EASTERN CAPE
LIQUOR BOARD

ENABLING &
PROMOTING

A RESPONSIBLE
LIQUOR INDUSTRY

EASTERN CAPE
LIQUOR BOARD

Address: Shop 10 Beacon Bay Crossing, Beacon Bay, East London
Tel: 043 700 0900 I **www.eclb.co.za**

Enabling and Promoting a Responsible Liquor Industry

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ANNUAL REPORT
2022/2023

Enabling and Promoting a Responsible Liquor Industry

RHODES UNIVERSITY
SRC
2022

ANNUAL REPORT
2022/2023

EASTERN CAPE
LIQUOR BOARD

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PART A:
GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

Country of domicile	South Africa
Accounting Authority	Mr. M. Gobingca *(Chairperson – 01/04/2023)* Ms. Nomhle Tys *(Term Expired – 26 February 2023)* Ms. Bongeka Jojo (*Term Expired – 26 February 2023)* Dr. M. Mboto Ms. N. Nongongo Nr W. Manthe *(Appointed - 01/05/2023)*
Business address	Shop 10, Beacon Bay Crossing Beacon Bay East London 5241
Postal address	PO Box 15147 Beacon Bay 5205
Controlling Entity	Department of Economic Development, Environmental Affairs and Tourism
Website	www.eclb.co.za
Bankers	First National Bank
External Auditors	Auditor-General of South Africa
Chief Executive Officer	Dr. N. Makala
Chief Financial Officer	Ms. A. Vikilahle
Public Entity Type	Schedule 3C

2. LIST OF ABBREVIATIONS/ ACRONYMS

AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
AO	Accounting Officer
AG	Auditor-General
APP	Annual Performance Plan
BBBEE	Broad Based Black Economic Empowerment
BCMM	Buffalo City Metro Municipality
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPC	Companies Intellectual Properties Commission
CoGTA	Cooperative Governance and Traditional Affairs
COVID-19	Coronavirus disease 2019
CSI	Corporate Social Investment
DEDEAT	Department of Economic Development Environmental Affairs and Tourism
DTI	Department of Trade and Industry
EC	Eastern Cape
ECLA	Eastern Cape Liquor Act, 2003
ECLAA	Eastern Cape Liquor Authority Act, 2018
ECLB	[1]Eastern Cape Liquor Board
ECPTA	Eastern Cape Parks and Tourism Agency
FAS	Foetal Alcohol Syndrome
FNB	First National Bank
GBV	Gender Based Violence
GDP	Gross Domestic Product
GIS	Geographical Information Systems
GRAP	Generally Recognised Accounting Practise
HIV	Human immunodeficiency virus

ICT	Information Communication and Technology
IDC	Independent Development Corporation
IGR	Inter-Governmental Relations
IPID	Independent Policing Investigating Directorate
LED	Local Economic Development
LTDP	Liquor Traders Development Programme
MEC	Member of the Executive Council
NMMM	Nelson Mandela Metro Municipality
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Expenditure Framework
NGO	Non-Governmental Organisation
NPA	National Prosecuting Authority
NDP	National Development Plan
NLF	National Liquor Forum
PAIA	Promotion of Administrative Information Act
PAJA	Promotion of Administrative Justice Act
PFMA	Public Finance Management Act
POE	Portfolio of Evidence
POPI	Protection of Public Information Act
RAF	Road Accident Fund
RTF	The Responsible Trade Facilitation
SALGA	South African Local Government Association
SAPS	South African Police Services
SARS	South African Revenue Services
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SMME	Small Medium Micro Enterprise
TADA	Teenage Against Drug Abuse
WHO	World Health Organisation

[1] ECLB/Entity will be use interchangeable in this document

3. FOREWORD BY THE CHAIRPERSON

INTRODUCTION

I am proud and honoured to present the 2022/23 Annual Report in my new role as the Chairperson of the Board of Directors. I present this Annual Report at a time when the country and the world operate under several threats including global negative economic effects that are brought by the war between Ukraine and Russia that have tremendously impacted the global economy and the unescapable threat of climate change. These challenges and many more exacerbate the fragile living conditions of many communities.

The operating environment for the 2022/23 financial year significantly improved from the previous financial year, notwithstanding the unfavourable global conditions. The lessons learnt from the impact of COVID-19 pandemic have resulted in the Entity relooking its operating environment, the business procedures and processes to ensure continuity, resilience and sustainability. It became necessary for the Entity to implement strategies for improved revenue collection, enforcement and compliance as well as intensifying anti-alcohol intervention programmes. One of the strategic decisions that the Entity took was the extension of the renewal period for liquor licences. This decision sought to ensure sustainability of the liquor industry within the Province, as well as mitigating against the potential increase in illegal trading.

We present this report after experiencing the unprecedented tragic deaths of minors in two separate incidents at Nyobeni Tavern (East London) and Razzmataz Tavern (Hofmeyer). Both these incidents can be attributed to the increasing cases of non-compliance by our liquor traders, which we view in a very serious light. In response to the two incidents, the Entity has taken swift action to hold the owners of the two liquor outlets legally accountable by instituting criminal proceedings against them, which upon conviction may amount to imprisonment.

In addition, the Entity has intensified its Alcohol harm reduction interventions to educate communities and the youth on the social ills that are associated with the abuse of liquor and underage drinking in particular. Key strategic underage initiatives have also been conceptualised and rolled out and they comprise the official launch of anti-pens down campaigns, which are aimed at discouraging an emerging behaviour where learners organise parties to celebrate the end of exam and they end up indulging in alcohol that often result in terrible incidents.

In seeking to further amplify the fight against underage drinking cases, the Entity introduced the concept of

school-based ambassadors, where schools nominate learners to be inducted as ECLB ambassadors to undertake peer-to-peer education in their respective schools. We have also continued to strengthen relations with the Liquor Industry, in order to enhance support for the liquor traders in various ways. The Entity has also heightened its efforts to mobilise partnerships and collaborations with various stakeholders to deliver on its legislative mandate. Furthermore, we maximised on the use of multi-media platforms to continue communicating and educating our communities about the harmful effects of alcohol abuse, promoting responsible drinking and liquor trading. Partnerships were strengthened with the South African Police Services (SAPS) and municipal law enforcement agencies to enforce compliance.

The Board is excited to report that the Auditor-General has again awarded a clean audit opinion for the 2022/23 financial year. We would like to thank the ECLB management and staff for their continued commitment to clean and good governance.

I would like to congratulate the Board Members for the leadership that continues to steer and direct the Entity in a manner befitting of a role model regulator. ECLB Board remains focused in ensuring transparency and improving on operational efficiencies and making sure that the organisation is customer centric.

ORGANISATIONAL PERFORMANCE

This Annual Report presents an opportunity to reflect on the overall performance of the organisation for the year under review. We are taking stock of the successes and challenges faced during the year.

In the period under review, the Entity has relentlessly continued to discharge its obligation of ensuring a seamless regulation of liquor industry in the Province. The performance of the Entity continues to improve annually, and we believe that we will be able to report positively on our 5-year strategic outcomes. The strategies employed during the COVID-19 period have contributed positively to our operations and remain relevant.

During this reporting year we have continued to serve our communities by spending our limited budgets appropriately, building trust with stakeholders, and executing all our operations within budget and with the Auditor-General's stamp of approval.

The Board, therefore, continues to lobby relevant authorities to provide the necessary support for the recruitment of additional liquor inspectors so that adequate footprint in the enforcement of compliance can be made.

MAIN CHALLENGES

The escalating cases of alcohol abuse remains a great concern to the Board, particularly underage drinking, which is an extreme aberration that has to be fought from all fronts. We remain steadfast in our resolve to fight this abhorrent behaviour. During the year under review, we responded to a number of invitations to schools and communities requiring assistance of the Entity to talk about alcohol abuse and underage drinking to school going youth.

The human and financial constraints remain one of the main challenges facing the Entity in its operations. The increasing need to augment our staff complement to be able to fully comply with the legislative requirements remains a priority. It is with great pleasure to report that the Shareholder and Treasury has positively responded to our plea for an additional budget to increase the number of inspectors and replacing our ageing licensing system. We believe that this will bring a huge relief and improvement to our operations.

Non-compliance with trading conditions remains one of our key areas of concern and through close collaboration with stakeholders such SAPS and municipality law enforcement agencies, we continue to make every possible effort to alleviate this behaviour. In this regard, we have intensified our efforts to enhance our compliance monitoring inspections to promote responsible trading by our liquor traders and ensure that our communities are protected against inconsiderate trading that may disturb their normal life. It is important to point out that our commitment to the elimination of non-compliance is largely restricted by the limited number of liquor inspectors who are unable to match the escalating number of licenced liquor outlets in the Province, leaving communities vulnerable to cases of non-compliance that may negatively affect their tranquillity.

The delayed submission and non-submission of community consultation reports by Ward Councillors, which invariably impacts negatively on the processing and finalisation of the licence applications within the legislated time, is another challenge for the Entity. This results in the issuing of Section 22(5) Notices as prescribed by the Eastern Cape Liquor Act. The Entity continues to implement various strategies to capacitate Ward Councillors on their role in the processing of liquor licence applications.

We do realise that the liquor industry remains an enormously untransformed economic sector and the Board remains committed to driving the transformation agenda of the industry with the support of various stakeholders. We continue to establish and strengthen the existing relations with the private sector as well as working more with our Shareholder to advance the transformation agenda of the liquor industry and to promote an enabling environment for the creation of jobs.

We are mindful of the fact that one of the root causes of growing abuse of alcohol in our communities is the blatant non-compliance among liquor traders, and we interminably shall continue to rigorously enforce strict adherence to regulations.

STAKEHOLDER MOBILISATION

As the Board, we realise the crucial role of stakeholder partnerships in the fulfilment of our mandate. Stakeholder collaboration is further made necessary and inevitable by the shrinking resource base of the organisation. In this regard, as the Board we have prioritised stakeholder engagement as one of our significant levers of our delivery and continue to encourage more resource investment in driving this strategic function.

We have taken a calculated approach of consulting with numerous stakeholders including Traditional and Religious Leaders, and such engagements have culminated in the formalisation of the relationships through the signing of the MoUs as well as partnerships in order to garner support and convey our messages. We believe that community leaders and community at large have a role to play in reducing alcohol abuse.

PROGRESS TOWARDS THE EASTERN CAPE LIQUOR AUTHORITY ACT

In finalising processes for the implementation of the Eastern Cape Liquor Authority Act No: 4 of 2018, it was realised that there were gaps in the Act as informed by the changes in the environment that necessitated the review of the Act. It was through rigorous engagement with DEDEAT and the Chief State Law Advisor, that it was agreed that the new Act (no 4 of 2018) requires amendments to ensure that it is fit for purpose when proclaimed into effect. The new Act will have significant implications on how the liquor industry is regulated in the Province, henceforth we consider the Act as a significant milestone in modernising and transforming how retail sale and micro-manufacturing are regulated.

Furthermore, this process led to the amendment of the Regulations to the current Act 10 of 2003 to bolster the ECLB's legislative footing and to increase its revenue generation while awaiting the finalisation of the amendment of the new Act. The amendment to the current Regulations is due to be gazetted for public comment in the 2023/2024 financial year.

STRATEGIC TRAJECTORY

As we are in the fourth year of implementing the revised five-year strategic plan that is aligned to Government's Medium Term Strategic Framework (2020 – 2024), the Entity is still committed to the agreed strategic objectives. The Board is responding to three national strategic outcomes, as outlined in the strategic plan which are: transformation and job creation, social cohesion and safe communities, and a capable, ethical and developmental state. The Entity has further developed two (2) new indicators to further support its response to the national strategic outcomes. The first one is intended to contribute to Local Economic Development (LED) and township economy, and the second one is assessing the impact of the anti-alcohol campaigns conducted.

Invariably, by aligning its strategy with national priorities, the Board maintains relevance in addressing the needs of the country and directly or indirectly plays a role in driving socio-economic development objectives. The Board will ensure that the ECLB realises high performance levels and will continue to review performance targets and objectives on an ongoing basis in order to improve on them and achieve its mandate.

ACKNOWLEDGEMENTS

During this reporting period, the term of two (2) of our Board Members – Ms Tys (Former Chairperson) and Ms Jojo; came to an end in February 2023. As the Board, we wish to thank them for their commitment in serving the interest of the Entity and ensuring continuity during challenging times. To the Board of Directors, your work and service to the ECLB is commendable, and for that I sincerely thank you and look forward to your dedication as we guide the organisation towards a better trajectory.

A word of appreciation goes to the CEO, Dr Makala and her team, for consistently displaying high level of professionalism and dedication to her work. Her leadership is enormously appreciated and valued by the Board. As the Board we are indebted to the excellent work that is executed by the ECLB Management and the entire staff. We thank you for putting the ECLB first and your undivided commitment to the ideals of the organisation.

Lastly, I wish to convey a deep word of gratitude to the Shareholder and a special thanks to MEC, Honourable Mlungisi Mvoko, for continued guidance and support that he provides to ECLB which enables the Entity to consistently realize its mandate. A special word of appreciation goes to all our stakeholders who have been instrumental in our achievements by supporting ECLB initiatives to deliver on its mandate. Without the support of the stakeholders, ECLB would not be able to meet its targets and fulfil its mandate as prescribed by the Act. For that we sincerely thank every stakeholder that continues to give us support and we value such strategic partnerships.

4. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Annual Report is an account and overview of how we have taken up the challenge to regulate the registration of retail sales and micro-manufacturing of liquor in the Province; encourage and support the liquor industry in the management and reduction of the socio-economic and other costs of excessive alcohol consumption in the Eastern Cape. The 2022/23 reporting cycle is the evidence of the commitment the ECLB towards its mandate to implement the Eastern Cape Liquor Act, 2003 and performance against the predetermined objectives. It is with great pleasure to look back and see the progress made towards the 5-year strategic objectives and in receiving clean audit reports for the past four (4) consecutive years.

Through this Annual Report we seek to provide an account of the financial and service delivery performance as outlined in the Annual Performance Plan (APP) for the 2022/23 financial year. This report further reflects on the progress regarding the Entity's efforts in seeking to maintain the highest standards of governance in the management of public finances and resources.

The 2022/23 financial year started with the extremely disruptive impact of the tragedies that occurred at the Enyobeni Tavern (East London) and Razzmatazz (Hofmeyer) and brought to fore the social pandemic of underage drinking and the non-compliance of liquor traders to the provisions of the Eastern Cape Liquor Act 10 of 2003 and associated Regulations. The ECLB acted swiftly by lodging criminal cases against the alleged wrongdoers and is supportive of the criminal prosecution alongside key role players such as the South African Police Services and National Prosecuting Authority.

I am delighted to report that ECLB has worked relentlessly to achieve its targets as reflected on this Annual Report. However, this progress has been sustained against the backdrop of tremendous financial and human resource constraints that the organisation has been operating under during this period. This year has seen a more productive implementation of the strategy with our organisation responding positively to the ongoing challenges such as intensifying our efforts on harm reduction interventions and compliance and enforcement. The improved relations with the law enforcement agencies have resulted in the Entity curbing an increased number of illegals.

To further illustrate continued commitment, the organisation has also obtained a clean audit report for the 2022/23 financial year.

PERFORMANCE REVIEW

During the year under review, ECLB performed well, and I am delighted to present some of the developments that took place and achievements that were registered.

CORPORATE GOALS ACHIEVEMENT

I am delighted to report that the Entity achieved over 81,3% of what was planned for the year under review, with three (3) not met of the 16 planned target. We can attribute the positive achievements to the strategies that we employed to improve our operations, including the mobilisation of stakeholder mobilisation to augment its diminishing capacity to deliver on its mandate.

CORPORATE GOVERNANCE

ECLB continues to ensure adherence to its core values and commitment to good corporate governance principles, as entailed in King IV Corporate Governance Report. The functionality of the Board and its committees has been in line with the approved charters.

The term of office for two (2) Members of the Audit Committee and two (2) Members of the Board came to an end in July 2022 and February 2023 respectively. The changes in these key governing structures were a smooth transition and are grateful to the leadership. The rigorous audit and risk management systems have reasonably prevented potential mismanagement cases. The Entity will continue to strive to maintain and optimise governance standards.

The Entity is awaiting the publication of the reviewed Eastern Cape Liquor Act, 2003 Regulations. This was informed by the need to amend the Eastern Cape Liquor Authority Act,2018 and as a measure to be able to respond to the changes in the operating environment, the reviewed regulations will ensure that the ECLB remains responsive in its regulatory obligation.

Revenue collection for the year under review, has increased significantly compared to the prior year as a result of the extension of the liquor licence renewal by the MEC.

In an endeavour to optimally deliver on its mandate, ECLB is severely constrained by the inadequate human resource. We believe that the budget injection by Treasury to the Entity will contribute to improving the organisation's ability to enforce compliance and effectively drive education and awareness interventions.

ECLB remains committed to realising the potential and talent of its staff, and in the period under review, it has prioritised the skills development of its employees through various training programmes. We also remain committed to contributing to the fight against unemployment in the Province, and we have since recruited about 17 unemployed graduates and 10 interns that are contracted for a period of two years. We also pride ourselves for having absorbed some interns into permanent employment within our organisation.

LICENCING PROGRAMME

The ECLB is mandated by the Eastern Cape Liquor Act to issue liquor licences to those who meet the set criteria. The licensing programme regulates licences that are being processed up to approval. The current licensing system has aged, and its technology is no longer supported. The ECLB has made massive strides in improving the licencing system to enhance licencing efficiency and effectiveness. There has been a notable improvement in the performance such as the review of the licensing policy and improvement in strategies to improve efficiency.

The Entity continues to capacitate liquor traders to ensure that they are fully fledged business and can fully participate in the liquor industry value chain. During this period, we saw progress on the linkages facilitated by the ECLB with the big manufacturers, wherein 11 liquor traders were identified with processes to move up the industry value chain. Eight (8) have now successfully registered with CIPC and have undergone a training on *"how to acquire a distribution/wholesale liquor licence"*.

LOCAL ECONOMIC DEVELOPMENT PROJECTS

The Entity took a conscious decision to develop an indicator that would showcase the contribution of the Entity in the township economy and economic development of the Province. During this reporting period, the Entity facilitated the following strategic projects as key development projects;

- Recycling project in the BCMM and NMBM
- Upgrading Tshisanyamas project
- Brewmasters Training Project

COMPLIANCE AND ENFORCEMENT

Liquor licences are granted with clearly outlined trading conditions to which liquor traders must adhere to. Invariably, liquor trade is associated with numerous social ills that take place within communities, and ECLB has a legislative responsibility to enforce compliance with the trading conditions.

