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REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE ON VOTE NO.3: GAUTENG LIQUOR BOARD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Gauteng Liquor Board set out on pages **212** to **240**, which comprise the statement of financial position as at 31 March 2021, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as 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 Gauteng Liquor Board as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act1 of 1999 (PFMA).

Basis for opinion

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

4. I am independent of the trading entity in accordance with the International Ethics Standards Board for Accountants' (IESBA code) as well as other 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 officer for the financial statements

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

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

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

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. Section 40(3)(a) of the PFMA, the trading entity is required to prepare an annual performance report. The performance information of the trading entity was reported in the annual performance report of Gauteng Department of Economic Development. The usefulness and reliability of the reported performance information were tested as part of the audit of Gauteng Department of Economic Development. There were no audit findings included in the management and auditor's reports of Gauteng Department of Economic Development.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

11. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the trading entity's compliance 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 any 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 accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements and the auditor's report.

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

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

16. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

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

Auditor-General

Johannesburg
31 July 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note(s)	2020/21 R'000	2019/20 Restated* R'000
ASSETS			
Current Assets			
Receivables from exchange transactions	2	658	282
Receivables from non-exchange transactions	3	241	172
Cash and cash equivalents	4	51 819	30 294
		52 718	**30 748**
Non-Current Assets			
Property, plant and equipment	5	345	448
Total Assets		**53 063**	**31 196**
Liabilities			
Current Liabilities			
Payables from exchange transactions	6	39 882	37 376
Provisions	7	2 092	1 086
Total Current Liabilities		**41 974**	**38 462**
Total Liabilities		**41 974**	**38 462**
Net Assets		**11 089**	**(7 266)**
Accumulated surplus		**11 089**	**(7 266)**

*** See note 25**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2021

	Note(s)	2020/21 R'000	2019/20 Restated* R'000
REVENUE			
Revenue from exchange transactions			
Licences and permits	10	60 556	66 517
Rental of parking	9	41	42
Recoveries	9	2	3
Garnishee order	9	15	14
Interest received - bank	11	607	914
Total revenue from exchange transactions		**61 221**	**67 490**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	12	24 559	26 352
Fines, penalties and forfeits	13	2 461	2 945
Total revenue from non-exchange transactions		**27 020**	**29 297**
Total revenue	8	**88 241**	**96 787**
Expenditure			
Employee related costs	14	(48 136)	(52 889)
Depreciation and amortisation	15	(103)	(111)
Loss on disposal of assets		-	(33)
Impairment loss: penalty		(1 212)	(644)
Bad debt		(163)	(447)
Goods and services	16	(20 272)	(25 884)
Total expenditure		**(69 886)**	**(80 008)**
Surplus for the year		**18 355**	**16 779**

* See note 25

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2021

	Accumulated Deficit R'000	2020/21 Total net assets R'000
Balance at 01 April 2019	**(24 045)**	**(24 045)**
Changes in net assets	16 779	16 779
Total changes	16 779	16 779
Restated* balance as at 01 April 2020	**(7 266)**	**(7 266)**
Balance as previously reported	7 304	7 304
Correction of errors	38	38
Restated* balance as at 01 April 2020	**(7 266)**	**(7 266)**
Changes in net assets	18 355	18 355
Total changes	18 355	18 355
Balance at 31 March 2021	**11 089**	**11 089**

*** See note 25**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

	Note(s)	2020/21 R'000	2019/20 Restated* R'000
Cash flows from operating activities			
Receipts			
Licence fees		61 083	69 171
Government grants and subsidies		24 559	26 352
Interest income		607	914
Garnishee order and Parking rentals		58	59
Fines and penalties		2 392	3 126
		88 699	99 622
Payments			
Compensation of employees		(46 460)	(52 556)
Goods and Services		(20 714)	(26 592)
		(67 174)	(79 148)
Net cash flows from operating activities	17	**21 525**	**20 474**
Net increase/(decrease) in cash and cash equivalents		**21 525**	**20 474**
Cash and cash equivalents at the beginning of the year		30 294	9 820
Cash and cash equivalents at the end of the year	4	**51 819**	**30 294**

* **See note 25**

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

As Gauteng Liquor Board (GLB) has the responsibility of issuing the liquor licences and monitoring and enforcing compliance to the Gauteng Liquor Amendment Act, the significant accounting policies relate to revenue recognition, employee related costs, properties expenses related to the running of offices in major centres in Gauteng.

