive Authority and also appeared before Parliament's Portfolio Committee on Rural Development and Land Reform on a number of occasions. The OVG consistently reported to the Minister through the Ministerial structure referred to as the Executive Management Committee (EMC).

Risk management, code of conduct, fraud and corruption

The OVG had a Memorandum of Agreement (MoA) with the Office of the Chief Registrar of Deeds (OCRD) office and as part of this MOU the OVG had to comply with all policies of the OCRD and align to all internal control system requirements of the OCRD. Risk management, code of conduct, fraud and corruption policy forms a part of the policies the OVG had to align to as the OVG did not have its own policies at the time.

Social responsibility

The OVG recognises the responsibility of the office as defined in the Property Valuation Act, 2014 (Act 17 of 2017). The OVG undertakes to diligently deliver its social responsibility in line with the Act with a view to contribute to the fast tracking of land reform in South Africa.

PART D: HUMAN RESOURCES MANAGEMENT

INTRODUCTION

HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme/activity/objective

Programme/Activity/Objective	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. As a % of total exp (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration	13 860	8 558	62%	11	778

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Senior Management	7363	86%	06	1 227
Professional Qualified	-	-	-	-
Skilled	1 195	14%	05	239
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
Total	8 558	100%	11	778

Training costs

Programme/Activity/ Objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of personnel costs (R'000)	No of employees trained	Avg training cost per employee
	8 558	278	3.25%	05	55.6

Employment and vacancies

Programme/Activity/ Objective	2017/ 2018 No. of Employees	2017/ 2018 Approved posts	2017/ 2018 No. of Employees	2017/ 2018 Vacancies	% of vacancies
	11	24	11	13	54%

Programme/Activity/Objective	2017/ 2018 No. of Employees	2017/ 2018 Approved posts	2017/ 2018 No. of Employees	2017/ 2018 Vacancies	% of vacancies
Senior Management	06	06	06	0	-
Professional Qualified	-	-	-	-	-
Skilled	05	16	05	11	69%
Semi-skilled	-	02	-	02	100%
Unskilled	-	-	-	-	-
Total	11	24	11	13	54%

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at the end of the period
Senior Management	06	0	0	06
Professional Qualified	-	-	-	-
Skilled	05	01	01	05
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
Total	11	01	01	11

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Resignation	01	9%

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal warning	None
Written warning	None
Final Written warning	None
Dismissal	None

PART E: FINANCIAL INFORMATION

Report of the External Auditor

Report of the auditor-general to Parliament on the Office of the Valuer-General

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Office of the Valuer-General set out on pages 37 to 69 which comprise statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Valuer-General as at 31 March 2018 and its financial performance and cash flows for the year then ended, in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Property Valuation Act, 2014 (Act No. 17 of 2014).

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 public entity's 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.

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and the Property Valuation Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the Office of the Valuer-General ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public 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

8. 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.

9. 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

10. As the entity was listed as a public entity from 28 March 2018, its strategic plan and annual performance plan was submitted to, and approved by, Parliament for the next financial year and will be reviewed going forward in order to report on any material findings identified.

Report on the audit of compliance with legislation

Introduction and scope

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the trading entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

12. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

13. The Office of the Valuer-General's accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the separate financial statements, and the auditor's report thereon that have been specifically reported on in the auditor's report.

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

15. 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 separate financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

16. I have nothing to report in this regard.

Internal control deficiencies

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

Pretoria

31 July 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. 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 on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. 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 public entity's internal control.
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
   - conclude on the appropriateness of the accounting authority'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 Office of the Valuer-General'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 public entity to cease continuing as a going concern.
   - evaluate the overall presentation, structure and content of the financial statements, 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