That said, non-compliance with the trading remains one of the main concerns of the Board and every effort is made to encourage liquor traders to observe their trading conditions. The Enyobeni and Razzmataz tavern incidents are a reality of the non-compliance reported above. The challenge of non-compliance is further compounded by the mushrooming of illegal liquor outlets in the communities as well as the renting out of liquor licenses by liquor traders licence holders.

The review and amendment of the Eastern Cape Liquor Act, 2003 regulations, seeking declaration of inspectors as Peace Officers in terms of the Criminal Procedure Act, are some of the strategies that will give the Entity more authority to enforce the Act and its regulations. Furthermore, the liquor inspectors in collaboration with the SAPS and Municipal Law Enforcement Agencies have tried to clamp down on this behaviour in communities. SAPS is a strategic partner in the enforcement of compliance and play a significant role in this regard.

The review of the Determination of Fines for the transgression of specified provisions of the Act for admission of guilt were finalised and signed off by the two Chief Magistrates in Gqeberha and Mthatha in August and September respectively.

The trainings and workshops held with the municipal councils increased during this reporting period, where municipalities requested more information on their role in the licensing processes.

111 law enforcement officers from municipalities and SAPS were trained in the enforcement and compliance of the Eastern Cape Liquor Act, 2003 across the Province and further designated by the Board as ECLB liquor inspectors.

SOCIAL ACCOUNTABILITY

The biggest unintended consequence of liquor sale in communities is rising cases of alcohol abuse. ECLB has undertaken education and awareness intervention initiatives with a view of educating communities about the harmful effects of excessive consumption of alcohol.

This shows that alcohol abuse is rampant, and many drinkers engage in risky drinking regularly. Alcohol imposes an enormous toll on South African society through associated economic, social and health costs. However, it is critically significant that before good interventions to reduce the harms associated with alcohol can be designed, it is first necessary to understand the pattern of those harms. That said, the Entity has embarked on a concerted effort to alleviate the scourge of alcohol abuse in the Province through various anti-alcohol abuse initiatives. In seeking to achieve its goal of rolling out the education and awareness initiatives, Social Accountability has identified four focus areas for intervention, namely underage drinking, Foetal Alcohol Syndrome, Road Safety and responsible alcohol consumption and trading. These initiatives are further driven through a rigorous multi-media campaign to convey alcohol abuse messages to the Eastern Cape communities utilising various media platforms such as radio, newspapers, outdoor advertising, and social media.

As part of intensifying the education and awareness programmes, the Entity has embarked on the following campaigns to fight the growing occurrence of underage drinking by school going youth:

- Ambassador Program campaign implemented in 74 schools under the theme *"No underage drinking"*
- *"Anti Pens Down"* Campaign to dissuade learners from engaging in the seemingly growing culture of organizing parties to celebrate end of the examinations.
- Sporting tournaments in 11 schools under the theme "*My Future Matter, Alcohol Must Wait".*

Furthermore, ECLB introduced and implemented Institutions of Higher Learning Anti-alcohol Abuse Project. This is a campaign that seeks to educate students about the scourge of alcohol abuse. Numerous initiatives were conducted in the period under review to ensure that students were capacitated to better relate with liquor and appreciate the consequences of binge drinking. 17 unemployed graduates have been deployed in various campuses across the EC Institutions of Higher Learning to facilitate the project.

CORPORATE SOCIAL INVESTMENT

ECLB recognises the significance of providing alternatives to communities. Many members of the community indulge in alcohol due to limited socio-economic activities, and it has become imperative to conceptualise a programme that will offer an alternative social and economic support to members of the community in trying to persuade them to reduce their alcohol consumption. Over R 58 000 has been spent towards the CSI initiatives across the Province. The focus for the Entity has been on the development of youth in sport. The industry and other stakeholders have also contributed non-monetary support of over R1 million towards the alcohol harm reduction initiatives.

ACKNOWLEDGEMENT

On behalf of the ECLB management and staff, I would like to extend our heartfelt appreciation to the Board Chairperson and Board Members for always keeping us focused on our mission and mandate of transforming and improving the regulation of the liquor industry in the Eastern Cape. Through your guidance and oversight, we will grow from strength to strength. I thank the management for their constructive role, participation, many robust discussions and for making possible all that needed to happen in the year to ensure that ECLB achieved its strategic goals.

The overall ECLB's operational performance in 2022/23 is a testament to a committed, engaged, productive and positive workforce. I thank each staff member for their dedication, passion and hard work during a very difficult year. A big thanks to the staff that are the driving force behind the ECLB brand, every single one of whom is critical to the success of the ECLB. Lastly, but certainly not least, I wish to thank all our stakeholders that have been instrumental in the success of the work we do, the captains of liquor industry and business that have consistently supported what we do, without whom there would be no ECLB, we sincerely thank you and are looking forward to achieving more together. I am grateful for the many fruitful engagements we have had with our stakeholders throughout the year. We look forward to more fruitful collaborations in our endeavour to alleviate the scourge of alcohol and enhancement of the liquor regulation in the Province.

Thank you to our Shareholder, the Department of Economic Development, Tourism and Environmental Affairs (DEDEAT) for an indispensable role they continue to play in providing necessary support and guidance to the Entity. Lastly, a sincere word of thanks goes to the Portfolio Committee for their professional guidance and continuous efforts to instil a greater sense of accountability.

ECLB CEO and employees during the festive season "don't drink and drive" campaign in Gqeberha

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF 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 F) have been prepared in accordance with GRAP standards applicable to the public Entity.

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 has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources 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 performance information, the human resources information and the financial affairs of the public Entity for the financial year ended 31 March 2023.

Yours faithfully

Dr. N Makala
Chief Executive Officer
31 August 2023

Mr. M. Gobingca
Chairperson of the Board
31 August 2023

6. STRATEGIC OVERVIEW

6.1. VISION

To be a liquor authority that strives for economic transformation and social cohesion.

6.2. MISSION

To become a responsible regulator that promotes compliance and the transformation of the liquor industry, while mitigating the adverse effects of excessive alcohol consumption.

6.3. VALUES

Table 1: ECLB values

VALUE	BEHAVIOURAL DEMONSTRATION
Fairness	Behaviour without favouritism, bias or discrimination in all our dealings.
Integrity	Ensuring uncompromised truth, demonstrating sound and moral principles. Demonstrate consistency and trustworthiness.
Accountability	Obligated to demonstrate and take responsibility for our actions, decisions and policies and accountable to the public at large.
Transparency	The decisions and actions taken are open to public scrutiny and the public has a right to access information.
Customer centricity	Demonstrating that our customers both internally and externally are at the centre of our business's philosophy, operations and decisions.

7. LEGISLATIVE AND OTHER MANDATES

The Eastern Cape Liquor Board (ECLB) is established in terms of the Eastern Cape Liquor Act 10 of 2003 (ECLA) as a regulatory body. The ECLB is a Schedule 3C public Entity in terms of the Public Finance Management Act 1 of 1999 (PFMA).

The main functions of the ECLB are to:

- Regulate the registration of retail sales and micro-manufacturing of liquor in the Province.
- Encourage and support the liquor industry in the management and reduction of the socio-economic and other costs of excessive alcohol consumption by creating an environment in which:
    - The entry of new participants into the liquor industry is facilitated.
    - Appropriate steps are taken against those selling liquor outside the regulatory framework.
    - Those involved in the liquor industry may attain and maintain adequate standards of service delivery.
- Facilitate participation by ward committees and communities in the consideration of applications for registration certificates is provided for.
- Ensure that the particular realities confronting the liquor industry in the Province can be addressed.

The ECLB also discharges its mandate in terms of the following legislation amongst others:

- Employment Equity Act 55 of 1998;
- The Liquor Act 59 of 2003;
- The Public Finance Management Act 1 of 1999;
- Promotion of Access to Information Act 2 of 2000;
- Promotion of Administrative Justice Act 3 of 2000;
- Preferential Procurement Policy Framework Act 5 of 2000;
- Labour Relations Amendment Act 6 of 2014;
- Companies Act 71 of 2008
- Disaster Management Act 52 of 2002

ELCB BOARD MEMBERS

MR MANDLENKOSI GOBINGCA
CHAIRPERSON

DR MZUKISI MBOTO

MR WAYNE MANTHE

MS NCUMISA NOMFUNDO NONGOGO

EXECUTIVE MANAGEMENT

DR NOMBUYISELO MAKALA
CHIEF EXECUTIVE OFFICER

MS ANDISWA VIKILAHLE
CHIEF FINANCIAL OFFICER

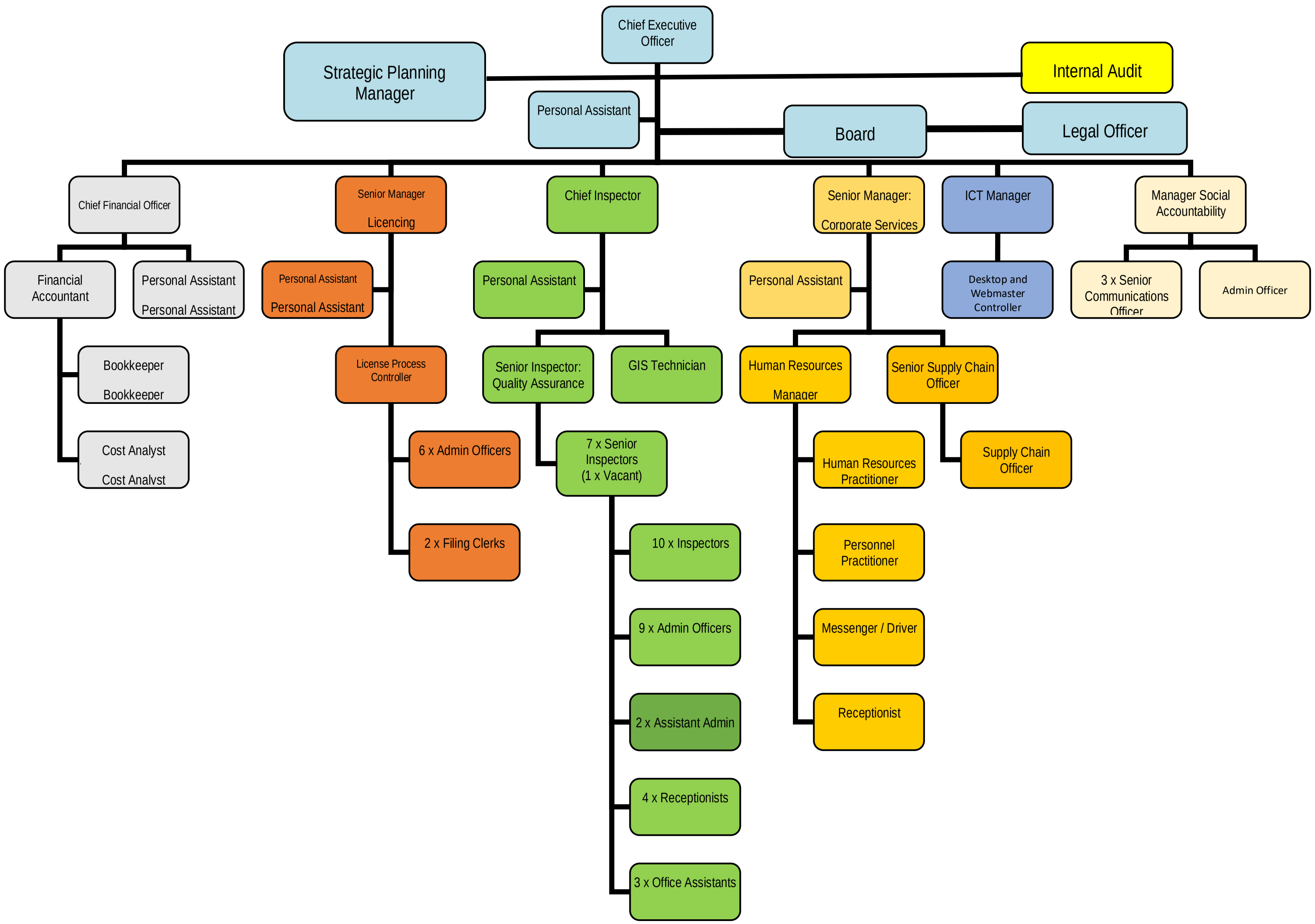
MR PUMLANI TYALI
SENIOR MANAGER LICENSING

MR ZOLA TYIKWE
CHIEF INSPECTOR

MRS LINDA LINDELWA TINI
SENIOR MANAGER
CORPORATE SERVICES

DR MGWEBI MSIYA
SENIOR MANAGER
SOCIAL ACCOUNTABILITY

8. ORGANISATIONAL STRUCTURE



PART B:
PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide limited assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the ***Predetermined Objectives*** heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 77 of the Report for the Auditors Report, published as Part F: Financial Information.

2. SITUATIONAL ANALYSIS

SERVICE DELIVERY ENVIRONMENT

INTRODUCTION

The 2022/23 financial year was a recovering period from the devastating impact of the COVID-19. The Enyobeni and Razzmataz incidents tested our regulatory environment due to the increase in illegal liquor outlets and underage drinking. The limited number of inspectors as well as the current licensing system which has aged as its technology is no longer supported remain the key challenges facing the Entity.

The redetermination of fines, declaring the ECLB Inspectors as Peace Officers as well as training of the SAPS and Municipal Law Enforcement Officers in ECLB compliance and enforcement function made a positive contribution to operations. Training and workshops with the municipal councils increased where municipalities requested more information on their role in the licensing processes. The further extension of the licence renewal period for 2022 to June 2023 by the MEC for DEDEAT had a positive impact in renewal rate as 92% of registered liquor traders had renewed their licences by March 2023.

INTERNAL ENVIRONMENT

- In terms of the operating environment, the ECLB receives applications for liquor licences which are processed as prescribed by the ECLA.
- ECLB has a responsibility to monitor compliance of registered liquor traders with the terms and conditions of licences as well as to support liquor traders in various ways that may enable them to participate meaningfully in profitable sectors of the industry and move to higher value chain areas. The potential to accomplish this is dependent on the liquor traders understanding of the intricacies of the liquor industry, the relevant regulatory framework and business growth or expansion opportunities.
- Pre-registration Compliance Inspections are conducted for all applications that are received for registration. Such inspections are timeframe specific as legislation points to the time period to dispose of compliant applications received by the Board.
- Verification further assists to determine if there are any, or no, educational institutions or places of worship within a 100m radius of the proposed liquor outlet, which the applicant would have notified of the application in terms of the Act. The Act requires that an applicant serves a notice to the ward committee of the area where the proposed liquor outlet will be situated. The ward committee is then expected to convene a community meeting to inform the community of the pending application and thereafter compile a report on such consultation which should then be submitted to the municipal council and to the Board for consideration. Verification of this consultation is to ensure that the correct community members who would be affected by the outlet were properly consulted.
- One critical aspect and a requirement in terms of the Act is community consultation which seeks to involve the community in the vicinity where the liquor outlet will be situated. This ensures that communities are well informed of the pending application for the retail of liquor and to enable them to file objections against the application, should there be any, or make representations in support of the application.
- The legislative framework further imposes an obligation on the licensing authorities, including the ECLB, to issue licences mindful of the associated adverse effects, hence interventions undertaken to moderate abuse of alcohol in collaboration with other institutions.
- The shrinking budgets and inadequate human resource capacity hamper genuine efforts to alleviate the scourge of underage drinking.
- In addition, the limited or lack of capacity to undertake scientific assessments to determine the baseline or extent of the problem and evaluate the impact of the intervention compromises ECLB’s efforts to reduce underage drinking.
- Often the available limited resources are not focused into areas having the problem due to lack of scientific data that informs or provides data on the state of the social problem.

EXTERNAL ENVIRONMENT

- The liquor industry in the Province is dominated by taverns, at 60% of the overall number of registered liquor outlets. The Entity is continuously providing workshops to encourage the liquor traders to formalise their businesses. While the progress is slow, there are however number of liquor traders that have been formalised into businesses and registered with SARS to be tax compliant.
- The continued collaboration efforts on partnerships with the Small Enterprise Development Agency (SEDA), South African Revenue Services (SARS), Companies Intellectual Properties Commission (CIPC) and FNB to implement education programmes around business registration and business and individual tax has resulted in a positive response from some liquor traders.
- The Entity is continuously experiencing an increase in incidents relating to underage drinking and alcohol abuse and, Gender Based Violence influenced mainly by alcohol abuse. There are also increased reported cases of underage drinking, alcohol abuse at the institutions of higher learning and in communities.
- An emerging trend of the high rate of consumption of alcohol among the school-going youth calls for a more concerted intervention effort, targeting schools to heighten education on the dangers of underage drinking.
- The increasing cases of alcohol abuse and underage drinking continue to present an enormous an immense challenge to the limited capacity of the Entity to reach a substantial target audiences.
- During this reporting year, the tragedies which occurred at the Enyobeni Tavern (East London) and Razzmatazz (Hofmeyer) have brought to the fore the social pandemic of underage drinking and the non-compliance of liquor traders with the provisions of the Eastern Cape Liquor Act No10 of 2003 and associated Regulations. The ECLB acted swiftly by lodging criminal cases against the alleged wrongdoers and is supportive of the criminal prosecution alongside key role players such as the South African Police Services and National Prosecuting Authority.
- ECLB licensing processes for the approval of a liquor licence are subject to receipt of required documentation which includes a ward councilor's report on community consultation. The ECLB sought the indulgence of the Mthatha High Court to review the decision of the board to issue a liquor licence and in turn cancel the licence against **Phedisa Tavern in the Alfred Nzo District Municipality**. The order was granted, and the licence was cancelled.
- Furthermore, the ECLB has intensified its social accountability campaigns to educate communities and the youth of the social ills associated with the abuse of liquor and has launched the anti pens down campaign.
- The majority of the liquor traders businesses are not formalised, preventing access to finance by marginalised liquor traders to grow and/or diversify due to policies of government and development finance institutions.
- Limiting legislation to enforce Broad Based Black Economic Empowerment (BBBEE) compliance, the new Eastern Cape Liquor Authority Act legislation has been passed and is awaiting the approval of regulations before it is implemented.
- There is ongoing encroachment of the Black liquor trader's traditional township market by the big retail chain stores.