Presentation of Budget Information

The presentation of budget information that is required to be prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The entity does not need the requirement to disclose the budget information due to its budget not being published and due to the fact that its budget is incorporated in the Gauteng Department of Economic Development vote.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Provisions for employee related costs

Performance bonus

Provision for performance bonus is calculated at 0.5% of a total compensation for all staff members. The bonus liability is paid to qualifying employees based on performance award policy and the bonus is anticipated to be paid within 6 to 12 months.

Provision for capped leave

Provision for capped leave is the leave accrued until 30 June 2000 and was audited, calculated and capped (i.e not forfeited). The capped leave increases annually as the gross basis salaries adjusted, also when an entitled employee get promotion and the new appointees with the capped leave also affect the increase. The cash value payable in respect of personnel with capped and audited leave credits is determined using formula included in the DPSA guide:

Determination on leave of absence in the public service, 2008.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

Any unused capped leave shall be utilised where an employee have insuffiecient annual leave days; or paid out in the event of death or retirement.

Provision for long service awards

Provision of long service awards calculation is based on the DPSA calculation.

Revenue Recognition

Accounting policy on revenue from non-exchange transactions and accounting policy on revenue from exchange transactions describes the conditions under which revenue will be recognised by management of the entity.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from exchange transactions and GRAP 23: Revenue from non exchange transactions.

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Property, plant and equipment is subsequently carried at cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight- line method. Management expects to abandon the assets at the end of their useful lives and therefore the residual values are estimated to be negligible. Useful lives and residual values are assessed when there is an indication that there is a change in useful life.

Depreciation is a systematic allocation of the depreciable value of the asset over its useful life.

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	5-10 years
Computer equipment	Straight line	3-5 years

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.

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. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount and is charged against the surplus or deficit.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure meets the definition and recognition criteria of an asset. Repairs and maintenance not deemed to enhance the economic benefits or service potential of items of property, plant and equipment are expensed as incurred.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are recognised in surplus or deficit in the period of disposal.

1.5 Financial instruments

Initial recognition and measurement

Financial instruments are recognised when Gauteng Liquor Board becomes a party to the contractual provisions of the relevant instrument, and are initially measured at fair value. Subsequent to initial recognition, these instruments are measured at amortised cost.

Offsetting

Financial assets and financial liabilities are not offset in the Statement of Financial Position.

Financial assets

Financial Assets comprise mainly of receivable from overdue licences and penalty debt arising from licences/ permits issued.

Financial assets are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is established when there is objective evidence that the entity will not be able to collect the amount due.

Financial liabilities

Financial liabilities comprise mainly of income received in advance for licences, trade payables and provisions for employee benefits.

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

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

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.6 Employee 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.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

The cost of short term employee benefits are expensed in the statement of financial performance in the year in which it occurs.

Short term employee benefits that gives rise to a present or constructive obligations are recognised and disclosed in the notes to the financial statements. This is limited to leave pay accrual and service bonus.

Short-term employee benefits include items such as:

- 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.

Termination benefits such as severance packages are recognised as an expense in the statement of financial performance.

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

1.7 Revenue from exchange transactions

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

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

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

Measurement

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

Licence fees

The main income of the Gauteng Liquor Board consists of license fees which are received in terms of the Gauteng Liquor Act No.2 of 2003 and Regulations. Licence fees is levied in terms of the Gauteng Liquor Act for different types of liquor permits. Permits are valid for only one year from the date of issue except for occasional liquor license. Revenue from licence fees is recognised on an accrual basis in accordance with the term of the licence conditions and the Gauteng Liquor Act. Where the amount received on or before year end include the amount received in advance for the following financial year, that portion reduces the revenue for the year and the said amount is recognised as income received in advance under current lability.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

Interest income

Interest income is recognised on a time proportionate basis using the effective interest rate method.

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.

Other income

Other income is recognised when it is probable that future economic benefits will flow to the GLB and when the amount can be measured reliably.