3. I communicate with the accounting authority 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.

4. I also confirm to the accounting authority 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.

Annual Financial statements

Statement of Financial Position as at 31 March 2018

	Note(s)	2018 R '000	2017 R '000
Assets			
Current Assets			
Receivables from exchange transactions	3	269	40
Receivable from exchange non-transactions	2	57 743	8 121
		58 012	**8 161**
Non-Current Assets			
Property, plant and equipment	4	1 137	139
Total Assets		**59 149**	**8 300**
Liabilities			
Current Liabilities			
Finance lease obligation	5	22	20
Payables from exchange transactions	6	1 180	724
Unspent conditional grants and receipts	7	57 743	8 121
Unpaid salaries	8	40	-
		58 985	**8 865**
Non-Current Liabilities			
Finance lease obligation	5	17	39
Total Liabilities		**58 985**	**8 904**
Net Assets		**147**	**(604)**
Accumulated surplus		147	(604)

	Note(s)	2018 R '000	2017 R '000
Revenue			
Revenue from exchange transactions			
Other income		17	-
Interest received		935	171
Total revenue from exchange transactions		**952**	**171**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants		15 184	8 653
Total revenue	10	**16 136**	**8 824**
Expenditure			
Employee costs	20	(8 558)	(6 027)
Depreciation		(59)	(26)
Finance costs	11	(5)	(2)
General expenses	15	(5 238)	(2 657)
Total expenditure		**13 860)**	**(8 712)**
Surplus for the year		**2 286**	**112**

Statement of Financial Performance

Statement of Changes in Net Assets

	Accumulated surplus R'000	Total net assets R'000
Balance at 01 April 2016	**(716)**	**(716)**
Changes in net assets		
Surplus for the year	112	112
Total changes	112	112
Opening balance as previously reported	(603)	(603)
Adjustments		
Correction of errors	(1525)	(1525)
Balance at 01 April 2017 as restated*	**(2128)**	**(2128)**
Changes in net assets		
Surplus/(deficit) for the year	2275	2275
Total changes	2275	2275
Balance at 31 March 2018	**147**	**147**

Cash Flow Statement

	Note(s)	2018 R '000	2017 R '000

GRAP 2 requires the cash flow statement presented to report cash flows during the period classified by operating, investing and financial activities.

Cash flows are defined as inflows and outflows of cash equivalents. The Office of the Valuer General does not hold any cash and cash equivalent therefore these has not been presented in their statements. All cash flows are accounted for under the cash flow statement related to the bank account of the agent. Refer to note 16 – Agents Principal Arrangements.

The Office of the Valuer General does not have unrestricted access to the cash and cash equivalent held by agents and these cash and cash equivalent cannot be drawn by the OVG, but can only be utilised on instruction by the OVG (principal) for OVG's operational purpose.

Statement of Comparison of Budget and Accrual Amounts

Budget on Accrual Basis

	Approved Budget	Adjustments	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 Performance						
Revenue						
Revenue from exchange transactions						
Other income	-	-	**-**	17	**17**	1
Retention surplus	2 398	8 801	**9 199**	-	**(9 199)**	2
Interest received - investment	-	-	**-**	935	**935**	3
Total revenue from exchange transactions	**2 398**	**6 801**	**9 199**	**952**	**(8 247)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	49 807	14 999	**64 806**	15 184	**(49 622)**	4
Total revenue	**52 205**	**21 800**	**74 005**	**16 136**	**(57 869)**	
Expenditure						
Personnel	(26 160)	-	**(26 160)**	(8 558)	**17 602**	5
Depreciation	(550)	-	**(550**	(59)	**491**	6
Finance cost	-	-	**-**	(5)	**(5)**	7
General Expenses	(18 769)	(21 830)	**(40 599)**	(5 239)	**35 360**	8
Total expenditure	**(45 479)**	**(21 830)**	**(67 309)**	**(13 861)**	**53 448**	
Surplus before taxation	**6 726**	**(30)**	**6 696**	**2 275**	**(4 421)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**6 726**	**(30)**	**6 696**	**2 275**	**(4 421)**	