CHALLENGES IN THE OPERATING ENVIRONMENT

- The increase in the manufacturing and distribution of illicit and deadly alcohol.
- Liquor outlets that allow young/underage children to purchase and consume alcohol.
- Renting out of liquor licences.
- Increasing criminal cases relating to alcohol related activities.
- Delayed conclusion of the revised liquor policy and legislation at both National and Provincial levels.
- Lack of supervision of uncompetitive behavior by the manufacturers and wholesalers by the Competition Commission.
- The compliance monitoring of distributors and wholesalers in the Province has its limitations and it is resulting in increased cases of unlicensed liquor trading.
- Slow progress by big manufacturers to the transformation of the industry. To date there has been no tangible progress felt. There seems to be a dislocation of efforts by different role players in this regard.
- The Entity is strongly advocating at the National Liquor Regulators Forum for the Department of Trade and Industry to establish a liquor industry Charter.
- The absence of black participation in the micro manufacturing subsector of the liquor industry remains a challenge in achieving the transformational agenda. This is mainly due to the barriers to entry in the subsector, namely the technical knowledge which is a prerequisite and access to financial resources /capital.
- Growing alcohol abuse, underage drinking and Foetal Alcohol Syndrome (FAS) remains one of our challenges and much effort and resources are set aside to continuously educate and provide awareness in the community about the dangers of alcohol abuse. There has also been a growing number of cases of Gender Based Violence (GBV) where it is believed that alcohol is the number one contributor.
- The delayed submission and non-submission of community consultation reports by Ward Councillors, which invariably impacts negatively in the processing and finalisation of the applications within the legislated time.
- Failure by liquor traders to form associations due to limited understanding of the benefits inherent in being a member of an Association as well as standard practices for associations of this nature.

- Lack of progress with regards to implementing the linkages between the big industry manufacturers and the liquor traders in respect of support to move higher up the liquor industry value chain.
- The Entity lacks the requisite capacity to undertake baseline and post assessments to determine the need for interventions and their impact. Partnerships formed with institutions of higher learning and industry continue to provide opportunities for future research support.
- ECLB is continuously experiencing human capital challenges more specifically with the legislative reforms being introduced, and the increase in the operations (e.g. 16 Inspectors who must enforce compliance by over 7 500 liquor licence outlets throughout the Province) as well as, social accountability programmes.
- The continuing budget shrinkage over the years limits the Entity's capacity to deliver on its mandate. Consequently, opportunities continue to be sought for efficiencies in processes, various revenue enhancement strategies and collaborations with NGO's, government departments, the liquor industry and institutions of higher learning.

OPPORTUNITIES

- The ECLB has engaged in discussions with the Nelson Mandela University, National Youth Development Agency and existing micro manufacturers. The purpose is to structure a training programme to train Black youth to be brew masters under the mentorship of the existing micro manufacturers and acquire start-up funds to establish their businesses.
- In order to augment its limited capacity, the Entity embarked on a concerted effort to mobilise stakeholder partnerships for purposes of collaboration. Quite significantly, stakeholder support provided ECLB with requisite capacity to achieve its objectives in some areas.

PERFORMANCE OVERVIEW

The table below provides summary of the Entity's performance for the period under review.

#	Performance indicator	Annual Target	Annual Target Achieved
1	% of fully compliant licence applications considered within legislated timeframes	70%	42,02%
2	Number of new formal liquor traders associations facilitated	3	0
3	Number of Black liquor traders to participate at higher levels of the value chain	2	8
4	Number of projects facilitated to contribute to local economic development	3	3
5	% of pre-registration inspections conducted	75%	95%
6	Number of compliance inspections conducted to ensure compliance with liquor regulations	2 700	3 115
7	Number of blitz operations conducted with law enforcement agencies to enforce liquor legislation	60	93
8	Number of Thematic reports on the anti-alcohol abuse interventions conducted	4	4
9	Number of social responsibility programmes conducted	12	15
10	Number of people reached through education and awareness interventions and social responsibility initiatives	65 000	96 909
11	Number of assessment and evaluation reports produced	1	0
12	Audit outcome	Clean Audit	Clean Audit
13	Progress report on HR Maturity level	HR Maturity Level 3	HR Maturity Level 3
14	Percentage spent on Eastern Cape SMME's	55%	84%
15	ICT Governance Framework implemented	ICT Maturity level 3	ICT Maturity level 3
16	Organisational performance index	80%	81,25%

- The Entity achieved 13 of the 16 key performance indicators planned for the year under reporting. The Entity has achieved 81.25% of its planned targets for the year. The decline is due to the following:
    - The indicator relating to "Number of assessment and evaluation reports produced" was not met because it was largely based on the budget that the Shareholder had committed to assist the Entity for the assessment and the evaluation of the alcohol harm reduction initiatives, which was later redirected to other projects of the Department.
    - The indicator relating to "% of fully compliant licence applications considered within legislated timeframes" was not met due to:
        - The newly lodged licence applications continue at an average of 67 applications per month, while there is still a backlog of applications in the pipeline.
        - The limited number of Inspectors who are expected to conduct pre-registration inspections, follow-up on the applications issued with Sections 22(5) notices, post-registration inspections, attend to complaints lodged as well as blitz operations contributes to applications not being considered within the legislated timeframes.
        - The current licensing system has aged, and its technology is no longer supported. This continues to result in technical glitches which have a major impact on the entire process of issuing licences.
    - The "Number of new formal liquor traders' associations facilitated" target was not achieved due to the delays by the associations in submitting their applications to the Department of Social Development

KEY HIGHLIGHTS

The Entity in its endeavours to fulfil its mandate on ensuring compliant liquor trading, transformation of the liquor industry and educating communities about the adverse effects of alcohol abuse has during the year under review, the following highlights:

- **Recycling project in the BCMM and NMBMM** has been initiated by the Entity. The Entity held engagements with Nelson Mandela Bay Metro and Buffalo City Metro Municipalities, four (4) big liquor manufacturers, DEDEAT and Plastic Recycling Company (PETCO) to plan the establishment of the recycling projects in the two (2) Metros. A task team has been established for the project and two (2) meetings have been held.
- **Upgrading Tshisanyamas project**. The targeted areas being Buffalo City Metro and Nelson Mandela Metro. The broad project concept has been presented to ECDC and FoodBev SETA. The liquor manufacturers are still to be approached for co-funding as well. The delay has been due to the accreditation process of the proposed outlets to obtain a business licence to sell food by the BCMM and NMBMM and the unacceptability of the quotation submitted by the potential service provider, which led to a decision by the potential funder to invite more quotations from other service providers.
- **Brewmasters Training Project**. The Entity has engaged FoodBev Sita to allocate funding in the training of black youth with micro-biology qualifications to be trained as brewmasters. Commitment has been sought from five (5) of the micro-manufacturers to mentor these potential trainees.
- The **number of licences** that were expected to be renewed for 2023 was 7 530. The total number of licences renewed as at 31 March 2023 was 6 936 (92.5%) with a further 3% renewed to the end of June 2023 responding to the extended renewal period approved by the MEC.

UNFORTUNATE ADVERSE EVENTS

- The tragedies which occurred at the Enyobeni Tavern (East London) and Razzmatazz (Hofmeyer) have brought to the fore the social pandemic of underage drinking and the non-compliance of liquor traders with the provisions of the Eastern Cape Liquor Act No. 10 of 2003 and associated Regulations. The ECLB acted swiftly by lodging criminal cases against the alleged wrongdoers and is supportive of the criminal prosecution alongside key role players such as the South African Police Services and National Prosecuting Authority.
- The ECLB sought the indulgence of the Mthatha High Court to review the decision of the board to issue a liquor licence and in turn cancel the licence against Phedisa Tavern in Alfred Nzo District Municipality. In this case, it was brought to the attention of the ECLB that the submitted community consultation report was incorrect and a misrepresentation as it was convened by the incorrect ward councilor. The ECLB applied to the Mthatha High Court to review its decision of issuing a liquor licence and in turn for the order to cancel the licence. The order was granted, and the licence cancelled. The ECLB has instituted criminal charges against the alleged wrongdoers for contravening the provisions of the Eastern Cape Liquor Act No.10 of 2003 and associated Regulations.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

- Through rigorous engagement with DEDEAT and the Chief State Law Advisor, it was agreed that the new Act (No. 4 of 2018) requires amendment to ensure that it is fit for purpose when proclaimed. Furthermore, it was agreed that whilst the amendment process of the new Act is unfolding, the Regulations to the current Act No.10 of 2003 will be amended to bolster the ECLB's legislative footing and to increase its revenue generation. The amendment to the current Regulations is due to be gazetted for public comment in the 2023/2024 financial year.

3. STRATEGIC OUTCOMES

The table above demonstrates the outcomes, outcome indicators and five-year targets set for the organisation as contained in the Strategic Plan 2020

OUTCOME	OUTCOME INDICATOR	FIVE-YEAR TARGET	PERFORMANCE INDICATOR	2020/21 PERFORMANCE	2021/2022 PERFORMANCE	2022/23 PERFORMANCE
Reduction in alcohol abuse and behavioural change towards alcohol consumption	Informed and educated communities on dangers of alcohol abuse	40% - 60% Responsible consumption of alcohol	Number of anti-alcohol abuse interventions conducted	291	4	4 Reports on the 195 anti-alcohol abuse interventions conducted
			Number of people reached through education and awareness interventions and social responsibility initiatives	42 987	80 708	96 909
Empowered communicates through Social Responsibility/CSI programmes of the ECLB			Number of social responsibility programmes conducted	8	12	15
			Number of assessment and evaluation reported produced on the interventions conducted	New Indicator	New Indicator	0
Compliant liquor trading and regulated access to alcohol	Improved compliance and enforcement with liquor regulations/trading conditions	80% - 90% compliance with liquor regulations and conditions	% pre-registration inspections conducted	73%	95%	95%
			Number of compliance inspections conducted to ensure compliance with liquor regulations	45%	68%	3 115
			Number of blitz operations conducted with law enforcement agencies to enforce liquor legislation	50	67	93
Efficient liquor licensing	Liquor licences issued within legislated timeframes	100% compliance with legislated timeframes.	% of fully compliant licence applications considered within legislated timeframes	40%	50%	42,02%
Increased participation by the previously disadvantaged in both the retail and micro-manufacturing levels in the Province,	Percentage increase of participation by the previously disadvantaged in the retail sales and micro-manufacturing of liquor in the Province	20% – 40 % increased participation.	Number of new formal liquor traders' associations facilitated	2	1	0
			Number of Black liquor traders to participate at higher levels of the value chain	0	0	8
		Reports on the number of liquor related projects facilitated to support economic development in the Province	Number of projects facilitated with funding to contribute to local economic development	New Indicator	New Indicator	3

OUTCOME	OUTCOME INDICATOR	FIVE-YEAR TARGET	PERFORMANCE INDICATOR	2020/21 PERFORMANCE	2021/2022 PERFORMANCE	2022/23 PERFORMANCE
Good Corporate Governance	Improved compliance to corporate governance standards and prescripts	Unqualified audit opinion with no material findings	Audit outcome	Clean Audit	Clean Audit	Clean Audit
		Progress report on HR Maturity level	HR Maturity level	New Indicator	New Indicator	Level 3
		Signed and approved procurement report	Percentage spent on Eastern Cape SMME's	42%	53%	84%
		ICT Maturity Index Framework Report on the assessment of the ECLB ICT Maturity	ICT Governance Framework implemented	Maturity level 3	Maturity level 3	Maturity level 3
		Validated report on the number of planned targets achieved by the end of the financial yea	Organisational performance index	83%	82%	81,25%

4. PERFORMANCE INFORMATION BY PROGRAMME

4.1 FINANCE

4.1.1 PURPOSE OF THE PROGRAMME

To ensure an effective, efficient and transparent system of financial management as well as establish, maintain and enhance appropriate organisational systems to fulfill the Board's mandate:

- Financial Management
- Asset management
- Reporting and accountability responsibilities.

KEY PERFORMANCE MMEASURES, TARGETS AND ACTUAL RESULTS FOR 2022/23 FINANCIAL YEAR									
Outcome	**Output**	**Output Indicator**	**Actual Achievement 2020/2021**	**Actual Achievement 2021/2022**	**Planned Target 2022/ 2023**	**Actual Achievement 2022/2023**	**Deviation from planned target to Actual Achievement for 2022/ 2023**	**Comment on deviations**	**Reasons for revisions to the Outputs / Output indicators / Annual Targets**
Good corporate governance	Improved adherence with corporate governance standards and government prescripts	Audit outcome	Clean Audit (2019/20)	Clean Audit (2020/21)	Clean audit (2021/22)	Clean audit (2021/22)	N/A	N/A	No revision was made from the previous year.

4.1.2 PROGRAMME PERFORMANCE

- All In-Year – Monitoring (IYM) reports due were submitted to Treasury and DEDEAT.
- The payment to DEDEAT is reconciled monthly and paid on time.
- Financial oversight reports were submitted to Management.

4.1.3 STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

There were no areas of underperformance on the performance indicators that were planned during the financial year of reporting.

4.1.4 CHANGES TO PLANNED TARGETS

There were no changes made to the performance indicators and targets during the financial year of reporting.

4.1.5 LINKING PERFORMANCE WITH BUDGET

Programme	**Budget** R'000	**Actual Expenditure** R'000	**(Over)/Under Expenditure** R'000
Finance	13 746	13 358	**388**
Capital expenditure	**1 528**	**1 357**	**171**
TOTAL	**15 274**	**14 715**	**559**

4.2 CORPORATE SERVICES

4.2.1 PURPOSE OF THE PROGRAMME

The Corporate Services Programme provides operational support to the Entity. The core functions of this programme include the following:

- - Human Resources,
- - Corporate Administration and
- - Supply Chain Management.

KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2022/23 FINANCIAL YEAR									
Outcome	Output	Output Indicator	Actual Achievement 2020/2021	Actual Achievement 2021/2022	Planned Target 2022/ 2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement for 2022/ 2023	Comment on deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Good corporate governance	Improved adherence with corporate governance standards and government prescripts	Progress report on HR Maturity level	New	New	Level3	Level3	N/A	N/A	N/A
		Percentage spent on Eastern Cape SMME's -	42%	50%	55%	84%	29% over	Target Met. The overachievement is due to the Entity focusing its efforts to support and promote the local suppliers.	N/A

4.2.2 PROGRAMME PERFORMANCE

The Corporate Services programme achieved all the planned targets for the year. The following activities were undertaken:

4.2.3 PERFORMANCE MANAGEMENT

- In line with the Performance Management and Development policy, performance agreements for 2022/23 were concluded and performance reviews were conducted, and the qualifying employees were rewarded.

4.2.4 EMPLOYEE HEALTH AND WELLNESS

- An employee health and wellness programme was developed for the year under review and the planned interventions were conducted.

4.2.5 SKILLS DEVELOPMENT

- In order to ensure capacitation of employees a Skills Development Plan for 2022/23 was developed and the majority of interventions that were planned were implemented.

4.2.6 HR MATURITY LEVEL

- The Entity has achieved HR Maturity level three as planned, this includes establishing HR processes and practises that can be continuously improved to develop the workforce and eliminate problems with work performance.

4.2.7 SUPPLY CHAIN MANAGEMENT

- Quotations, deviations, contracts and quotations register are in place.
- Supply Chain Management policy was reviewed in line with the Preferential Procurement Regulations 2022 and all procurement processes had been followed for the transactions of the period under review.
- 84% of the procurement for the period under review was from SMMEs based in the Eastern Cape.

4.2.8 STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

There were no areas of underperformance on the performance indicators that were planned during the financial year of reporting.

4.2.9 CHANGES TO PLANNED TARGETS

There were no changes that were made to the performance indicators and targets during the financial year of reporting.

4.2.10 LINKING PERFORMANCE WITH BUDGET

Programme	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Corporate Services	8 162	8 084	**78**
TOTAL	**8 162**	**8 084**	**78**

4.3 INFORMATION COMMUNICATION AND TECHNOLOGY

4.3.1 PURPOSE OF THE PROGRAMME

Information Communication and Technology Division is to provide IT support to the head office and district offices.

KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2022/23 FINANCIAL YEAR									
Outcome	Output	Output Indicator	Actual Achievement 2020/2021	Actual Achievement 2021/2022	Planned Target 2022/ 2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement for 2022/ 2023	Comment on deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Good corporate governance	Improved adherence with corporate governance standards and government prescripts	ICT Governance Framework implemented	Maturity level 3	Maturity level 3	Maturity level 3	Maturity level 3	N/A	N/A	No revision was made from the previous year.

4.3.2 PROGRAMME PERFORMANCE

Outlined below is the progress that has been made in the period under review in respect of the performance indicators of this programme.

4.3.3 ICT INFRASTRUCTURE SUPPORT

- The availability and uptime of the ICT infrastructure is maintained at the acceptable level requirement of 98.33%.
- Research on modernisation of new technological systems such as Datacentre refresh to support business processes has been conducted. Procurement process is in progress.
- ICT District visits on-going.

4.3.4 ICT GOVERNANCE AND STRATEGY

- Compliance with Control Objectives for Information and Related Technology (COBIT).
- Implementation of ICT Governance (ICT Charter in place. formulation of ICT Steering Committee, appointment of ICT Steering Committee members including ICT Governance Champion, ICT Steering Committee convened quarterly).
- Implementation of the ICT Audit findings through Policy reviews and controls.
- ICT Strategic Plan is in place and implementation is in progress.
- ICT Governance Policy and Disaster Recovery Plan implemented. Monitoring in progress.

4.3.5 ICT PROJECTS

- Network Printing solution procured.
- Leasing and Maintenance of Computer Equipment solution.
- Staff training on how to operate video conferencing solution is on-going.
- Network boosters installed at Head Office to improve performance of the network.
- Annual licenses renewed (Office365, Antivirus, Adobe, etc.).

4.3.6 STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

There were no areas of underperformance on the performance indicators that were planned during the financial year of reporting.

4.3.7 CHANGES TO PLANNED TARGETS

There were no changes made to the performance indicators and targets during the financial year of reporting.

4.3.8 LINKING PERFORMANCE WITH BUDGET

Programme	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Information Communication and Technology	3 794	3 732	62
TOTAL	**3 794**	**3 732**	**62**

4.4 OFFICE OF THE CEO

4.4.6 PURPOSE OF THE PROGRAMME

The Office of the CEO provides strategic leadership to the Entity and handles all the matters of the Board and its Committees. The responsibilities include:

- Oversee corporate governance, overall performance management and reporting
- Strategic Planning
- Legal Services
- Board Support

KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2022/23 FINANCIAL YEAR									
Outcome	Output	Output Indicator	Actual Achievement 2020/2021	Actual Achievement 2021/2022	Planned Target 2022/ 2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement for 2022/ 2023	Comment on deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Good corporate governance	Improved adherence with corporate governance standards and government prescripts	Organisational performance index	83%	82%	85%	81,25%	N/A	N/A	No revision was made from the previous year.