1.8 Revenue from non-exchange transactions

Government grant

Gauteng Liquor Board received a government grant in a form of a transfer from the Gauteng Department of Economic Development to cover operational costs, mainly employee costs. The transfer is recognised when it is probable that future economic benefits will flow to the Gauteng Liquor Board and when the amount can be reliably measured.

Services in kind

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind during the reporting period.

Gauteng Liquor Board makes use of the following services at no cost. The costs are incurred by the Gauteng Department of Economic Development:

- Cellphone costs;
- Corporate services, financial services and human resource services; and
- Rental costs for regional offices.

Penalty fees

Penalties are charged on late renewals of license. Penalty shall be recognised in accordance with the Gauteng Liquor Act when the penalty is due as follows:

Penalty period from renewal	Penalty (% of license renewal fees)
1 month	50%
2 months	100%

In the 2020/21 Financial year, Licence holders due for renewal between 1 April 2020 - 30 October 2020 were given a grace period until 31 December 2020 without imposing of penalties.

When the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.9 Comparative Information

When the presentation or classification of items in the financial statements is amended, prior period comperative amounts are restated, unless a statement of GRAP does not require the restatements of comperative information. The nature and reasons for the reclassification is disclosed. Where material accounting errors have been identified in the current year,

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

the correction is made retrospectively as far as it is practicable, and the prior year comperatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made restrospectively as far as it is practicable, and the prior year comperatives are restated accordingly.

1.10 Fruitless and wasteful expenditure

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

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

1.11 Irregular expenditure

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

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

National Treasury practice note no. 4 of 2008/2009 which was issued was repealed and replaced by irregular expenditure framework that came into effect 1 December 2018 in terms of sections 76(1) to 76(4) of the PFMA requires the following:

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

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

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

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

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.12 Events after reporting date

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.13 Leases

Operating leases

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

Operating lease payments are recognised as an expense over the lease term according to the agreed payment basis. Lease commitments of future minimum lease payments for operating leases are disclosed in the financial statements.

1.14 Related parties

The entity has adopted the disclosure requirements as per GRAP 20: Related Party Disclosures.

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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.

An entity shall disclose the remuneration of management per person and in aggregate, for each class of management remuneration.

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 annual financial statements.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

1.15 Standards, Amendments to Standards and interpretations issued, but not yet effective

The following GRAP standards have been issued but not yet effective and has been adopted by the entity:

GRAP 104: Financial Instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

The effective date of the standard is 1 April 2020. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	2020/21 R'000	2019/20 R'000
2. Receivables from exchange transactions		
Recoveries of staff expense	189	144
Other trade Receivables	303	-
Overdue licence renewal fees	210	179
Provision for bad debts	(44)	(41)
	658	**282**
Trade and other receivables past due but not impaired		
The ageing of amounts past due but not impaired is as follows:		
Current (0-30 days)	382	125
31 - 60 days	186	152
61 - 90 days	-	-
120 and above	90	5
3. Receivables from non-exchange transactions		
Penalties	2 097	815
PAYE	-	1
Impairment of penalties on licence renewal fees	(1 856)	(644)
	241	**172**
Receivables from non-exchange transactions past due but not impaired		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	241	172
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	644	1 105
Provision for impairment	1 212	644
Provision Utilised	-	(1 105)
	1 856	**644**
4. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	51 819	30 294

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand thousand

5. Property, plant and equipment

	2021			2020		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1 267	(1 083)	184	1 267	(1 029)	238
IT equipment	1 146	(985)	161	1 146	(936)	210
Total	**2 413**	**(2 068)**	**345**	**2 413**	**(1 965)**	**448**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Depreciation	Total
Furniture and fixtures	238	(54)	184
IT equipment	210	(49)	161
	448	**(103)**	**345**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Disposals	Depreciation	Total
Furniture and fixtures	299	(5)	(56)	238
IT equipment	293	(28)	(55)	210
	592	**(33)**	**(111)**	**448**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6. Payables from exchange transactions

	2020/21 R'000	2019/20 R'000
Trade Payables	2 484	2 217
Pension Recoverable	-	5
PAYE	6	-
Service bonus accrual	1 198	1 212
Income received in advance	32 009	31 409
Staff leave accrual	4 104	2 486
SAL: ACB Recalls	60	47
SAL: Garnishee Order	15	-
SAL: Tax Debt	6	-
	39 882	**37 376**

7. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised / Reversed during the year	Total
Provision for performance bonus	450	255	(411)	294
Provision for capped leave	636	-	(15)	621
Provision on litigations	-	1 177	-	1 177
	1 086	**1 432**	**(426)**	**2 092**

Reconciliation of provisions - 2020

	Opening Balance	Additions	Reversed during the year	Total
Provision for performance bonus	680	357	(587)	450
Provision for capped leave	598	38	-	636
	1 278	**395**	**(587)**	**1 086**

The entity disclosed an amount of R 1 165 465,97 as provision on litigation for a civil claim. The plaintiff is claiming the amount based on the service level agreement for document management solution tender. The entity disclosed a provision based on the invoices received from the service provider, however, uncetain about the amount or timing of any resulting outflow expected as the matter is currently with the state attorney.

The balance amount of eleven thousand two hundred and fifty rands only (R 11 250) the plaintiff instituted a summons against the entity claiming a relief with cost due to multiple deposits into the bank account for liquor license. The entity is uncertain about the amount or timing of any outflow as the matter is with the state attorney.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	2020/21 R'000	2019/20 R'000
8. Revenue		
Licences and Permits	60 556	66 517
Rental of Parking	41	42
Recoveries	2	3
Garnishee order	15	14
Interest received - bank	607	914
Government grants and subsidies	24 559	26 352
Fines, Penalties and Forfeits	2 461	2 945
	88 241	**96 787**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Licences and Permits (refer to note 11)	60 556	66 517
Rental of Parking (refer to note 10)	41	42
Recoveries (refer to note 10)	2	3
Garnishee order (refer to note 10)	15	14
Interest received - bank (refer to note 12)	607	914
	61 221	**67 490**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants and subsidies	24 559	26 352
Fines, Penalties and Forfeits	2 461	2 945
	27 020	**29 297**
9. Other revenue		
Rental Parking	41	42
Recoveries	2	3
Garnishee order	15	14
	58	**59**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	2020/21 R'000	2019/20 R'000

10. Licences and permits (exchange)

The Gauteng Liquor Board is responsible for regulating Liquor trading in Gauteng and also responsible for the collection of license fees in terms of the Gauteng Liquor Act and Regulations. The main sources of revenue are as follows:

	2020/21 R'000	2019/20 R'000
Activations	801	2 598
Alteration of Structure	64	128
Copies	7	16
Duplicate of Licence	93	188
Inspectors Report	6	12
Management	1 088	1 360
New Application	2 514	3 510
Occasional Licences	462	2 710
Pending Lodgement	416	931
Renewals	82 994	79 671
Restorations	867	2 891
Transfer of Licence	993	1 360
Unallocated Receipts	1 280	1 110
Income received in advance - renewals	(32 009)	(31 409)
Overdue licences	123	101
Other Receipts : Lapsed Licences	857	1 340
	60 556	**66 517**

11. Interest Received - Bank

	2020/21 R'000	2019/20 R'000
Interest revenue		
Interest Earned - Bank	607	914

12. Government grants and subsidies

	2020/21 R'000	2019/20 R'000
Operating grants		
Government grant (operating)	24 559	26 352

13. Fines, Penalties and Forfeits

	2020/21 R'000	2019/20 R'000
Fines, Penalties and Forfeits	2 461	2 945

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	2020/21 R'000	2019/20 R'000
14. Employee related costs		
Basic Salary	34 560	39 598
Medical Aid - Company Contribution	2 604	2 365
Leave pay provision charge	1 603	692
Employee benefits expensed - Other	65	-
Acting allowances	-	57
Housing benefits and allowances	1 109	1 118
Leave Gratuity	56	-
Bargaining Council - Company contributions	9	9
Perfomance bonus	255	358
13th Cheque	2 533	2 769
Non-Pensionable Allowance	1 239	1 534
Pension - Company Contribution	4 103	4 389
	48 136	**52 889**
15. Depreciation and amortisation		
Property, plant and equipment	103	111
16. Goods and Services		
Advertising	67	320
Audit fees	784	743
Bank charges	20	15
Cleaning Services	564	839
Conferences and delegation	381	615
Audit committee expenses	-	11
Consumables	273	3
Contracted maintenance	2 033	2 017
Departmental Consumption	206	1 272
Electricity	4 014	651
External Comp Ser: info services	140	106
Resettlement costs	-	35
Legal Expenses	11	745
Levies paid (Water, Sewerage and Waste)	467	388
Licence fees - computers	-	446
Printing and stationery	1	554