Statement of Comparison of Budget and Accrual Amounts

Budget on Accrual Basis

	Approved budget R'000	Adjustments R'000	Final Budget	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	**-**	269	**269**	
Receivables from non-exchange transaction	-	-	**-**	57 743	**57 743**	9
	-	**-**	**-**	**58 012**	**58 012**	
Non-Current Assets						
Property, plant and equipment	-	-	**-**	1 137	**1 137**	10
Total Assets	**-**	**-**	**-**	**59 150**	**59 150**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	22	**22**	11
Payables from exchange transactions	-	-	**-**	1 181	**1 181**	12
Unspent conditional grants and receipts	-	-	**-**	57 743	**57 743**	13
Unpaid salaries	-	-	**-**	40	**40**	14
	-	**-**	**-**	**58 976**	**58 976**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	17	**17**	15
Total Liabilities	**-**	**-**	**-**	**59 003**	**59 003**	
Net Assets	**-**	**-**	**-**	**146**	**146**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	-	-	-	146	**146**	

Statement of Comparison of Budget and Accrual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000		R'000	R'000	

1. The actual amount relates to staff debts recovered and private telephone collection. The general ledger accounts are not budgeted for.
2. Retention surplus of R9.1 million is the carrying amount from previous year for unspent conditional grant and it is budgeted for supplementing the revenue shortfall.
3. The 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. OVG received R64.8 million grant during financial year 2017/18.
4. The actual amount of R15.1 million represents the spent portion of grant received for OVG. OVG received R64.8 million grant during financial year 2017/18 from DRDLR for funding priorities.
5. The variance of R17 million is attributed to the delay of approving the OVG organogram as a newly established entity.
6. The quantity of procurement was reduced due to limited office space and delay in the approval of post within the organogram of OVG.
7. Finance costs are related to finance leases and are not budgeted for.
8. Valuations were commissioned but not yet finalised as per OVG target and R6 million is committed.
9. An amount of R58 million is due to OVG and is the reminder of the grant received from DRDLR.
10. The actual amount of R 1.1 million is the book value of the entire assets since the inception OVG.
11. Provision of finance lease machines the contract is for a three year period.
12. Payable from exchange transaction were not budgeted for.
13. Unspent conditional grant is not budgeted for.
14. Persal general ledger is not budgeted for.
15. Non-current portion of finance lease liability which is depreciated over three years.

Accounting Policies

1. Presentation of Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised 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 unaudited 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 specified otherwise. All amounts have been presented in the currency of all 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 unaudited annual 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.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited 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 unaudited 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 judgement 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. Interest is levied on dates when debt is due and payable but outstanding.

Depreciation

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

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 reliability.

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 value as at date of acquisition, which is recognised 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 are 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 live 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.

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

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

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

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

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

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

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

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

The gain or loss arising from de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the de-recognition 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.

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

1.5 financial instruments

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

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

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

A financial asset is:

- Cash;
- A residual interest of another entity; or
- A contractual right to:
  - Receive cash or another financial asset from another entity; or
  - Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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 account 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, are subject to an impairment review.

Impairment and un-collectability of financial assets

The entity assess at the end of reporting period whether there is 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 decreases can be related objectively to an event occurring after the impairment was recognised. 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.

De-recognition

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, has
- 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, expires or waived.

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

The difference between the carrying amount of a financial liability(or a 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.

1.6 Lease

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

Finance leases-lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The discount rate used in calculating 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.

1.7 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.

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.

1.8 Provisions and contingencies

Provisions are recognised when:

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as

a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reserved if 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 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 (deficit).

1.9 Impairment of non-generating assets

Cash-generating assets are assets used 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 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 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 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:

Bank balances held by agents yield interest; the calculation and accrual of this interest is based on the amount advanced by the Department of Rural Development and Land Reform, from which

the even distribution of expenses on a monthly basis is deducted from to calculate the closing balance of debtor (monies held by agents) from which interest accrues.