4.4.7 PROGRAMME PERFORMANCE

- The Entity has achieved 81.25% of its planned targets for the year which is a 1% decline from the previous years' performance due to three (3) indicators that were not met.
- Performance was monitored, evaluated, reported and audited on a quarterly basis.
- The Annual Performance Plan (2023/24-2025/26) and Annual Operational Plan (2023/24) were developed and submitted as per legislated timeframes.
- All the policies were reviewed and the policy workshops for employees were conducted.

4.4.8 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE.

The Entity has prioritised the appointment of additional Inspectors, procurement of a new licensing system as well as funding for the evaluation of anti-alcohol interventions. These are some of the activities that will contribute to improve the underperformance.

4.4.9 CHANGES TO PLANNED TARGETS

There were no changes made to the performance indicators and targets during the financial year of reporting.

4.4.10 LINKING PERFORMANCE WITH BUDGET

Programme	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Office of the CEO	7 026	6 939	87
TOTAL	**7 026**	**6 939**	**87**

4.5 LICENSING PROGRAMME

4.5.1 PURPOSE OF THE PROGRAMME

The Licensing programme is responsible for: -

- Administrative processes of liquor licence applications and renewals.
- Monitor the running of the Snapstar Licensing System.
- Secretariat for the Licencing Committee.
- Implementation of the Liquor Traders Development Programme.

KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2022/2023 FINANCIAL YEAR									
Outcome	Output	Output Indicator	Actual Achievement 2020/2021	Actual Achievement 2021/2022	Planned Target 2022/ 2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement for 2022/ 2023	Comment on deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Efficient licensing	Reports of licence applications considered within 60-day legislated timeframes	% of fully compliant licence applications considered within the 60-day legislated timeframes	40.04%	50%	70%	42.02%	(27.98%)	•The limited number of Inspectors who are expected to conduct pre-registration inspections, follow-up on the applications issued with Sections 22(5) notices, post-registration inspections, attend to complaints lodged as well as blitz operations contributes to applications not being considered within the legislated timeframes. •The current licensing system has aged, and its technology is no longer supported. This continues to result in technical glitches which have a major impact on the entire process of issuing licences. The newly lodged licence applications continue at an average of 67 applications per month, while there is still a backlog of applications in the pipeline.	Following are the actions required for the ECLB to be able to deal with the major variance: •Provision of budget for the procurement of the Licensing system by DEDEAT and Provincial Treasury. •DEDEAT and Provincial Treasury to consider prioritising the request for funding of additional Inspectors.
Transformed and Sustainable Liquor Industry in the Province	Proof of formal registration of liquor traders' association	Number of new formal liquor traders' associations facilitated.	2	1	3	0	(3)	Target not met. Two (2) of the three (3) liquor trader associations from Lusikisiki Liquor Traders Association and Masibambane Forum (Elliotdale) have lodged their applications with the Department of Social Development.	The Entity will continue with the advocacy programme to encourage liquor traders to form

KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2022/2023 FINANCIAL YEAR									
Outcome	**Output**	**Output Indicator**	**Actual Achievement 2020/2021**	**Actual Achievement 2021/2022**	**Planned Target 2022/ 2023**	**Actual Achievement 2022/2023**	**Deviation from planned target to Actual Achievement for 2022/ 2023**	**Comment on deviations**	**Reasons for revisions to the Outputs / Output indicators / Annual Targets**
								They are in the final stages of being finalised.	associations. The association delayed the process of submitting their applications.
	Proof of newly established liquor traders participating at micro/retail level of liquor industry value chain and diversification of the business	Number of Black liquor traders' distributors facilitated to participate at higher levels of the value chain	0	1	2	8	6	Target has been over-achieved. Eight of the 11 liquor traders that were identified by the big manufactures have registered as natural to juristic persons. These liquor traders have also been trained by National Liquor Authority on Wholesaling/Distribution. They are awaiting certificates as Wholesalers/Distributors from NLA.	The National Liquor Authority is finalising the applications to register for the distribution and wholesale licences, where preferable.
	Reports on the number of liquor related projects facilitated to support economic development in the Province	Number of projects facilitated to contribute to local economic development	New	New	3	3	-	a) **Recycling project in the BCMM and NMBMM** has been initiated by the Entity. The Entity held engagements with Nelson Mandela Bay Metro and Buffalo City Metro Municipalities, four (4) big liquor manufacturers, DEDEAT and Plastic Recycling Company (PETCO) to plan the establishment of the recycling projects in the two (2) Metros. A task team has been established for the project and two (2) meetings have been held. b) **Upgrading Tshisanyamas project.** The targeted areas being Buffalo City Metro and Nelson Mandela Metro. The broad project concept has been presented to ECDC and FoodBev SETA. The liquor manufacturers are still to be approached for co-funding as well. The delay has been the accreditation process of the proposed outlets to obtain a business licence to sell food by the BCMM and NMBMM and the	Progress on the process thus-far and exploring other avenues to support these projects will be considered in the next financial year

KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2022/2023 FINANCIAL YEAR

Outcome	Output	Output Indicator	Actual Achievement 2020/2021	Actual Achievement 2021/2022	Planned Target 2022/ 2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement for 2022/ 2023	Comment on deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
								unacceptability of the quotation submitted by the potential service provider, which led to a decision by the potential funder to invite more quotations from other service providers. c) **Brewmasters Training Project**. The Entity has engaged FoodBev Sita to allocate funding in the training of black youth with micro-biology qualification to be trained as brewmasters. Commitment has been sought from five (5) of the micro-manufacturers to mentor these potential trainees.	

4.5.2 PROGRAMME PERFORMANCE

The next sections outline progress that has been made in the period under review in respect of the performance indicators as outlined in the table above.

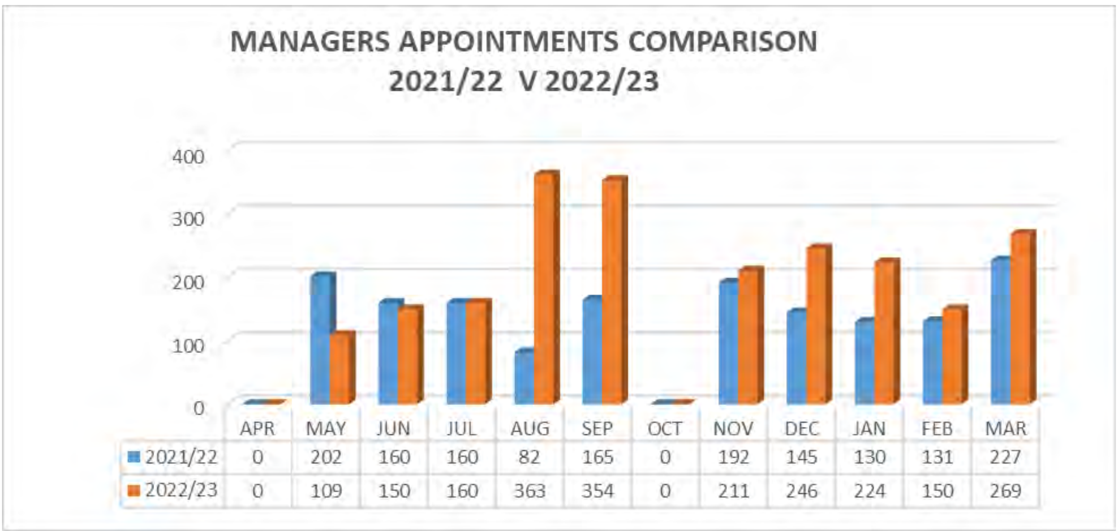
4.5.3 OVERALL LICENCE APPLICATIONS RECEIVED

The table below depicts the total of 771 applications received during this financial year, categorised as follows:

TYPE OF APPLICATION	NUMBER OF APPLICATIONS RECEIVED
New registrations	578
Transfers	124
Removals	9
Micro-manufacturers	1
Special Events	59
Total	**771**

4.5.4 MANAGER'S APPOINTMENT APPLICATIONS

2 236 manager's appointment applications were received processed, and certificates issued.



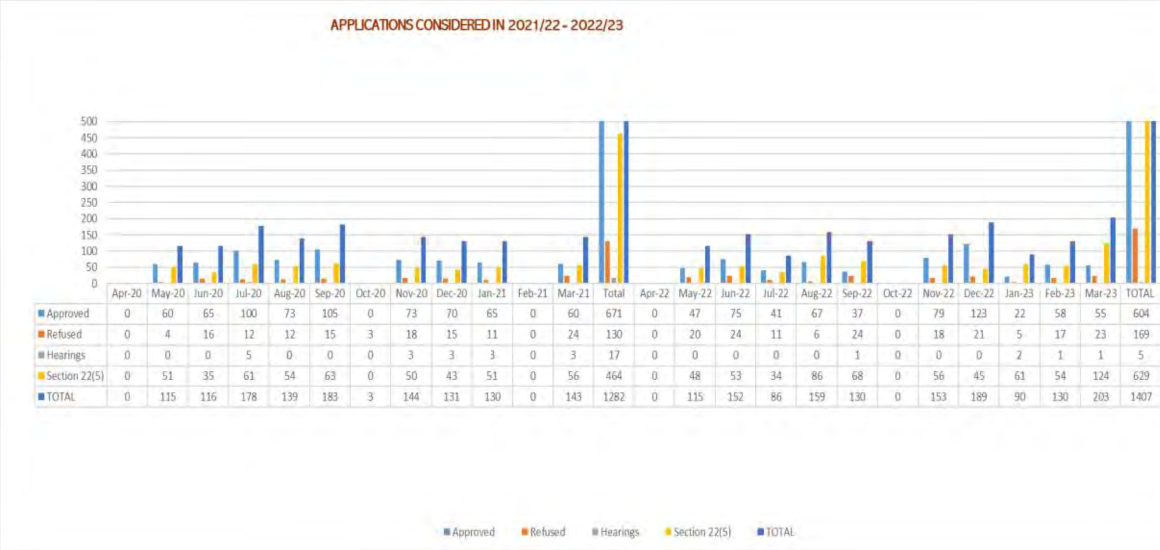
4.5.5 LICENCE APPLICATIONS CONSIDERED FOR APPROVAL

The number of days is calculated from the date of inspection to the date of consideration of the applications by the Licencing Committee. A total of 1 407 applications were considered by the Licencing Committee in the period under review. The 1 407 applications referred above includes backlog applications from the prior year. The graph above shows the applications considered. The outcomes are as follows: -

- 604 applications were approved
- 169 applications were refused.
- 629 applications were given section 22(5) Notices.
- 5 applications were scheduled for hearings.

Of the 1 407 considered, 871 were considered for the first time. A total of 366 of the 871 (42.02%) were considered within the prescribed period of 60 days and 505 (57.98%) outside this period.

The graph below shows the comparison between 2021/22 and 2022/23 applications considered by the Licensing Committee, it can be observed that there has been a growing trend in Section 22(5) Notices and hearings.

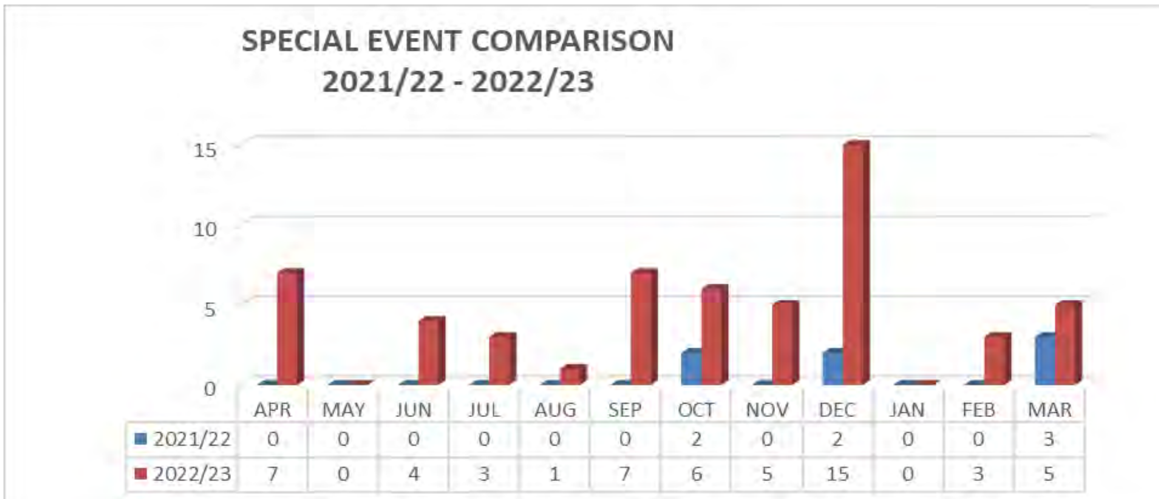


	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Total
Approved	0	60	65	100	73	105	0	73	70	65	0	60	671
Refused	0	4	16	12	12	15	3	18	15	11	0	24	130
Hearings	0	0	0	5	0	0	0	3	3	3	0	3	17
Section 22(5)	0	51	35	61	54	63	0	50	43	51	0	56	464
TOTAL	0	115	116	178	139	183	3	144	131	130	0	143	1282

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	TOTAL
Approved	0	47	75	41	67	37	0	79	123	22	58	55	604
Refused	0	20	24	11	6	24	0	18	21	5	17	23	169
Hearings	0	0	0	0	0	1	0	0	0	2	1	1	5
Section 22(5)	0	48	53	34	86	68	0	56	45	61	54	124	629
TOTAL	0	115	152	86	159	130	0	153	189	90	130	203	1407

4.5.6 SPECIAL EVENTS

A total of 61 special events applications were considered and 56 applications were approved during the year under review. The graph below illustrates the comparison between 2021/22 and 2022/23.



	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
2021/22	0	0	0	0	0	0	2	0	2	0	0	3
2022/23	7	0	4	3	1	7	6	5	15	0	3	5

4.5.7 LICENCE RENEWALS

The number of licences that were expected to be renewed in 2023 was 7 530. The total number of licence's renewed as at 31st of March 2023 was 6 936 (92.47%).

4.5.8 MICRO – MANUFACTURING LICENCES

As at 31 March 2023, there were 23 Micro-Manufacturing registered outlets. The table below reflects the listing of these outlets.

List of micro manufacturers

NO	BUSINESS NAME	TOWN	TYPE OF LIQUOR
1	African Cures	Gqeberha	Sherry (ingredient for medication)
2	The Little Brewery On The River	Port Alfred	Malt Based Beer
3	Graaff Reinet Museum	Graaff Reinet	Spirits (Witblits)
4	Theescomb Wines	Gqeberha	Wine
5	Bridge Street Brewery	Gqeberha	Beer and Cider
6	Emerald Vale Brewery	East London	Malt Based Beer
7	Southern Wind Trading	East London	16 Alcoholic Fruit Beverage
8	Dockside Brewery	Gqeberha	Beer
9	Tsitsikama Micro Brewery	Storms River	Beer (ale)
10	Richmondhill Brewing Company	Gqeberha	Beer
11	Traditional Tinjan	Humansdorp	Tinjan (ingredient for medication)
12	Jeffreys Bay Craft Brewery	Jeffrey's Bay	Beer
13	J Bay Brewing Company	Jeffrey's Bay	Beer
14	Brickmaker Distillery Co	Gqeberha	"Rhino – Rum"
15	Table 58 Micro Brewing	East London	Beer
16	Hogsback Brewery	Hogsback	Beer
17	Black Hog Brewery	St Francis	Beer
18	St Francis Brewing Company	St Francis	Beer
19	One 33 Craft Distillers & Cheesery	St Francis	Rum
20	Enterpid	Makhanda	Beer
21	Ferreira Post Distilleries	Jeffery's Bay	Rum
22	Fleur Du Vin	Stutterheim	Beer
23	My Urban Africa	Gqeberha	Traditional Beer

4.5.9 LIQUOR TRADER'S DEVELOPMENT PROGRAMME

NUMBER OF NEW FORMAL TRADERS' ASSOCIATIONS FACILITATED

The facilitation process to formalise two new (2) liquor traders associations has not concluded as they have only managed to lodge their applications with the Department of Social Development and have not yet been formally registered as Non-Profit Organisations with Companies and Intellectual Property Commission (CIPC), these being

- Masibambane Liquor Forum (Elliotdale), and
- Lusikisiki Liquor Traders Association (Lusikisiki).

NUMBER OF LIQUOR TRADERS EMPOWERED IN THE PROVINCE

The tables below provides a summary of the sessions that were held with liquor traders across the Province: -

#	TRAINING INTERVENTION	NAME OF LIQUOR ASSOCIATION	TOWN	NO OF ATTENDEES
1.	Business Tax and Company Registration	Senqu Liquor Traders Association	Sterkspruit	55
		Concerned Liquor Traders	Gqeberha	22
		KwaNobuhle Liquor Traders Association	Kariega	32
	TOTAL			**109**

#	TRAINING INTERVENTION	NAME OF LIQUOR ASSOCIATION	TOWN	NO OF ATTENDEES
2.	Business Information and advisory services workshops	Stutterheim Liquor Traders Association	Stutterheim	28
		Bay Taverners Association	Ggeberha	38
		Concerned Liquor Traders Association	Ggeberha	9
	TOTAL			**75**

#	TRAINING INTERVENTION	NAME OF LIQUOR ASSOCIATION	TOWN	NO OF ATTENDEES
3.	National Liquor Authority Distribution Sessions	Imonti Food and Liquor Traders Association	East London	16
		Enoch Mgijima Liquor Traders Association	Komani	10
	TOTAL			26

4.5.10 BLACK LIQUOR TRADERS TO PARTICIPATE AT HIGHER LEVELS OF THE VALUE CHAIN

- A total of 11 liquor traders were identified in consultation with the big manufactures (Heineken, Diageo, SAB and Distell) as showing great potential for moving up the value chain. Eight (8) have now successfully registered with CIPC, three (3) have declared that they are no longer interested.
- The National Liquor Authority (NLA) has agreed to run educational programme for Eastern Cape Liquor Traders Associations on “how to acquire a distribution/wholesale liquor licence”.
- ECLB facilitated educational workshops regionally to be run by the National Liquor Authority on the requirements for applying for the above.
- A total of regionally 26 liquor traders (including the above-mentioned 8) attended the workshops.
- Qonce Liquor Traders Association has successfully registered with the CIPC and certificate has been submitted to the ECLB as proof of registration. This new company joined the NLA workshop

4.5.11 PROJECTS FACILITATED TO CONTRIBUTE TO LOCAL ECONOMIC DEVELOPMENT

- **Recycling project in the BCMM and NMBMM.** The Entity has facilitated and initiated the recycling project in the two metros, with engagements between Nelson Mandela Bay Metro and Buffalo City Metro Municipalities, four (4) big liquor manufacturers, DEDEAT and Plastic Recycling Company (PETCO). A task team was established for the project with a number of meetings taking place since its establishment. To date, the process of implementing this project in both Metros is underway, with the BCMM having the Border-Kei Chamber of Business being the implementing agent as there already exists a Memorandum of Agreement between them in this regard.
- **Upgrading Tshisanyamas project**. This project has been facilitated as a means to upgrade the quality standards of existing Tshisanyamas at liquor outlets in the BCMM and NMMM. A total of 10 outlets from each metro have identified staff to be trained in meat processing and handling, and food safety. This is part of the initiative by the ECLB to encourage diversification of tavern outlets to move away from just selling liquor but position themselves as entertainment centres that can potentially be integrated into the hospitality subsector of tourism, especially in the townships where this phenomenon has become a trend. One of the big liquor manufactures, Distell, has committed to fund the training programme. Implementation is currently underway. The liquor outlets are in the process of accreditation to obtain business licences to sell food by the BCMM and NMBMM.
- **Brewmasters Training Project**. The Entity has engaged FoodBev SETA fund in the training of black youth with micro-biology qualifications to be trained as brewmasters. Commitment has also been sought from five (5) of the micro manufacturers to mentor these potential 10 trainees. Implementation is currently underway.
- Attempts to facilitate the funding of the **Mayime Winery Project and Sorghum Project** have not been responded to by the targeted potential funders.