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	2020/21 R'000	2019/20 R'000
Professional fees	1 297	3 827
Rental of Buildings	9 405	12 128
Security costs	567	843
Telephone and fax	42	305
Travel - local	-	21
	20 272	**25 884**

17. Cash generated from operations

	2020/21 R'000	2019/20 R'000
Surplus	18 355	16 779
Adjustments for:		
Depreciation and amortisation	103	111
Impairment loss: Penalty	1 212	644
Movements in provisions	1 006	(192)
Bad debts: Penalty debt	-	315
Bad debts: Employee advances	3	41
Bad debts: Overdue licences	160	91
Gain/(loss) on disposal of assets	-	33
Changes in working capital		
Receivables from exchange transactions	(539)	(259)
Other receivables from non-exchange transactions	(1 281)	(778)
Prepayments	-	106
Income received in adavance	600	2 781
Payables from exchange transactions	1 906	802
	21 525	**20 474**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	2020/21 R'000	2019/20 R'000

18. Financial instruments

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	658	658
Receivables from non - exchange transactions	241	241
Cash and Cash Equivalents	51 819	51 819
	52 718	**52 718**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	39 882	39 882

2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	282	282
Receivables from non-exchange transactions	172	172
Cash and cash equivalents	30 294	30 294
	30 748	**30 748**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange	37 376	37 376

19. Commitments

Lease Committments

Operating leases - as lessee (expense)

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Minimum lease payments due

- within one year	5 520	7 190
- Later than 1 Year but not more than 5 Years	23 184	-
	28 704	**7 190**

During the 2020/21 Financial year,the entity disclosed the commitments in line with GRAP Standards and only disclosed the operating lease commitments in terms of GRAP 13 and did not have any capital committments as at 31 March 2021.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	2020/21 R'000	2019/20 R'000
20. Contingent Liabilities		
	-	-

21. Related parties

Relationships

Controlled Entity Of	Gauteng Department of Economic Development

The Gauteng Liquor Board is a trading entity of the Gauteng Department of Economic Development and its business operations are regulated as per the Gauteng Liqour Act no. 2 of 2003. The entity is under control of the MEC of Gauteng Department of Economic Development.

Gauteng Liquor Board receives a subsidy from Gauteng Department of Economic Development to run its operational costs, including office lease rentals.

Gauteng Liquor Board is related to all Gauteng Provincial Goverment Departments and its trading entities by virtue of being under the same control by Gauteng Premier and Gauteng Legislature.

Related party balances

Balances - Owing (to) by related parties	2020/21	2019/20
Gauteng Department of Economic Development	(823)	(371)

Related party transactions

Service in kind

In the 2020/21 financial year Gauteng Liquor Board received the following services at no cost from the Department of Economic Development:

- Human Resources
- Finance
- Corporate Service

In the 2020/21 financial year Gauteng Liquor Board received the following service at no cost from the Department of E- Government through Departmernt of Economic Development:

- Telephone Expenses

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand thousand

21. Related parties (continued)

Remuneration of management

Management class: Executive management

2021

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Total
Bodibe-Lushaba CK	725	60	396	1 181
Martin R	1 047	158	371	1 576
Shabangu OM	747	83	455	1 285
	2 519	**301**	**1 222**	**4 042**

2020

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Total
Bodibe-Lushaba CK	725	60	424	1 209
Mosing MS* Resigned November 2019	520	74	182	776
Martin R	1 047	87	362	1 496
Shabangu OM	747	62	436	1 245
	3 039	**283**	**1 404**	**4 726**

22. Members' emoluments

The Gauteng Liquor Board is a juristic person established in terms of Section 2 of the Gauteng Liquor Act. Act No 2 of 2003(the Act). The Board does not perform the powers and functions of an executive board but performs the functions of an application board. In this regard the Board considers applications for liquor licenses and either grant or refuse such applications. The board meets two (2) days per week. Local Committees meet one (1) day per week. Because of its status as a juristic person the Board is sued directly and may institute legal actions instituted by and against the Board.