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash generating intangible asset not yet available for use for

Impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially

recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.10 Revenue from exchange transactions

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion to 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.

1.11 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.

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 flow.

As the entity satisfies a present obligation recognised as 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 as its value as at the date of acquisition, unless it is also required to recognised 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.

Service in-kind

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

- Administration Services
- Accommodation Services
- Information Technology
- Staff Training

1.12 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.

1.13 Related parties

Where the entity has had related party transactions during the period covered by the financial statements, it discloses the nature of the related party transaction during the period covered by the financial statements. The nature, information about those related party transactions and outstanding balances including commitment.

A related party is a person or an entity with the ability to control or jointly control the other party, 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 binding 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 they are required to perform such functions.

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

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 discloses 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.

1.14 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 account policies, oversights or misinterpretation of facts, and fraud.

Material prior period errors are retrospectively corrected by:

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

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 estimates does not relate to prior periods and is not the correction of an error.

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

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

1.15 Contingent Liabilities

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

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

- It is not probable that an out flow of resources and embodying economic benefits will be required to settle the obligation; or

- The amount of the obligation cannot be measured with sufficient reliability.
- The contingent liability is recognised awaiting the outcome of legal action or dispute between the two parties.

1.16 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 to management for the purposes of making decisions about allocating resources to the segment and assessing its performance.

1.17 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 from entity; and
- The item has a cost or value that can be measured reliably

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/good.

The entity will disclose the nature of the 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 for users taken on the basis of the financial statements.

1.18 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 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

1.19 Accounting by principals and agents

Identification

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

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 revenue and expenses it receives or incurs in executing the transaction 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

1.20 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 before reporting date (adjusting events after reporting date)
- Those that are indicative of conditions that existed after reporting date (non-adjusting events after reporting date)

The entity will adjust the amount recognised in the financial statements to reflect adjusting events once the event has 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 the users taken on the basis of the financial statements

1.21 Budget Information

The entity is 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 approved budget is prepared on an accrual basis and presented by economic classification.

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

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

1.22 GRAP 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-Service Concession Arrangement: Grantor
GRAP 24- Separate Financial Statements
GRAP 35- Consolidated Financial Statements
GRAP 36 – Investment in Associates and Joint Ventures
GRAP 37 – Joint Arrangements
GRAP 38 – Disclosure of Interest in Other Entities
GRAP 108 – Statutory Receivables
GRAP 110 –Living and Non-living Resources
All the GRAP standards above have no impact to the entities financial statements in the period of initial application.

2. Receivables from non-exchange transactions

Government grants and subsidies	57 743	8 121

Government Grants is the balance of the conditional grant held by the DEEDS registration Trading Entity. The grant received for the financial year 2017/2018 R64.806 million (2016/2017 financial year R14,300 million)

3. Receivables from exchange transactions

Other receivables	15	-
Interest receivables	255	40
	270	**40**

4. 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	934	-9	925	13	-1	12
Office furniture	85	-28	37	65	-7	58
IT equipment	230	-55	175	94	-25	69
Total	**1 229**	**-92**	**1 137**	**172**	**-33**	**139**

Reconciliation of property, plant and equipment – 2018

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	12	921	(8)	925
Office equipment	58	-	(21)	37
IT equipment	69	136	(30)	175
	139	1 057	(59)	1 137

Reconciliation of property, plant and equipment – 2017

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	13	-	(1)	12
Office furniture	-	65	(7)	58
IT equipment	88	-	(19)	69
	101	65	(27)	139

Office equipment comprises of photocopy machines which are leased in term of finance lease agreement. The period of the lease agreements are between 2-5 years and the carrying value is R36 766 (financial year 2016/17 R58 419). Refer to note.5 where finance lease obligation is disclosed.

The other categories of assets are computer equipment and furniture.