4.5.12 STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The Entity will apply the following corrective measures to overcome the underperformance indicated in this report for each of the indicators:

(i) Percentage of fully compliant liquor licence applications considered within legislated timeframes.

- Prioritising the major variances in the processing of applications backlog reflected through the age analysis. A pipeline of outstanding applications is reviewed monthly to monitor progress of each application. Monthly reports are produced and action to be taken is forecast by this monitoring tool.
- Dealing with the applications received without Ward Councillors Reports. The Entity has undertaken a process to solicit a court judgement on how to mitigate against this limitation which the Entity has no direct control over.
- Appeals have been made to the DEDEAT and Provincial Treasury to consider funding additional Inspectors so that applications are processed within the legislated timeframe.
- Training of newly appointed Ward Councillors on their role in the processing of liquor licence applications and its relevance to liquor regulation as prescribed by legislation.
- Conducting public awareness and education campaigns to empower communities on their role in the regulation of liquor trading in their areas.

(ii) Number of new formal liquor traders' associations facilitated.

The Entity continues to make follow-ups with the liquor traders and provide support needed to ensure a complete state of readiness to register an association. The Entity continues to facilitate advocacy programmes that will encourage liquor traders to organise themselves and explain the benefits that accrue as a result.

(iii) Number of Black liquor traders' distributors facilitated to participate at higher levels of the value chain.

The Entity continues to provide business linkages for the liquor traders while also exploring funding and/or sponsorship opportunities for the liquor traders. The Entity seeks to facilitate and enhance engagements with the leadership of the big manufacturers to address the transformation of the profile of the liquor industry participants through the office of the MEC.

4.5.13 LINKING PERFORMANCE WITH BUDGET

Programme	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Licencing	6 819	6 722	97
TOTAL	**6 819**	**6 722**	**97**

4.6 COMPLIANCE AND ENFORCEMENT PROGRAMME

4.6.1 PURPOSE OF THE PROGRAMME

The principal responsibility of the Compliance and Enforcement Programme is to:

- Ensure that appropriate steps are taken against those selling liquor outside the administrative and regulatory framework established in terms of the Eastern Cape Liquor Act (ECLA).
- Ensure that community considerations on the registration of retail premises are considered.
- Work with other law enforcement agencies, towards achieving the goal of a responsible liquor trading in the Eastern Cape that promotes safe communities.

KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2022/2023 FINANCIAL YEAR									
Outcome	Output	Output Indicator	Actual Achievement 2020/2021	Actual Achievement 2021/2022	Planned Target 2022/ 2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement for 2022/ 2023	Comment on deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Compliant liquor trading and regulated access to alcohol	Improved compliance and enforcement	% of pre-registration inspections conducted	73%	95%	75%	95%	20% overperformance	More focus has been paid to the application pipeline management	Close monitoring of the pipeline to ensure timeframes are adhered to
	Reduction in incidents of reported non-compliance with liquor regulations	Number of compliance inspections conducted to ensure compliance with liquor regulations	45%	68%	2 700	3 115	415 overperformance	More inspections conducted than planned due to the pressure from community stakeholders	To ensure adherence to the organisational plans
		Number of blitz operations conducted with law enforcement agencies to enforce legislation	48	67	60	93	Overperformance of 33 blitz operations	More blitz operations conducted due to demand from stakeholder to ensure compliance	Adherence to organisational plans

4.6.2 PROGRAMME PERFORMANCE

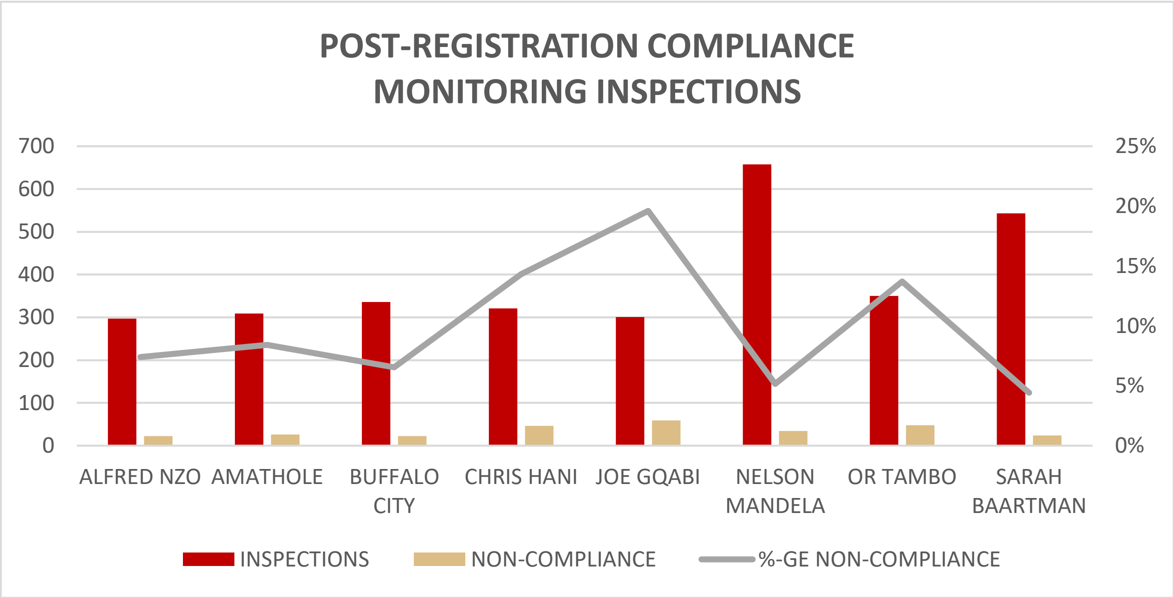
The next sections outline progress that has been made in the period under review in respect of the performance indicators as outlined in the table above.

4.6.2.1 PRE-REGISTRATION INSPECTIONS

- For the period under review 747 applications were inspected out of the 783 applications received for the period under review. 720 of these inspected applications form part of the register of applications received during the period under review whilst 27 of these inspections do not form part of the application register due to delays that can be attributed to system and capacity challenges.
- The challenges range from our licensing system that is fraught with technical glitches to issues of capacity, considering that the same inspector that must conduct an Inspection has other functions.
- Inspectors also have 30-days timeframe obligations relating to Section 22(5) notices that have to be delivered and followed up, as well as complaints investigations.
- The tools developed to monitor and assist Inspectors to finalise applications include:
    - One for new applications that determines when an application is due for inspection and
    - Another one for monitoring Section 22(5) notices issued.

4.6.2.2 POST REGISTRATION INSPECTIONS

- 3 115 inspections in total were conducted. The total exceeds the targeted total of 2 700 outlets that were planned to be visited during the period under review due to repeated visits at some of these outlets as some were found closed on the date and times they were first visited and had to be revisited to confirm if they are still operational and compliant with the legislation.
- The rise in the need to conduct these compliance monitoring inspections was also as a result of the now infamous Enyobeni Tavern and Razzmataz Tavern incidents which saw 21 and 3 young people losing their lives at these premises respectively during the year under review.
- This led to unprecedented calls for more inspections throughout the Province from communities, municipalities and the South African Police Service to have more intense monitoring exercised and most of these are in the Nelson Mandela Bay Metro as depicted in the graph below.
- 2 834 were found to be compliant with the Act and 281 not compliant. For the 281 non-compliant, actions have been taken included the issuance of 261 compliance notices, 4 Admission of Guilt (J534) fines, 14 standard reminder notices and 2 criminal cases opened for two (2) of the outlets.
- As the graph shows that whilst Nelson Mandela Metro may have conducted more inspections, the rate of non-compliance is much higher in the smaller Joe Gqabi at 20% of the inspections conducted and lowest at Sarah Baartman at just 4%.



- The two (2) outlets that had the unfortunate incidents of deaths had been temporarily closed in terms of Section 55 of the Act, which provides for the closure of a liquor outlet in instances of or threatened public disturbance, disorder, riot or public violence, after the uproar of communities following these incidents.
- One outlet, Phedisa Tavern in Mt Fletcher, was deregistered following a court order issued by the Mthatha High Court due to misrepresentation done by a ward councillor who had mischievously acted without authorisation from the correct ward councillor.

4.6.2.3 ILLEGAL TRADING

- In the year under review 358 persons operating unregistered liquor outlets were referred to the criminal justice system for prosecution as follows:
    - 140 illegal liquor traders were issued with the Notice to Appear in Court with an option to pay a fine (J534) amounting in total to R287 900.00,
    - 38 criminal cases were opened, and these cases are pending finalisation in court,
    - 180 Section 19 Referral Letters were issued by inspectors where persons found at the premises were suspected of trading without being registered. These notices are issued in the absence of the SAPS and thus referred to the SAPS for further action to be taken against the person concerned, and
    - Liquor to the value of about R360 611.00 has been confiscated from these illegal outlets and will be disposed of once the criminal proceedings have been finalised.

4.6.2.4 BLITZ OPERATIONS

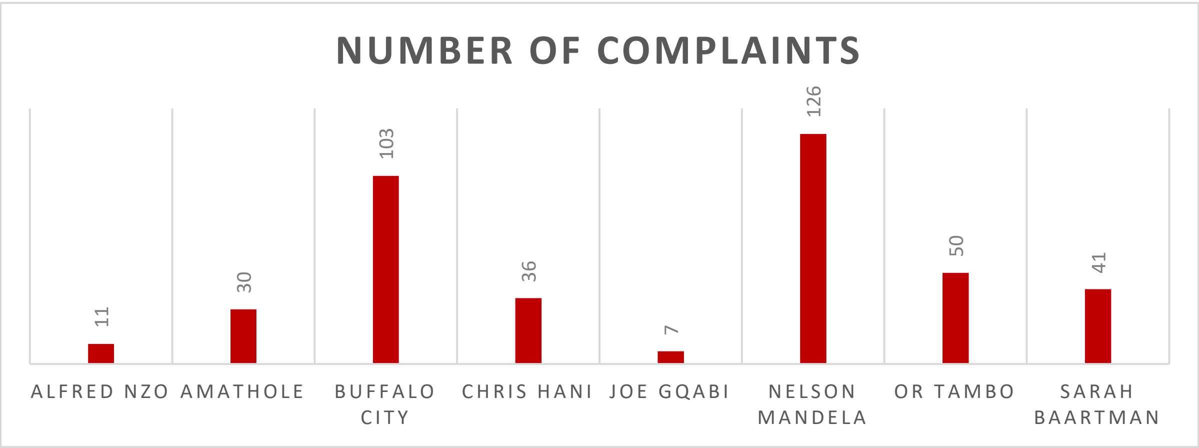
- Joint Blitz Operations relates to collaboration with law enforcement agencies where the blitz operation embarks on strategic crime prevention programmes targeted at non-compliant liquor outlets, inconsiderate trading liquor outlets and those that trade in liquor without being registered.
- These joint blitz operations are carried with various stakeholders who have an interest within the liquor industry such as the South African Police Service, Department of Home Affairs Immigration Division, Department of Labour, and Municipal Disaster Management, Environmental Health, Fire and Safety and Building Inspectorates.
- A total of 93 joint blitz operations were carried out during the period under review where 378 liquor outlets were inspected, and the following was found:
    - 228 were found to be compliant with the applicable laws and trading conditions. 70 were found to be non-compliant with the Act and trading conditions and were thus issued with Section 54 Compliance Notices. 80 were trading illegally as they were not registered.
    - 67 compliance notices were issued during blitz operations and 3 standard reminder notices were issued.
    - 49 Section 19 notices
    - 24 Admission of guilt fines (J534) were issued to suspected illegal liquor trader.
    - 7 criminal cases were opened for illegally trading in liquor
    - 36 illegal outlets were identified during the joint blitz operations, and this is included in the total of outlets referred to the criminal justice system.

BLITZ Operations

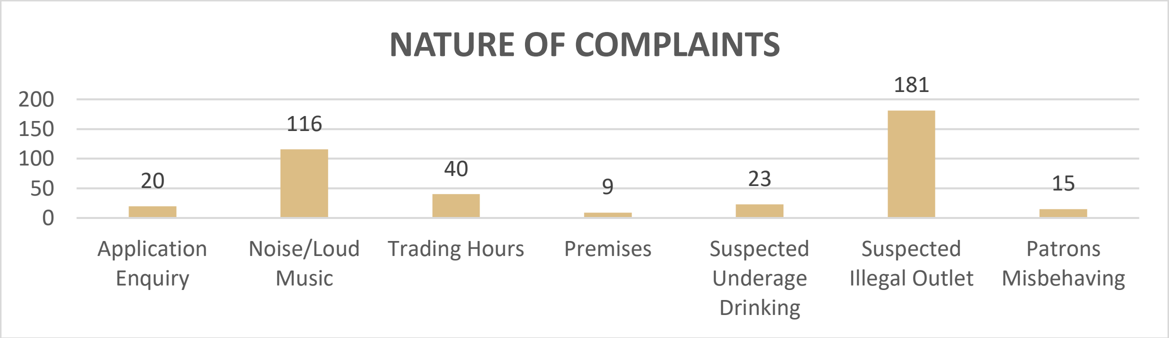
4.6.2.5 COMPLAINTS MANAGEMENT

- A complaints management system is used to record, monitor and manage complaints filed by members of the public as well as institutions that experience challenges due to people trading in liquor, who sometimes may even be trading illegally.
- The ECLB is utilising a call centre to receive complaints and provide a complaints management system to enable the monitoring and management of the processes relating to complaints filed. The toll-free service has been working well in helping communities to forward their complaints for attendance by inspectors who conduct investigations and ensure that those that are to be referred to the relevant institutions are in fact referred.
- 404 complaints were received during the period under review and 284 of those were attended to within 30 days, translating to 70%.
- Five (5) complaints were still pending within 30 days while 17 had not been attended to and were out of time.
- 98 were attended to after the expiry of the 30 days due to lack of capacity and sheer volumes of complaints received during the period under review.

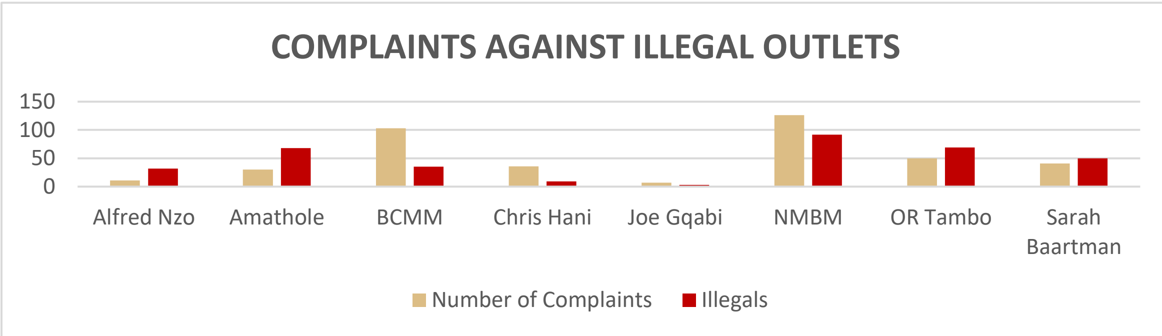
As the graph shows, Nelson Mandela Bay Metro leads with the number of complaints received with 126, followed by Buffalo City Metro with 103 complaints. The least complaints are reported in Joe Gqabi with only 7.



The graph below shows the nature of complaints received with 45% of complaints received relating to suspected illegal trading which is attended to by referring the matters reported, upon investigation, to the criminal justice system, 29% relate to noise/loud music emanating from liquor outlets:

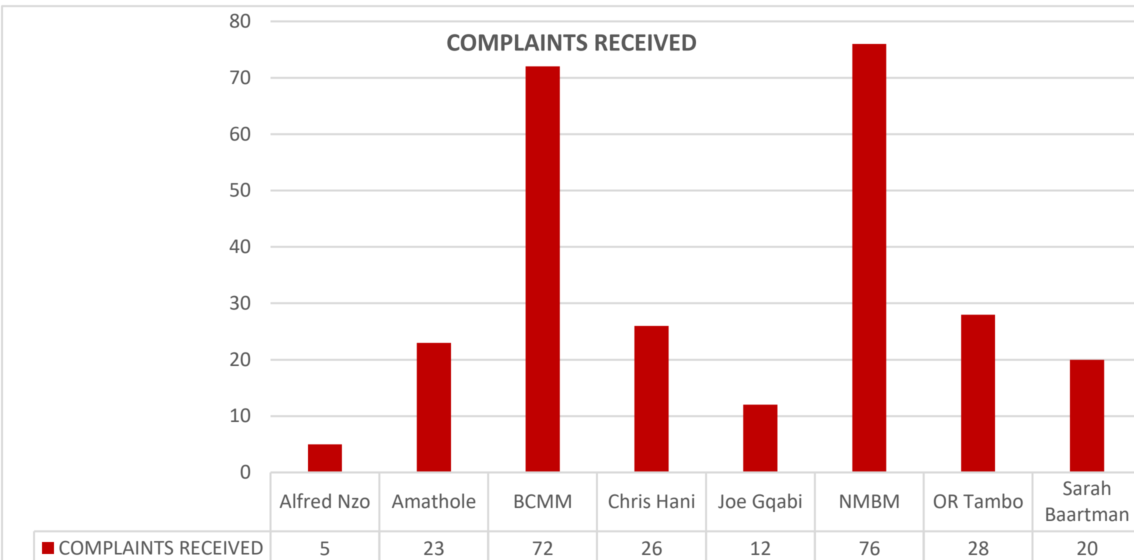


The graph of complaints against illegal outlets identified and referred to the criminal justice system below shows how responsive the ECLB has been in the attendance of complaints as complaints regarding illegal trading:



- Suspected illegal trading complaints lead with about 54% of all complaints during the year under review.
- Liquor traders that traded beyond the regulated trading hours also spiked to about 21% as traders made attempts to recoup what they had lost during the hard lockdown period.
- In terms of intensity of complaints, the graph below shows Nelson Mandela Bay leading in thenumber of complaints received reaching 29% of all complaints received by the Entity.