In terms of Section 3 of the Act the Board has the following powers and functions:

1) The Board shall receive applications referred to in section 21 from the local committees and after considering such applications
2) The Board may, after the consideration by it or any other matter contemplated in this ACT-Additional text
   a) suspend for (an indefinite time or for such period as it may determine or withdraw from such date as it maydetermine, a license which is subject of a report, compliant or objection concerned, or any right priveledge which isattached thereto.
   b) declare the license concerned to be subject to such conditions or further conditions as it may in its discretion impose.
   c) rescind the suspension of the license concerned of any right or priviledge which is attached thereto, with immediate effect or from such date as it may determine, subject to such conditions as it may in its discreetion impose, or.
   d) take any such other steps as it may think fit.

The board consist of nine (9) members appointed in terms of Section 4 of the Act. In addition the Act also make provision for the established local committee of the Board in each of the areas of the municipalities in the Province, known as Metropolitan Councils or District Council may determine.

Section 5 o the Act stipulates that a member shall be appointed for term not exceeding 5 years and shall be eligible for reappointment at the lapse of the intial term. No person shall be reappointed as a member of the Board for more than two (2) terms. A member of the Board shall be paid such remuneration and allowance out of the funds of the Board as the Member of Executive Council may determine.

Section 16 of the Act stipulates that the funds of the Board shall consist of-
(a) money approached by the Provincial Legislature; and
(b) money accruing to the Board from any other source approved by the Member of the Executive Council including fees paid in terms of this Act.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	2020/21	2019/20
	R'000	R'000

22. Members' emoluments (continued)

Non-executive

2021

	Members' fees	Total
Khoza MP	48	48
Khumalo BN	248	248
Lebogo MJ	-	-
Lebona PW	-	-
Madileng KM	36	36
Magwaza SA	46	46
Maja-Masilo MS	52	52
Masilo AS	63	63
Masina P	119	119
Matongo J	-	-
Mogwebi WW	57	57
Molapo MJ	24	24
Morabe TZ	16	16
Mthembu TP	72	72
Mudau SP	37	37
Ngakatau IS	49	49
Ngoma GYW	96	96
Pandelani FR	414	414
Samuel PL	44	44
Seforo DK	67	67
Sibanyoni AM	-	-
Sithole ST	35	35
Thobejane PM	63	63
Van Der Merwe MT	-	-
Van Der Westhuizen FJ	15	15
Van Der Schyf WN	30	30
Ka Mbonane Ivan Ishaaq	137	137
Maboye MM	169	169
Magerman TN	286	286
Mohale MK	119	119
Pamla Y	146	146
Mabaso STI	158	158
Serutha RF	130	130
Badela G	71	71
	2 847	**2 847**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	2020/21 R'000	2019/20 R'000

22. Members' emoluments (continued)

2020

	Members' fees	Total
Khoza MP	115	115
Khumalo BN	75	75
Lebogo MJ	70	70
Lebona PW	49	49
Madileng KM	45	45
Magwaza SA	107	107
Maja Masilo MS	349	349
Masilo AS	741	741
Masina P	636	636
Matongo J	290	290
Mgwebi WW	89	89
Molapo MJ	65	65
Morabe TZ	90	90
Mthembu TP	129	129
Mudau SP	65	65
Ngakatau IS	370	370
Ngoma GYW	471	471
Pandelani FR	1 020	1 020
Samuel PL	157	157
Seforo DK	109	109
Sibanyoni AM	94	94
Sithole ST	78	78
Thobejane PM	154	154
Van der Merwe MT	7	7
Van der Westhuizen FJ	24	24
Van der Schyf WN	74	74
	5 473	**5 473**

23. Auditor's Remuneration

	2020/21	2019/20
Fees	784	743

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	2020/21	2019/20
	R'000	R'000

24. Risk management

Financial 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 and credit facilities. The entity's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses.

At March 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables - from Exchange transaction	39 882	-	-	-

At March 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables - from Exchange transaction	37 376	-	-	-

Credit risk

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

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

Financial instrument	**2021**	**2020**
Penalties	241	172

The entity did not individually rate its customers, due to its diverse customer base.