	2018 R'000	2017 R'000
5. Finance lease obligation		
Minimum lease payments due		
- Within one year	25	25
- In second to fifth year inclusive	18	43
	43	68
Less: future finance charges	(4)	(9)
Present value of minimum lease payments	**39**	**59**
Present value of minimum lease payments due		
- Within one year	22	20
- In the second to fifth year inclusive	17	20
	39	**59**
Non-current liabilities	17	39
Current liabilities	22	20
	39	**59**

The average lease term ranges 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 asset leased in terms of the agreement. Please refer to note 4 where the assets held under the finance leases are disclosed as part of office equipment

Contingent rent recognized as an expense in the period amounted to R11,485 thousand (Financial year 2016/2017 R2,273 thousand). The contingent rents relates to copy charges per copy machine)

6. Payables from exchange transactions

	2018 R'000	2017 R'000
Trade payables	167	79
Management fees payable	255	40
Sundry accruals	136	138
Accrued leave pay	371	307
Accrued bonus	188	123
Creditors delivery notes	63	37
	1 180	**724**

	2018 R'000	2017 R'000

7. Unspent conditional grants and receipts

The grant liability's closing balance for 2017/18 refers to the unspent portion of the grant received from the Department of Rural Developments and Land Reform

Unspent conditional grants and receipts comprises of:

	Unspent conditional grants and receipts	
Unspent grants DRDLR	57 743	8 121

	Reconciliation of unspent conditional grants	
Balance at the beginning of the year	8 121	2 474
Additions during the year	64 806	14 300
Income recognition during the year	(15 184)	(8 653)
	57 743	8 121

The total grant received for the Office of the Valuer General, amounted to R64, 806 million for financial year 2017/18 (R14, 3 million financial year 2016/17).

The condition of the grant is for it to be used for expenditure related to property valuation and expenses that have a direct link to this. Any other expenditure will require a different request for transfer of funds from the Department of Rural Development. Where the funds have been used for another purpose other than that one stated, reimbursement will be required

8. Unpaid salaries

Unpaid salaries	40	-

9. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At amortized cost	Total
Trade and other receivables from exchange transactions	255	255
Other receivables from non-exchange transactions	15	15
	270	**270**

Financial liabilities

	At amortized cost	Total
Trade and other payables from exchange transactions	839	878
Finance Lease Liability	39	39
	878	**878**

2017

Financial assets

	At amortised cost	Total
Trade and other receivable from exchange transactions	40	40

Financial instruments in Statement of financial performance

Financial Liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	417	417
Finance Lease Liabilities	59	59
	476	**476**

None of the financial assets are impaired.

	2018 R '000	2017 R '000

Financial instruments in Statement of financial performance

10. Revenue

Other income	17	-
Interest received –Bank	935	171
Government grant and subsidies	15 184	8 653
	16 136	**8 824**

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

Other income	17	-
Interest received - Bank	935	171
	952	**171**

The amount included in revenue arising from non- exchange transactions and events are as follows:

Transfer revenue		
Government grants	15 184	8 653

11. Finance costs

Finance leases	5	2

12. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
Property, plant and equipment	-	948
Total capital commitments		
Already contracted for but not provided for	-	948

Authorised operational expenditure

Already contracted for but not provided for		
Due in the next 12 months	6 646	7 581

Total operational commitments

Already contracted for but not provided for	6 646	7 581

This disclosure includes non-routine commitments which exclude day to day commitments

	2018 R '000	2017 R '000

13. Related parties

Relationships

DRDLR
The Department of Rural Development and Land Reform is the designated department of the Office of the Valuer General and certain services between the DRDLR and OVG are rendered in kind and are not at arm's length, the one that can be quantified have been disclosed below.
DEEDS
The Deeds Registration Trading account is a trading 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 transaction is not at arm's length and has been disclosed below.

The remainder of the transaction resulting from Principal Agent Arrangement between Deeds and OVG have been disclosed in the note number 16-Principal Agent Arrangement.