Complaints about trading hours and illegal trading are the leading cause for complaints in the Nelson Mandela Bay Metro.



OPPORTUNITIES

- Project data will be formally correlated with ECLB Inspectors during the upcoming sustainability audit to identify gaps in compliance.
- An opportunity exists to leverage the Responsible Trade Facilitation (RTF) data collection and visualisation tools for the Liquor Board Inspectors to streamline data collection and analysis.

4.6.3 LINKING PERFORMANCE WITH BUDGET

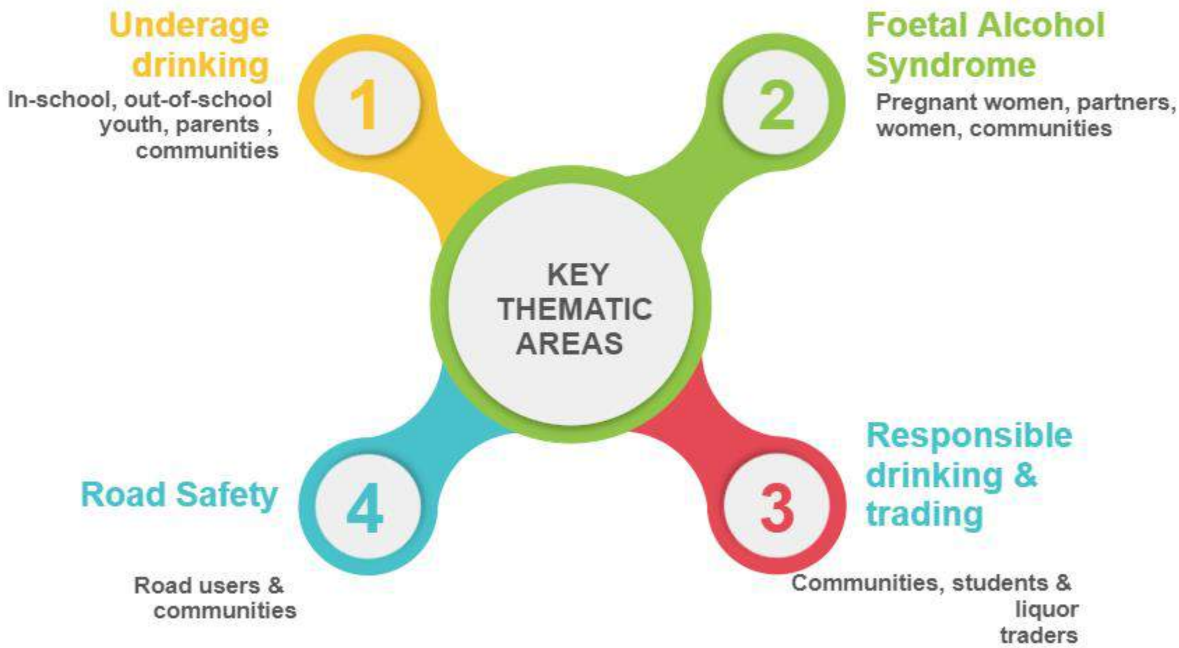
Programme	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Compliance and enforcement	26 806	26 774	32
TOTAL	**26 806**	**26 774**	**32**

4.7 SOCIAL ACCOUNTABILITY PROGRAMME

4.7.1 PURPOSE OF THE PROGRAMME

The Social Accountability Programme is responsible for:

- raising awareness and educating the public on the adverse effects of alcohol consumption through Anti-Alcohol Abuse Awareness programmes. The figure below shows the focus areas, with the target audience, that constituted awareness initiatives:



4.7.2 SOURCES OF DATA FOR EDUCATION AND AWARENESS INTERVENTIONS:

In the period under review, the Entity made use of the following sources of data for the education and awareness intervention initiatives implemented:

- The data that were generated through the Socio-Economic Impact of liquor industry study in the Eastern Cape, The Economic Profile of Liquor Industry in the Eastern Cape and Investigation of the Prevalence of Alcohol Consumption during Pregnancy.
- Data that was sourced from Nielsen have also been used as a basis for understanding the economics of the liquor industry and how it contributes to the broader economic outlook of the Province.
- The Entity also relied on the data from various national sources, including the World Health Organisation which has undertaken research studies on alcohol abuse and its implications both in South Africa and internationally.
- Statistics from various health facilities, SAPS and other sector departments on reported cases on the abuse of alcohol and other alcohol related incidents.
- Anecdotal reports were received from the liquor Inspectors on the prevalence of alcohol abuse in communities that they serve or visit for inspections
- ECLB Geographical Information Systems (GIS) data that shows the distribution of liquor outlets in the Province and targeted those areas with high concentrations of liquor outlets that are inclined to have high cases of non-compliance, and
- For all the road safety interventions, the Entity relied on statistics obtained from Road Safety Department and Road Accident Fund on road accidents.

KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2022/2023 FINANCIAL YEAR

Outcome	Output	Output Indicator	Actual Achievement 2020/2021	Actual Achievement 2021/2022	Planned Target 2022/ 2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement for 2022/ 2023	Comment on deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Reduction in alcohol abuse and behavioral change towards alcohol consumption	Informed and educated communities on dangers of alcohol abuse	Number of Thematic Reports0F0F0F[2]on the awareness interventions conducted	291	4	4	4	Not Applicable	Not Applicable	Not applicable
		Number of social responsibility interventions conducted	8	13	12	15	Overperfomance by three (3) interventions.	Overachievement was due to requests that ECLB received from stakeholders for collaborations and support to their own community-based initiatives.	Not application
		Number of people reached through awareness interventions	42 987	80 708	65 000	96 909	Overperformance of 31 909 people reached.	Overachievement was due to stakeholder collaborations that Social Accountability mobilised over the period under consideration. Furthermore, over the period under consideration, the division received invitations from other stakeholders for partnership in their own community-based	

[2] The target refers to the number of reports submitted of initiatives implemented per thematic area.

KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2022/2023 FINANCIAL YEAR

Outcome	Output	Output Indicator	Actual Achievement 2020/2021	Actual Achievement 2021/2022	Planned Target 2022/ 2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement for 2022/ 2023	Comment on deviations	Reasons for revisions to the Outputs / Output indicators / Annual Targets
								initiatives and that enabled Social Accountability to reach a substantial number of people. In addition, some schools made special requests to ECLB to conduct awareness campaigns in their institutions due to rising cases of underaged drinking.	
Empowered communicates through Social Responsibility/CSI programmes of the ECLB		Number of assessment and evaluation reported produced on the interventions conducted	New	New	1	0	Target not achieved (underachievement)	Budget that the Shareholder had set aside for the assessment and evaluation of the intervention initiatives was redirected to other programmes of the Shareholder and the process of undertaking the evaluation was suspended.	

4.7.3 PROGRAMME PERFORMANCE

The next section outlines progress that has been made in the period under review in respect of the performance indicators as outlined in the table above.

4.7.3.1 NUMBER OF AWARENESS PROGRAMMES CONDUCTED

- The Entity effectively implemented 366 interventions focusing on underage drinking, Foetal Alcohol Syndrome, road safety and responsible drinking and trading.
- A total of 96 909 people were reached through anti-alcohol abuse awareness and education intervention initiatives that were conducted and they mainly focused on underage drinking, road safety, Foetal Alcohol Syndrome (FAS) and community awareness outreaches.
- The table below breaks down the total number of people reached per thematic areas:

NO	THEMATIC AREAS	NO. OF PEOPLE REACHED
1	Underage drinking	81 266
2	Responsible drinking and trading (tavern activations, community outreaches & Institutions of higher learning campaigns)	14 148
3	Fetal Alcohol Syndrome (FAS)	765
4	Road Safety (drunk driving)	730
Total		**96 909**

4.7.3.1.1 UNDERAGE DRINKING INTERVENTIONS

- Underage drinking initiatives have largely focused on schools as the majority of underage people are found within the school setting. While the Entity does not have adequate data on the prevalence of alcohol consumption on school premises, the limited scientific evidence and available anecdotal accounts, suggest that schools in general are increasingly experiencing an upsurge in the consumption of alcohol among learners. The data from *Aware!org* study show that there is an exponential increase of alcohol consumption among learners, and often they start to experiment with alcohol as early as 13 years old.
- In the period under consideration, school-based campaigns were conducted in 5 district municipalities and two metropolitan municipalities in the Province.
- Through the school-based interventions, a total of 89 campaigns were conducted that sought to educate and raise awareness among learners about the dangers of underage drinking, and during this campaign a total of 81 266 leaners were reached.
- The table below illustrates the number of school-based interventions according to district municipalities:

DISTRICT / REGION	ACTIVITY	MESSAGE	NO. OF SCHOOLS
Amathole District Municipality	Interactive class-to-class interactions, one-on-one sessions, and distribution of educational material	No to underage drinking & dangers of FAS	2
Alfred Nzo District Municipality	Interactive class-to-class interactions, one-on-one sessions, and distribution of educational material	No to underage drinking & dangers of FAS	1
Chris Hani District	Interactive class-to-class interactions, one-on-one sessions, and distribution of educational material	No to underage drinking & dangers FAS	4
Buffalo City Metro	Interactive class-to-class interactions, one-on-one sessions, and distribution of educational material and ambassadorship programme	No to underage drinking & dangers of FAS	29
Nelson Mandela Metro	Interactive class-to-class interactions, one-on-one sessions, distribution of educational material and launch of ambassadorship programme	No to underage drinking & dangers of FAS	22
OR Tambo District	Interactive class-to-class interactions, one-on-one sessions, and distribution of educational material and ambassadorship programme	No to underage drinking & dangers of FAS	31
Total			**89**

- During this period, ECLB established a partnership with the Northern Areas Community Policing Forum together with their South Africa Police Services in the Nelson Mandela Bay Metro Municipality to quell the scourge of underage drinking.
- Through this partnership, sporting tournaments were facilitated under the theme “My Future Matters, Alcohol Must Wait”. Through this partnership, ECLB adopted a total number of eleven schools where awareness programmes will be administered.
- Learners from the Motherwell High Schools held a march to hand over a petition to the police, ECLB, parents and liquor traders as a show of solidarity to the tragic death of 21 young people at Enyobeni Tavern in East London, Scenery Park victims and a drive to fight against selling of alcohol to the underage persons.
- The petition sought to urge police, parents, liquor traders and ECLB to clamp down on the sale of alcohol to underage persons and to take decisive action against liquor traders who are involved in this distasteful behavior.

Underage Drinking Initiatives

SCHOOL AMBASSADOR PROJECT

- ECLB launched the Ambassador Program. The project identifies learners that will drive ECLB underage drinking messages in schools with a view of sustaining the “No underage drinking” campaign.
- Nominated learners are trained on how to drive the campaign in their respective schools so that underage messages are sustained over time for more impact.
- The project was launched by the MEC: DEDEAT, Honourable Mlungisi Mvoko in Gqeberha.
- Below is the list number of schools that participate in the project:

DISTRICT MUNICIPALITY	AREA/TOWN/TOWNSHIP	NUMBER OF SCHOOL
Nelson Mandela Bay Municipality	• Motherwell • Bethelsdorp	22
Buffalo City Metro Municipality	• Mdantsane • Scenary Park • Duncan Village • Cambridge	20
OR Tambo District Municipality	• Libode • Ngqeleni • Mthatha	22
Alfred Nzo District Municipality	• Mount Ayliff	10
	Total	**74**

ANTI PENS DOWN

- The ECLB launched an Anti Pens Down Campaign to dissuade learners from engaging in the seemingly growing culture of organising parties to celebrate end of the examinations.
- The campaign was launched in Buffalo City Metropolitan Municipality at Dimbaza Township, targeting school going youth. A total of four high schools were adopted as pilot sites for the programme, namely, Archie Velile, Richard Varha, Kuyasa and Dimbaza Central High School.
- As part of the campaign, learners pledged that they will not participate in any 'Pensactivities with the overarching theme of "Alcohol can wait, my future matters".
- The anti pens down initiatives were further extended to the OR Tambo District Municipality and Nelson Mandela Bay.
- A total of 15 schools were reached with the Anti-Pens Down campaign and a total of 4 844 learners were reached
- During the campaign, the ECLB collaborated with the South African Police Service (SAPS), National Prosecuting Authority (NPA), Department of Social Development and Education, Religious Fraternity, SAB In-Bev, Distell and liquor traders' associations.

4.7.3.1.2 FOETAL ALCOHOL SYNDROME (FAS)

- The Entity embarked on education and awareness initiatives with specific focus on FAS.
- A total of 30 FAS initiatives were conducted in five (5) district and metropolitan municipalities with a view to educate women and their partners on the dangers of drinking alcohol during pregnancy.
- Subsequently, a total of 765 women were reached during these campaigns.
- ECLB, in partnership with FASFacts, observed the International FAS Day on the 9th September 2022 by conducting a community engagement session in Mdantsane that sought to sensitise women about the dangers of consuming alcohol during pregnancy which may result in Foetal Alcohol Spectrum Disorder (FASD).
- The identification of Mdantsane was through the Pregnant Women Mentoring Programme (PWMP) that is facilitated by FASFacts to support and assist pregnant women to abstain from alcohol during their pregnancy and breastfeeding.
- The Entity rolled out the FAS campaign at the University of Fort Hare clinic to encourage female students to refrain from drinking alcohol during pregnancy.
- ECLB also used the opportunity to engage students about the dangers of consuming alcohol during pregnancy and sensitised men about the role that they can play to support their expectant partners.
- The identification of the clinic was through the alcohol harm reduction programme that is focusing on Institutions of Higher Learning in the Eastern Cape.
- Reports provided by the health facility indicated that there is a growing concern about young women who indulge in alcohol during their pregnancy, thus the need for awareness campaigns was identified to address the worrisome behaviour.

FAS Activations

4.7.3.1.3 COMMUNITY- BASED INTERVENTION INITIATIVES:

- The Entity undertook responsible trading and drinking campaigns with a view to promote responsible drinking and trading in communities. The responsible trading and drinking interventions comprised tavern activations, institutions of higher learning education interventions, road safety campaigns (roadblocks), community engagement sessions through mall activations and community outreaches.
- A number of engagement sessions were held with traditional authorities with a view to solicit partnerships and support to the ECLB mandate, and to intensify working relations in areas of compliance and partnering on awareness initiatives in their respective communities.
- ECLB conducted tavern activations, community outreaches and blitz operations at the Alfred Nzo District Municipality in collaboration with Alfred Nzo Municipal health services, South African Police Service, Umzimvubu Law Enforcement Agencies, Department of Trade, Industry and Competition and the Eastern Cape Liquor Board inspectors. The tavern campaigns sought to promote and emphasise the importance of responsible drinking and trading. In addition, patrons were educated about the perils of FAS.
- A multistakeholder community outreach was conducted at Rode Village in Alfred Nzo. Stakeholders that formed part of the outreach included Department of Trade, Industry and Competition (DTIC), Municipality, SAPS, liquor traders and Department of Social Development. This community outreach sought to empower the community members about their role in liquor license application process, and how they could champion compliance in their respective areas by reporting cases of non-compliance by liquor outlets.
- ECLB has entered into a partnership with Merensky timber company and have collaborated in rolling out alcohol harm reduction initiatives at the Merensky sites in OR Tambo and Alfred Nzo District Municipalities. As part of this partnership, the two organisations conducted a responsible drinking and trading campaign in Ugie targeting workers at the forest plantation.
- Following reports of high cases of alcohol abuse, an underage drinking awareness was conducted in Zwelibangile Senior Secondary School where parents and learners were engaged on the dangers of underage drinking and were provided with educational material that served as reminder of the dangers of underage drinking.
- During the campaign, hostel dwellers that reside near the plantation were also educated on responsible alcohol consumption.
- In seeking to extend its education programme, ECLB engaged Bonkolo Traditional leaders in Mbhashe Local Municipality to solicit partnership in promoting responsible drinking and trading in their respective jurisdictions. Following the engagement with the Traditional Authority, the Bonkolo Traditional leaders invited ECLB to a community outreach that was intended to raise awareness on responsible drinking and trading in Esinqumeni Location. ECLB used this community session to educate members of the community about its mandate, the licensing process, their role in the issuing out of a liquor license, and how to report transgressions pertaining to liquor trading in their areas.

TAVERN ACTIVATIONS

- Over the period under consideration, the Entity conducted tavern-based campaigns to promote compliance, adherence to trading conditions and encourage responsible alcohol consumption.
- A total of 32 responsible trading and drinking initiatives were conducted and 512 people were reached.
- The tavern-based interventions were facilitated in Alfred Nzo, OR Tambo, Chris Hani District Municipalities, and in Buffalo City and Nelson Mandela Bay Metropolitan Municipalities.
- The Entity partnered with South African Police Services, municipal law enforcement agencies and Inspectors.