25. Prior period errors

The 2019/20 trade payables and expenditure were duplicated by an amount of forty thousand nine hundred and forty rands only (R40 940) due to services rendered and not yet paid on 31 March 2020. Furthermore, the asset with the cost price of sixteen thousand three hundred and sixty eight rands only (R16 368) (carrying value thirteen thousand and ninety four rands only (R13 094) was approved for disposal on the 9th of March 2020 however, not accounted and disposed on the assets balance reported as at 31 March 2020.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	2020/21	2019/20
	R'000	R'000

The effect of restatement as a result of prior period errors are as follows:

Statement of Financial Position	As Previously Reported	Correction of Error	Restated Amount
Trade Payables	37 417	(41)	37 376
Property, Plant and Equipment	451	(3)	448

Statement of Financial Performance	As Previously Reported	Correction of Error	Restated Amount
Goods and Services	25 925	(41)	25 884
Loss on Disposal	30	3	33

During 2019/20, the entity reported an amount of three thousand four hundred and sixty two rands and twenty six cents (R3 462,26) as an irregular expenditure due to non compliance with expansion of a purchase order in terms of Instruction Note 3 of 2016/17. The investigation outcome recommended that the amount be reported as fruitless expenditure instead of irregular expenditure. The effect of restatement as a result of prior period errors is as follows:

Disclosure note	As Previously Reported	Correction of Error	Restated Amount
Irregular Expenditure	8 386	(3)	8 383
Fruitless Expenditure	19	3	22

26. Going concern

We draw attention to the fact that at 31 March 2021, the entity had an accumulated Surplus of R 11 089 and that the entity's total asset exceed its Liabilities by R 11 089.

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

The world is currently faced with the consequences of the unprecedented Covid-19 pandemic. The impact of Covid-19 on the South African economy is predicted to have devastating effects. The entity has reviewed its ability to continue as a going concern with these challenging times, however the impact of Covid-19 has potential impact to the revenue from liquor licenses. The Covid-19 outbreak and the implementation of the state of disaster is material to the business of the entity. The banning of the sale and transportation of liquor for prolonged period has a direct impact on the entity's ability to process the lodgement of new applications (due monthly) and collect renewal fees. As a consequence, the amount of penalty fees is estimated to increase materially with high probability of non-recovery of the debt. The uncertainty of the duration of the outbreak, with vaccine trials currently being executed, may also impact on those liquor outlets that have already renewed their licences to continue to renew their licences on their next anniversary renewal dates.

Overall, it is estimated that enforcement costs would increase and that they would be increased liquidations in the sector to the detriment of the entity's revenue streams. The entity will introduce measures to curb costs and increase enforcement in order to collect more revenue and ensure that the entity remains as a going concern.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

27. Fruitless and wasteful expenditure

	2020/21 R'000	2019/20 R'000
Opening balance as previously reported	22	-
Opening balance as restated	**22**	**-**
Add: Fruitless and Wasteful Expenditure identified - current	-	19
Add: Fruitless and Wasteful Expenditure identified - prior period	-	8
Less: Condoned or written off by relevant authority	-	(5)
Less: Amounts transferred to receivables for recovery	(2)	-
Closing balance	**20**	**22**

Details of fruitless and wasteful expenditure - current year

Interest charged on overdue accounts and other	20	22

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	2020/21 R'000	2019/20 R'000
28. Irregular expenditure		
Opening balance as previously reported	8 383	6 679
Add: Irregular Expenditure - Prior year adjustment	-	-
Opening balance as restated	**8 383**	**6 679**
Add: Irregular Expenditure - current	2 059	2 054
Prior year adjustment	-	(3)
Add: Irregular Expenditure - Identified - prior period	3 378	-
Less: Amounts condoned or written off by relevant authority	-	(347)
Closing balance	**13 820**	**8 383**
Analysis of expenditure awaiting condonation per age classification		
Current Year	2 059	2 051
Prior Years	11 761	6 332
	13 820	**8 383**
Details of irregular expenditure - current year		
Variation exceeding 15% without Gauteng Provincial Treasury approval	2 059	2 051
Analysis of variations exceeding 15% without approval - current year		
Operating leases	2 059	2 051
Details of Irregular expenditure - under assessment (not included in the main note)		
Variation exceeding 15% - operating lease	-	3 378

NOTES

NOTES

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