Related party balances

	2018	2017
Management fees payable – Deeds Registration Trading Account	255	40
Grants received from DRDLR	64 806	14 300

Related party transaction

Amounts paid on behalf of OVG (paid on behalf of DRDLR)		
Office accommodation-DRDLR	795	-
Travel with flair invoices paid by DRDLR on behalf of OVG	70	-

Management fees paid by agent

	2018	2017
Deeds Registration Trading Account	681	132

Key management level

	2018 No. of officials	2017 No. of officials	2018 Remuneration	2017 Remuneration
Other levels 13 Management	4	3	3 961	2 856
Thapelo Motsoeneng - Chief Director-Operations	1	1	1 402	1 278
Christopher Gavor- Valuer General	1	1	2 000	1 793
	6	**5**	**7 255**	**5 927**

	2018 R '000	2017 R '000

14. Service 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 Valuer General.

All services paid for by the Department which could be quantified have been disclosed as related party transactions.

15. General expenses

	2018 R '000	2017 R '000
Advertising	100	36
Cleaning	19	-
Consulting and professional fees	3 404	1 407
Consumables	44	-
Entertainment	45	8
Printing and stationery	27	-
Subscriptions	15	-
Telephone and fax	101	63
Transport and freight	789	546
Training	278	290
Travel - local	416	306
	5 238	**2 656**

16. Agent Principal Arrangements

In July 2014 the Property Valuation Act brought into existence the Office of the Valuer General (OVG), the “Principal”, whose responsibility in accordance with the act is to perform property valuations for the Department of Rural Development and Land Reform. Section 4 and 5 of the Act established the office as a juristic person.

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

Assets

The following assets are held in Deeds Trading Account

Grants Received and Fund Remitted

	2018 R '000	2017 R '000
Balance at the beginning of the year	8 121	2 474
Grants received during the year	64 806	14 300
Funds remitted during the year	(15 184)	(8 653)
	57 743	**8 121**

No other assets are held by Deeds Trading Account on behalf of the Office of the Valuer General. The balance of the unspent portion of the grant will be remitted to the OVG once the OVG bank account is open.

	2018 R '000	2017 R '000

These fees were paid to the Deeds Trading Account as compensation for services rendered. The amount payable by the OVG is recognised as receivable in the Deeds Trading Account.

Management fees paid/payable		
Management fees paid	681	132
Management fees payable	255	40
	936	**172**

Resource implication on Termination

The Deeds Trading Account will be required to remit the balance to the OVG on termination.

17. Selection of Appropriate Reporting Framework

Management Assessments- Directives 12

In assessing whether the Office of Valuer General shall apply IFRS in terms of Directive 12, management has ascertained that the following criterion is not met.

1. The OVG is not a financial institution, as the business of the entity is provision of valuation services for the Department of Rural Development and Land Reform.

2. Although the entity is a juristic person, it does not have shares that are traded on the capital markets.

3. The operations of the entity are such that funding is solely through government grants received via the Department of Rural Development and Land Reform with no intention of generating a profit. The constitution requires the provision of land reform services and therefore these are non-commercial in substance.

Therefore the OVG does not meet any of the criteria as set out on paragraph 11 of Directive 12 and based on this reporting framework to be applied is GRAP.

18. Risk management

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.

	2018 R '000	2017 R '000

19. Irregular Expenditure

Add: Irregular Expenditure – Current	28	-

Irregular expenditure is as a result of deviation for normal procurement practice

20. Employee Related Costs

Basic salary	6 744	4 502
Bonus	184	75
Medical aid – company contribution	130	179
Defined Contribution plans	655	808
Overtime payments	-	7
Car allowance	483	308
Housing benefits and allowances	71	24
Employer contribution: Bargaining Council	1	1
Leave: Accumulated short term	103	-
Leave: Accumulated short term	188	123
	8 559	**6 027**

RP and ISBN number to be printed at the back of the book

RP387/2018

ISBN: 978-0-621-46807-6