INSTITUTIONS OF HIGHER LEARNING ALCOHOL HARM REDUCTION INITIATIVE

- Over the period under consideration, the Entity facilitated the Institutions of Higher Learning-based education and awareness programme. The intervention targeted all four universities and two TVET Colleges in the Eastern Cape.
- To implement the project, 17 unemployed graduates were recruited as Project Facilitators and were deployed on various campuses of the institutions of higher learning.
- A total of 144 campaigns were conducted on various campuses, and a total of 14 148 students were reached.
- In the period under review, public dialogues' were rolled out at Walter Sisulu University, Mthatha Campuses and Rhodes University. The student dialogues' key messages entailed binge drinking, GBV and psychosocial impact of alcohol abuse. The dialogues were covered on various campus media platforms such as newsletters, campus social media pages and campus online live streaming.
- Project Facilitators participated and facilitated sporting activities that were held by Walter Sisulu University (Potsdam & Mthatha Campuses) where awareness was raised on key social issues, such as Gender Based Violence and FAS.
- ECLB and Rhodes SRC hosted an 'anti-drug and alcohol abuse' Fun Run. The Fun Run was covered by the Grocott's Mail, which is one of the oldest independent local newspapers in Makanda, with the headline 'Running towards a drug and alcohol-free Makanda".
- The ECLB has entered into a partnership with Campus Community Policing Forum at WSU Komani Campus to drive a national youth crime prevention strategy to curb crime and gender-based violence on campuses.
- ECLB, in collaboration with Fort Hare University and FASFacts, conducted a workshop for parents and community members on the importance of Early Childhood Development (ECD) and Education. The workshop sought to establish sustainable platforms for knowledge-sharing and dialogue with families, communities and various stakeholders. It also sought to raise awareness on ECD matters and advocate for the needs and aspirations of young children. The Eastern Cape Department of Health, South African Social Security Agency (SASSA) and Department of Agriculture presented their services, grants/funding, and bursaries available to young people in the community.
- ECLB in partnership with SANCA and Bumbigomso NGOs also facilitated and hosted training at Fort Hare for 'Peer Helpers' to capacitate them on how to assist students who suffer from alcohol abuse. These students are largely based on campuses and will interact with other students on a regular basis and support them when necessary.

ECLB Officials working together with the BCMM Traffic Services during a Road Safety campaign

4.7.3.1.4 DRUNK DRIVING AWARENESS CAMPAIGN

- Official reports from the Provincial Department of Transport and the Road Accident Fund (RAF) show that drunk driving continues to be among the biggest contributors to road fatalities in the Eastern Cape.
- Equally, the culture of drunk driving on our roads is one of the biggest challenges that continue to put pressure on government and that has increasingly compelled the Entity to intensely drive drunk-driving campaigns on the Eastern Cape roads.
- Over the period under consideration, a road safety campaign was conducted through a multistakeholder collaboration between ECLB, South African Police services, Amathole Road Safety, Provincial Traffic law enforcement, Great Kei Municipality and Heineken on the N2 Kei bridge in Amathole District Municipality. ECLB and the Amathole District Traffic Department identified the route due to its notorious road fatalities. Part of the campaign was to sensitise motorists about the inherent risks of driving under the influence of alcohol and failure to adhere to road rules.
- Further, a similar road safety campaign was conducted at Mzamba Village in Winnie Madikizela Mandela Local Municipality in Alfred Nzo District Municipality. The aim of the campaign was to sensitise motorists about the inherent risks of driving under the influence of alcohol and failure to adhere to road rules.
- The women led road safety campaign was held in August as part of Women's Day commemoration. A roadblock was held in Buffalo City as a concerted effort between the law enforcement agencies of Buffalo City and ECLB that sought to educate motorists about the dangers of drunk driving and where road users were further provided with educational material with road safety messages.
- In response to the impact of drunk driving on the Eastern Cape roads during the festive period, the ECLB partnered with the Nelson Mandela Bay Metropolitan Traffic Department, Provincial Traffic Department, and other law enforcement agencies to launch its Festive Season Road Safety Campaign in Gqeberha.
- The campaign was joined by the ECLB CEO and Nelson Mandela Metropolitan Executive Mayor to raise awareness on the dangers of driving under the influence of alcohol. In addition, various stakeholders collaborated with ECLB in driving the launch, which included the Department of Trade, Industry and Competition (DTIC), South African Breweries (SAB), and various media organisations.
- The Road Safety Campaign Launch was conducted through a massive roadblock and was preceded by a build-up of activity that included unannounced visits to the liquor outlets to check compliance.
- During the Road Safety Launch, road worthy tests were conducted to ensure that vehicles were in a road worthy state, educational material on responsible alcohol consumption was distributed to motorists and passengers, with an overarching message "Do not drink and drive"
- A total of 17 road safety campaigns were conducted during the period under review and 730 people were reached.

Youth and Sport- Netball

4.7.3.2 NUMBER OF SOCIAL RESPONSIBILITY INTERVENTIONS CONDUCTED

- The socio-economic research commissioned by ECLB cited that the main reason people consume alcohol was boredom. This clearly suggests that many people, especially young people, indulge in alcohol due to limited socio-economic activities in their communities.
- During this period, 15 social responsibility initiatives aimed at providing alternative socio-economic activities to people of the Eastern Cape, especially young and people living with disabilities, were facilitated:
- The skills training workshop for the agricultural cooperative in Lusikisiki to empower its members with skills and knowledge to professionally run their cooperative. The workshop further served to present to the Cooperative funding opportunities that they could access to grow their Cooperative.
- The second skills training workshop was facilitated for a cooperative in Ngqeleni that is managed by people living with disabilities. The workshop sought to empower members of the Cooperative with basic skills on managing a cooperative, including bookkeeping, financial management, etc. The workshop was a step towards empowering the Cooperative with skills and knowledge to sustainably run their Cooperative. The Cooperative was also exposed to the processes of accessing funding.
- The Entity handed over agricultural implements to Gambushe Youth Cooperative in Dimbaza at Piri Village, which is running an agricultural project that produces different kinds of vegetables that are marketed to the nearby businesses and communities. The intervention was aimed at empowering the Gambushe Youth Cooperative to promote much needed economic activity among the youth to reduce excessive consumption of alcohol.
- Sport tournaments were facilitated as part of the intervention initiatives to promote responsible drinking and alleviate underage drinking. The sport tournaments are part of the long-term programme that is facilitated in partnership with the Seymour Football Association, Gompo Local Football Association, East London Sub-Rugby Union, and Rode Sporting Structure that is conducted through football, netball, and rugby leagues. ECLB supports these tournaments through the provision of promotional material on responsible alcohol consumption and providing sporting material to promote sport as an alternative.
- Sporting material that was handed over to sporting associations comprised sporting kits, SARU approved rugby balls, trauma board, trophy, First Aid kits, referee set containing referee cards, lines men flags, pencil, and referee notebook, soccer and netball balls, first Aid kit and a branded ECLB signage board bearing awareness messages.
- Furthermore, essential materials were provided for a study camp for the learners of Cingani High School in Gqeberha. Cingani High School is one of the schools that participate at the ECLB's Ambassador Programme. In addition, the school reported that after the introduction of the Ambassador concept, the school academic performance has increased from 45% to 76% and no cases of alcohol consumption or children bringing alcohol in the school premises have been reported and learners take it upon themselves to educate one another about the dangers associated with alcohol consumption. It was against the above backdrop that ECLB approved the support to their study camp by providing critical essentials such as toiletries and groceries.

4.7.3.3 MULTI-MEDIA ENGAGEMENTS

In order to reach a large proportion of community members from across diverse demographics, the Entity used various media platforms to intensify its messages that sought to mitigate the harmful effects of excessive consumption of alcohol in the Eastern Cape. The ECLB conducted a total of ninety-three (93) media campaigns with various media houses showcasing its programmes. Positive media coverage was received from both print and electronic media, and this mainly epitomised thriving relations between media and ECLB.

The table below provides a breakdown of media reach:

MEDIA CATEGORY	MEDIA TYPE	MESSAGE	MEDIA COSTS	LISTENERSHIP/READERSHIP	TARGETED AUDIENCES
Mainstream Print media	The Herald	Renewals	R 27 014	Air Readership - 96 000 Circulation - 11 485	Liquor traders & communities
	Daily Dispatch	Responsible drinking and Trading, Renewals and Underage drinking	R 50 922	Air Readership - 132 000 Circulation - 11 248	School-going youth, liquor traders & communities
Community print media	Mthatha Express	Responsible drinking and Trading	-	Readership - 234,966	Liquor traders & communities
	Grocott's Mail	Responsible drinking and Trading	-	Readership -10 500 (weekly readership)	Liquor traders & communities
	Scrolla Africa Online Newspaper	Underage drinking	-	Readership -1 000 000 (online)	School-going youth, liquor traders & communities
Mainstream Electronic media	Umhlobo Wenene and Tru FM	Responsible drinking, trading and Renewals	R 773 094	Listenership - 5.6 million (UWFM) Listenership - 265 000 (Tru FM)	Liquor traders & communities
Community Electronic Media	Alfred Nzo Community Radio, Vukani Community Radio, Sajonisi Youth Radio, UCR FM, Madibaz Radio, Zibonele FM	Responsible drinking, Trading, Liquor Regulations, Foetal Alcohol Syndrome & Underage Drinking	-	Listenership - 312 000 (**Alfred Nzo Community FM)** Listenership - 60 000 **Vukani FM** Listenership - 93 000 **(Sajonisi Youth Radio)** Listenership - 450 000**(UCR)** Listenership – 7 500 **(Madibaz Radio)** Listenership - 236 000 **(Zibonele FM)**	School-going youth, women, liquor traders, in-youth school & communities

4.7.3.3.1 OUTDOOR ADVERTISING

As part of outdoor adverting, there were several platforms used to raise awareness on the dangers of excessive consumption of alcohol, the figure below disaggregates the outdoor campaign platforms:

BILLBOARDS

In an endeavour to reinforce its messages on dangers of driving under the influence of alcohol, Social Accountability secured advertising space on five billboards that were erected in Buffalo City (East London), Amatole (Butterworth), OR Tambo (Mthatha & Qumbu) and Chris Hani (Komani). All the billboards were positioned on busy highways that see huge traffic volumes. Below is a sample of a billboard that was erected to drive Road Safety Easter Weekend Campaign

LED SCREENS

As part of the Easter Weekend Road Safety Campaign, ECLB secured advertising space on LED screens in East London, Mthatha, King Williams Town and Komani. The visual advertising screens were located at areas that see a huge flow of traffic.

4.7.4 STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

There were no areas of underperformance on the performance indicators that were planned during the financial year of reporting.

4.7.5 CHANGES TO PLANNED TARGETS

There were no changes made to the performance indicators and targets during the financial year of reporting.

4.7.6 LINKING PERFORMANCE WITH BUDGET

Programme	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Social Accountability	7 890	7 840	50
TOTAL	**7 890**	**7 840**	**50**

4.8 STAKEHOLDER AND INTER-GOVERNMENTAL RELATIONS (IGR)

In the period under review, the Entity intensified its efforts to mobilise stakeholder partnerships in order to enhance its capacity in reducing the scourge of alcohol abuse. The table below is an illustration of the stakeholders that have collaborated with ECLB in various initiatives during this financial year:

4.8.1 STAKEHOLDER ENGAGEMENTS

STAKEHOLDER	AREA OF COLLABORATION	ENGAGEMENT STATUS
Traditional authorities	Responsible alcohol consumption and trading	ECLB has increasingly engaged traditional leaders in the Province with a view to establish working relations in the fight against alcohol abuse and promotion of responsible trading. Sessions have been facilitated with the Chairperson of the Provincial House of Traditional leaders to discuss how ECLB can better collaborate with the traditional leaders. In addition, sessions have been held with various chiefs to present the ECLB mandate, but also to identify areas of collaboration between ECLB and traditional authorities in an endeavor to promote responsible liquor trading and consumption. The chiefs have shown great interest to work with ECLB in their respective jurisdictions. ECLB intends to meet all the chairpersons of the Traditional Councils in order to streamline how it works with the traditional leaders in the Province.
Religious fraternity	Alcohol harm reduction, substance abuse, underage drinking and promotion of responsible trading	ECLB has facilitated sessions with various religious groups in the Province with a view to build relations and enhance its capacity to fight the scourge of alcohol abuse in communities. Many religious formations have committed to work and collaborate with ECLB in the fight against the escalating cases of alcohol abuse. Follow-up sessions are lined up to further engage religious leaders and ensure that they become the mouthpiece of the ECLB in curbing the scourge of alcohol abuse in the Province.
Liquor industry	Alcohol harm reduction, substance abuse, underage drinking and promotion of responsible trading	SAB In-Bev, Heineken and Distell have continued to collaborate with ECLB on the alleviation of alcohol abuse in the Province. SAB and Distell supported the ECLB's Pens' Down and Ambassador Programmes. Heineken collaborated with ECLB in rolling out an intervention initiative that sought to promote responsible trading and alcohol consumption in Dimbaza. The liquor industry role players have committed to continue to collaborate with ECLB in the fight against alcohol abuse and non-compliance.
Business Sector /Shoprite Checkers	Underage drinking and Foetal Alcohol Syndrome (FAS)	ECLB has engaged Shoprite Checkers on continuing to work together/collaborate in alleviating the scourge of underage drinking. ECLB and Shoprite Checkers have adopted schools in Gqeberha with a view of rolling out underage drinking. During the campaign, sporting activities were encouraged that sought to provide an alternative to young people. In addition, Shoprite Checkers has made a commitment to offer bursary opportunities to eligible pupils in adopted schools. Shoprite Checkers has further committed to continue to partner with ECLB in the fight against underage drinking.
Aware!org	Alcohol harm reduction, substance abuse, underage drinking and promotion of responsible trading	ECLB has continued to collaborate with *Aware!org* in seeking to reduce the high rate of alcohol abuse in the Province. *Aware!org* has provided promotional material to be distributed to schools and liquor outlets. A session was facilitated with *Aware!org's* newly appointed CEO to discuss potential areas of collaboration and the next meeting is scheduled for April 2024.
Provincial sector departments comprising: Eastern Cape Gambling Board, South African Police Service, Government Communication and Information System (GCIS), Municipalities	Alcohol harm reduction, substance abuse, underage drinking and promotion of responsible trading	ECLB has continued to collaborate with various sector departments and sister entities that are based both at the provincial and district levels. For example, in all its initiatives within the district municipalities, the Entity has consistently invited sector departments and other relevant entities to all its campaigns/activations, and vice-a-versa.

STAKEHOLDER	AREA OF COLLABORATION	ENGAGEMENT STATUS
Institutions of Higher Learning	Responsible alcohol consumption (reducing binge drinking)	ECLB continues to collaborate with institutions of higher learning in the Province with a view of partnering on alcohol harm reduction initiatives, research related matters and any initiatives that seek to fight the scourge of excessive consumption of alcohol. In the period under review, Social Accountability undertook, in partnership with various institutions of higher learning, numerous initiatives to raise awareness on the dangers of excessive consumption of alcohol.
Sporting Associations	Alcohol harm reduction initiatives and underage drinking	ECLB has collaborated with three sporting association in the period under review, viz. Gompo Local Football Association, Seymor Football Association and Mt. Ayliff Sporting Association. ECLB facilitated sporting activities through these associations with a view to reduce alcohol abuse and underage drinking in communities. During the sporting activations, ECLB provided sporting material to promote sport to provide alternative to young people who resort to alcohol abuse due to the limited recreational activities. ECLB will continue to work with these associations in order to ensure that there is drastic reduction of alcohol abuse among young people.

Youth in Sport

4.8.2 INTER-GOVERNMENTAL RELATIONS

- 183 officers (140 from SAPS and 43 Municipal Law Enforcement) were trained in the enforcement of and compliance with the EC Liquor Act of 2003 across the Province.
- 111 of the above have been designated by the Board as liquor inspectors.
- 5 sessions were held with municipalities:
  - In Walter Sisulu, Ndlambe, Nelson Mandela Metro and Kouga Municipalities sessions were held with ward councillors on their responsibility and obligations in terms of the Act, with emphasis on community consultation during the application process as well as the need to ensure that there are effective and implementable by-laws.
  - In Nelson Mandela Bay Metro, a presentation was done for the Metro's By-law Implementation Coordinating Committee regarding ECLB and municipal responsibilities.
- Community outreach in Graff-Reinet in Beyers Naude and Blue Crane Local Municipalities took place during the period under review where the Office of the MEC: DEDEAT and Deputy Speaker of the EC Provincial Legislature respectively attended the sessions. Issues relating to the application processes as well as compliance with trading conditions and regulation were discussed. A lot of gaps were identified in the municipal ward councillors and a session is to be arranged for their training in liquor regulation.

- Determination of fines, which specify the amount of money to be issued in cases of transgressing the specified provisions of the Eastern Cape Liquor Act for admission of guilt, were signed by August and September 2022 by the Chief Magistrates in Gqeberha and Mthatha respectively.
- The South African criminal law is based on the constitutional right that every accused person is presumed to be innocent until his/her guilt has been proven. An accused can be found to be guilty by a court after a fair trial, alternatively, an accused can admit that s/he has committed the alleged criminal offence and that s/he is guilty. An admission of guilt fine, therefore, gives an accused person the opportunity to admit his/her guilt and pay the required fine. This means that the criminal procedure is cut short and that there is no need for a lengthy trial.
- Previously there were no uniform determination of fines for all the magisterial courts. This determination of fines will thus enhance the enforcement of compliance with the EC Liquor Act of 2003 as they bring uniformity throughout the Province except for a few Sections of the Act where in one magisterial cluster no admission of guilt fines has been proposed for certain offences, but the accused person should be presented to the court to decide on the evidence presented. As an example:
    - For trading without registration, the fine stipulated is R5 000 for first offence and no Admission of Guilt fine for second offence, which means that the person trading without registration will have to be presented to court for the court to adjudicate, convict and sentence such person.
    - In instances of selling liquor to persons under the age of 18, there is no Admission of Guilt fine, but the person found contravening Section 38 of the Act will be prosecuted.

4.8.3 CORPORATE SOCIAL RESPONSIBILITY

- In the financial year 2022/23, ECLB mobilised stakeholder partnerships to reinforce its capacity to drive campaigns that seek to alleviate the scourge of alcohol abuse in the Province. The table below illustrates financial support from stakeholders that contributed to the ECLB alcohol harm reduction initiatives:

STAKEHOLDER	AREA OF COLLABORATION	ESTIMATED INVESTMENT
SAB IN-BEV	Underage drinking- Anti-Pens Down Campaign and Institutions of Higher Learning Anti-Alcohol Abuse Programme in Nelson Mandela Metro Municipality.	R156 000
HEINEKEN	Alcohol Harm Reduction - Road Safety, Underage drinking, and Social Responsibility in Buffalo City Metro, Dimbaza	R433 000
DISTELL	Underage drinking- Anti-Pens Down Campaign in Nelson Mandela Metro Municipality.	R37 400
DEPARTMENT OF TRADE INDUSTRY & COMPETITION (DTIC)	Responsible drinking & trading – provision of catering, and educational material for two community outreaches and a sporting programme in Alfred Nzo and OR Tambo respectively	R200 000
SHOPRITE CHECKERS	Underage drinking – facilitation of the sporting programme and hand-over of sanitary towels to high schools in Gqeberha, Motherwell	R180 500

5 SUMMARY OF FINANCIAL INFORMATION

5.1 REVENUE COLLECTION

Revenue reflected below represents licence fees due and paid in the process of issuing licences from 01 April 2022 to 31 March 2023. No change in the fee structure was effected in the 2022/23 financial year. All revenue generated in the process of issuing licences is paid to the Provincial Revenue Fund through DEDEAT.

REVENUE STATS	RATE	APR	MAY	JUNE	JULY	AUG	SEP	Oct	Nov	Dec	Jan	Feb	Mar	Total
APP – COPY OF REGISTRATION	250	500.00	1 500.00	500.00	2250	250	250	2000	500	500	250			8 500.00
APP - REGISTRATION	2 500	90 750.00	163 250.00	124 750.00	37 100	113 500	63 250	251 760	209 500	87 500	78 250	95 250	83 900	1 398 760
APP - CONTROLLING INTEREST	500													0
APP - TRANSFER	750	9 750.00	4 500.00	5 250.00	3 000	11 250	1 500	15 750	11 250	6 750	9 000	6 750	10 500	95 250
APP - REMOVAL	750					450			750				750	1 950.00
LODGEMENT OF APPEAL	750	1 500.00		250.00	500	2250		750			1500	750	1500	9 000.00
NEW REGISTRATION Sec 20(a)	5 000	11 000.00	30 000.00	28 500.00	20 000	20 000	30 000	37 500	32 500	60 000	25 000	35 000	34 048	363 548.00
NEW REGISTRATION Sec 20(b)	8 000	40 000.00	40 800.00	42 000.00	-2 800	8 000	37 000		59 000	69 000	16 000	19 000	24 000	352 000.00
NEW REGISTRATION Sec 20(c)	2 000	48 000.00	46 890.00	54 000.00	68 270	24 000	72 000	46 500	92 000	56 000	73 000	72 500	62 250	715 410.00
NEW REGISTRATION Sec 20(d)	1 000	1 000.00	2 000.00	2 000.00	3 000	4 000	1 000	9 000	17 000	2 000		8 000	6 500	55 500.00
TRANSFER/REMOVAL Sec 20(a)	1 250	1 250.00	3 650.00	5 000.00	2 250	10 300	1 250	5 000	8 750	11 500	1 250	1 250	1 250	52 700.00
TRANSFER/REMOVAL Sec 20(b)	1 000		1 000.00	1 000.00	2 000	1 000	4000		2000	8000		1000	2000	22 000.00
TRANSFER/REMOVAL Sec 20(c)	1 000	4 000.00	4 000.00	5 750.00	2 250	6 000	1000	3 000	5 000	5 000	5 000	2 500	6 000	49 500.00
ANNUAL LICENCE Sec 20 (a)		12 500.00	35 000.00	253 400.00	10 000	2 500		366 560	999 050	857 800	488 250	101 200	9 500	3 135 760.00
ANNUAL LICENCE Sec 20 (b)		30 000.00	74 050.00	132 700.00		6 000		504 500	1 212 000	1 286 000	655 550	235 050	43 000	4 178 850.00
ANNUAL LICENCE Sec 20 (c)		206 400.00	784 780.00	1 858 186.00	74 894	15 000	2000	781 100	1 822 850	3 478 350	5 356 511	1 049 250	150 650	15 579 971.00
TOTAL REVENUE RECEIVED		456 650.00	1 191 420.00	2 513 286.00	222 714.00	224 500.00	213 250.00	2 023 420	4 472 150	5 928 400	6 709 561	1 627 500	435 848	26 018 699

5.2 OVERALL EXPENDITURE

The Entity spent R75 318 000 in the achievement of its mandate for the 2022/23 financial year. The Entity is within its budget allocation for the year as it has implemented cost containment measures per Treasury instructions.

5.2.1 EXPENDITURE BY ECONOMIC CLASSIFICATION

EXPENDITURE BY ECONOMIC CLASSIFICATION	R'000			
	ACTUAL EXPENDITURE	BUDGET	(OVER)/UNDER EXPENDITURE	ACTUAL %
Compensation of Employees	47 950	48 168	218	99.55%
Goods and Services	25 499	26 075	576	97.79%
Payments Current	**73 449**	**74 243**	**794**	**98.93%**
Capital Expenses	1 357	1 528	171	99.81%
TOTAL PAYMENTS	**74 806**	**75 771**	**965**	**98.73%**
TRANSFERS RECEIVED FROM DEDEAT	**74 480**	**74 480**	**-**	**100.00%**

5.2.2 EXPENDITURE BY PROGRAMME

PROGRAMME NAME	R'000		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
Licencing	6 819	6 722	97
Compliance and Enforcement	26 806	26 774	32
Social Accountability	7 890	7 840	50
Finance	13 746	13 358	388
Corporate Services	8 162	8 084	78
ICT	3 794	3 732	62
Office of the CEO	7 026	6 939	87
Capital expenses	1 528	1 357	171
TOTAL	**75 771**	**74 806**	**965**

PART C: GOVERNANCE

1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public Entity's enabling legislation, and the Companies Act, corporate governance regarding public entities' is applied through the precepts of the Public Finance Management Act (PFMA) and run-in tandem with the principles contained in the King Report on Corporate Governance. Parliament, the Executive, and the Accounting Authority of the public Entity are responsible for corporate governance.

2. PORTFOLIO COMMITTEES

The Portfolio Committee on Economic Development, Environmental Affairs and Tourism exercises oversight over the service delivery performance of the ECLB and, as such, reviews the non-financial information contained in the Annual Reports of the ECLB and is concerned with service delivery and enhancing economic growth. The following reports have been submitted and presented to the Portfolio Committee:

- Presentation of the 2023/25 Annual Performance Plan and Budget of the ECLB.
- Consideration of the 2021/22 Annual Report and 2022/23 Six months Oversight Report.

3. EXECUTIVE AUTHORITY

The Executive Authority performs its oversight on the ECLB as prescribed by the PFMA. As stipulated in the ECLA the Executive Authority has the power to appoint and dismiss the Members of the Board. The ECLB reports to the Executive Authority as required by the PFMA on a quarterly basis through submission of various oversight reports as indicated below.

NO	DATE	REPORTS SUBMITTED TO THE EXECUTIVE AUTHORITY
1	20 July 2022	2022/23 First Quarter Financial and Performance Report
2	31 August 2022	2021/22 Annual Report, including Annual Financial Statements
3	20 October 2022	2022/23 Second Quarter Financial and Performance Report
4	25 October 2022	2022/23 Six months Oversight Report and Performance Information Report
5	20 January 2023	2022/23 Third Quarter Financial and Performance Report
6	10 March 2023	2023/26 Annual Performance Plan
7	20 April 2023	2022/23 Fourth Quarter Financial and Performance Information Report

4. THE ACCOUNTING AUTHORITY / BOARD

The members of the Board and its committees jointly and severally derive their fiduciary responsibilities from the provisions of the EC Liquor Act and the PFMA, the Board Charter and the Terms of Reference of the various committees of the Board.

These fiduciary responsibilities involve the following:

- The duty to exercise the utmost care to ensure reasonable protection of the assets and records of the ECLB.
- The duty to act with fidelity, honesty, integrity and in the best interests of the ECLB Entity in managing the financial affairs of the ECLB.
- The duty to disclose on request, to the Executive Authority responsible for the public Entity or the legislature to which the public Entity is accountable, all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the Executive Authority or that legislature; and
- The duty to seek, within the sphere of influence of the accounting authority, to prevent any prejudice to the financial interests of the state.

The Board and its committees also have those responsibilities as set out in the PFMA and the EC Liquor Act.

4.1. THE ROLE OF THE BOARD IS AS FOLLOWS:

The Board is mandated to regulate the liquor establishments within the Eastern Cape, by complying with the Eastern Cape Liquor Act, Act No.10 of 2003. The Board is ultimately accountable and responsible to the MEC for DEDEAT for the performance and affairs of the ECLB in terms of the Eastern Cape Liquor Act and the PFMA. The Board must, therefore, retain full and effective control over the ECLB and must give strategic direction to the ECLB's Executive Management. The Board is also responsible for ensuring that the ECLB complies with all relevant laws, regulations and codes of business practice.

4.2. COMPOSITION OF THE BOARD

The Board consists of four (4) non-executive members and one (1) executive member in an ex-officio capacity, and the Chief Executive Officer. During this reporting period, the term of office for two (2) board members came to an end in February 2023. Meetings attended by the Board Members include meetings with the Portfolio Committee and the Shareholder.

NAME	DATE APPOINTED	DESIGNATION	QUALIFICATIONS
Mr M. Gobingca	01 April 2023 25 February 2021	Chairperson Deputy Chairperson	• Bachelor of Arts • Postgraduate Diploma in Management • Management Advanced Program • Programme in Road Transport Management • Masters in Business Leadership (Pending)
Ms. Nomhle Tys	26/02/2020 **Term expired – 26 February 2023**	Chairperson	• Diploma in Marketing • Higher Diploma in Education • Bachelor of Arts • MBA (Pending) • Certificate in Strategy • Risk and Audit Compliance Certificate • Project Management Certificate
Ms. Bongeka Jojo	26/02/2020 **Term expired – 26 February 2023**	Board Member	• Chartered Accountant SA • BCom Honours Accounting
Dr M. Mboto	26 January 2021	Board Member	• Doctor of Public Administration • Master of Public Administration • Bachelor of Administration • Post Graduate Certificate in Leadership Development Programme • Advanced Certificate in Area Development
Ms N. N. Nongogo	01 March 2021	Board Member	• B Juris • LLB
Mr W. Manthe	01 May 2023	Board Member	• CA (SA) • Postgraduate Diploma in Accounting • Certificate in Theory and Practice of Auditing • Bachelor of Commerce (majors in Accounting and Commercial Law)

4.3. REMUNERATION OF BOARD MEMBERS

NAME	REMUNERATION	CELL PHONE ALLOWANCE	TRAVEL ALLOWANCE	TOTAL
Mr Gobingca (Chairperson from 01/04/2023)	R140 000	R1 500	R8 776	R150 276
Ms N. Tys (Chairperson, term ended 26/02/2023)	R312 000	R12 000	R42 334	R366 334
Ms Jojo (term ended 26/02/2023)	R68 000	-	R9 747	R77 747
Ms Nongogo	R86 663	-	R1 648	R88 311
TOTAL	**R606 663**	**R13 500**	**R91 137**	**R711 300**

Dr Mboto represents the shareholder DEDEAT and was therefore reimbursed travelling expenses amounting to R 28 632.

Date	Ms. N. Tys	Mr. M. Gobingca	Ms. B. Jojo	Dr. M. Mboto	Ms. N. Nongogo	TYPE OF SITTING
14 April 2022	Yes	Yes	Yes	Yes	Yes	Portfolio Committee
25 April 2022	Yes	Yes	Yes	Yes	Yes	Board Hearing and Board Meeting
09 May 2022	Yes					Meeting with South African Police Service Commissioner
26 May 2022	Yes	Yes	Yes	Yes	Yes	Special Board Meeting
14 June 2022	Yes					Portfolio Committee: Finance
12 July 2022		Yes			Yes	IoDSA training
13 July 2022		Yes				IoDSA training
24 July 2022	Yes					ANC Special PGC and Policy Conference
25 July 2022	Yes					ANC Special PGC and Policy Conference
28 July 2022	Yes	Yes	Yes	Yes	Yes	Special Board Meeting
30 August 2022	Yes	Yes	Yes		Yes	Board Hearing and Board Meeting
16 September 2022	Yes	Yes	Yes	Yes	Yes	Portfolio Committee
20 September 2022	Yes					Portfolio Committee Oversight Visits
21 September 2022	Yes					Portfolio Committee Oversight Visits
22 September 2022	Yes					Portfolio Committee Oversight Visits
23 September 2022	Yes					Portfolio Committee Oversight Visits
30 September 2022	Yes					MEC Meeting with Board Chairperson's and CEO's
02 October 2022	Yes					ANC PEC Lekgotla
03 October 2022	Yes					ANC PEC Lekgotla
05 October 2022	Yes					EXCO Lekgotla
06 October 2022	Yes					Exco Lekgotla
03 November 2022	Yes	Yes	Yes		Yes	Board Hearing
22 November 2022	Yes	Yes	Yes	Yes	Yes	Policy Review Session
23 November 2022	Yes	Yes	Yes	Yes	Yes	Board Meeting
24 November 2022	Yes	Yes	Yes	Yes	Yes	Portfolio Committee
09 January 2023	Yes	Yes	Yes	Yes	Yes	Strategic Planning Session
14 February 2023	Yes					EXCO Lekgotla
15 February 2023	Yes					EXCO Lekgotla
23 February 2023	Yes	Yes	Yes	Yes		Board Meeting
13 March 2023		Yes		Yes		Risk Assessment Identification Workshop
30 March 2023		Yes		Yes	Yes	Continuation of Board Meeting
TOTAL	**27**	**16**	**12**	**12**	**13**	

5. RISK MANAGEMENT

- The Entity has a fully functional Audit and Risk Committee. In respect of Risk Management, the Entity is guided by the Risk Framework Strategy Manual which is updated on an annual basis and approved by the Board.
- Risk assessment meetings for 2022/23 were held with staff, management, Audit Committee as well as the Board. A complete risk assessment of the organisation has been performed with emerging risks being identified.
- Inputs from the Board, Audit Committee, Executive management, Management and staff were collated, and the risk profile was created which is comprised of two risk registers (Strategic and Operational).
- This was then submitted to the Risk and Audit Committees before final approval by the Board.
- The identified risks are monitored and discussed in the Risk Management meetings. The risks identified for the year were categorised in order of priority.
- All the divisions in which the priority risks reside have submitted evidence of their mitigating actions in respect of the priority risks. Constant monitoring of risks takes place on a monthly and quarterly basis. Risk Management within the Entity has enabled mitigation of risk and in turn transmitted into improvements into the Entity's performance, specifically in the attainment of performance indicators.

6 INTERNAL AUDIT UNIT

The Internal Audit function was outsourced for the year under review to Lunika Incorporated.

The Audit Committee has approved the Internal Audit plan and the Internal Audit has executed the plan accordingly. The Audit Committee has received reports from the Internal Auditors, considered the content of the reports and is satisfied with the content and quality of reports received on the audits carried out for the year under review. The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Eastern Cape Liquor Board and its audits.

Summary of the audits conducted during the year under review is outlined in the Audit Committee Report, Part F.

7 INTERNAL AUDIT AND AUDIT COMMITTEES

The table below discloses relevant information on the Audit Committee members:

NAME	QUALIFICATIONS	POSITION IN THE AUDIT COMMITTEE	DATE APPOINTED	NO. OF MEETINGS ATTENDED
Mrs Vicky Ntsodo-Boyce	• N. Dip Cost & Management Acc • BCom Honours Accounting (CTA) • Chartered Accountant CA (SA)	Chairperson	01/10/2022	2
Phumzile Zitumane	• B Com • Master of Business Leadership (MBL)	Member Deputy Chairperson	07/05/21 01/10/2022	6
Mr. Wayne Manthe (Chairperson)	• CA (SA) • Postgraduate Diploma in Accounting • Certificate in Theory and Practice of Auditing • Bachelor of Commerce (majors Accounting and Commercial Law)	Chairperson	01/10/2016 **Term expired - 09/2022**	4

Adv. Simthandile Peter (Deputy Chairperson)	• LLB
	• Compliance Management Programme
	• Practical Legal Training
	• Certificates for – Ethics Office
	  • Ethics Office
	  • Enterprise-wise Risk Management Course and Companies Secretaries
	  • Policy Development
	• Business focused Project Management
		Deputy Chairperson	01/10/2016
			Term expired - 09/2022
				4

Bongeka Jojo	• Chartered Accountant SA • Honours BCom Accounting	Member	08/04/21 **Term Expired – 26/03/2023**	5
Phambili Jizana	• ND Electronics Engineering • Diploma: Project Management • Post Grad in E-Commerce • M Phil IT Governance (Currently studying)	Member	01/04/2018 (Term extended on 19/08/21)	4

NAME	QUALIFICATIONS	POSITION IN THE AUDIT COMMITTEE	DATE APPOINTED	NO. OF MEETINGS ATTENDED
Mr Dumisani Rorwana	• B. Juris • LLB • Certificate in compliance management • Certificate in advanced Risk Management • Certificate in project Management Ethics officer certificate	Member	01/10/2022	2

8 COMPLIANCE WITH LAWS AND REGULATIONS

The Entity has complied with applicable laws and regulations regarding financial matters, financial management and other relevant matters.

9 FRAUD AND CORRUPTION

The public Entity has a fully functional fraud prevention plan and has a fraud email account and telephone number for the public to report any fraudulent activities.

10 MINIMISING CONFLICT OF INTEREST

All staff members, Board members and Audit Committee members are required to complete declaration of interest forms at the beginning of each financial year. Thus far for the 2022/23 financial year, no conflict of interest was identified.

11 CODE OF CONDUCT

The ECLB has a Code of Conduct Policy in place and workshops on the policy are held annually. For the 2022/23 financial year, no recorded cases of breaches in the policy were recorded.

12 HEALTH SAFETY AND ENVIRONMENTAL ISSUES

A Health and Safety committee with representatives from all the divisions is responsible for monitoring the health and safety of the working environment. The committee meets on a quarterly basis to discuss and address health and safety related matters. The Entity complies with the requirements and no incidents were reported for the period under review.

13 COMPANY/BOARD SECRETARY

N/A

14 SOCIAL RESPONSIBILITY

Embedded within the Entity's responsibilities and mandate is ensuring that the Entity embarks on social responsibility as well as education and awareness campaigns. Detailed reports on responsible drinking and trading programmes, alcohol harm reduction initiatives, poverty alleviation projects and related are reported under page 43 of this document.

15 AUDIT COMMITTEE REPORT

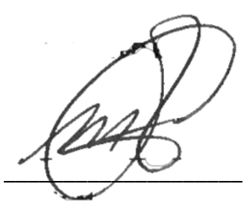
Refer to PART F: Annual Financial Statements on page 83 of this document for the detailed Audit Committee Report.

16 B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition.

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	**Response Yes / No**	**Discussion**
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	The current legislation governing the regulation of liquor trading in the Eastern Cape does not provide for compliance to the BBBEE legislation as a requirement for obtaining a liquor licence.
Developing and implementing a preferential procurement policy?	Yes	All procurement is conducted in line with the approved Supply Chain Management Policy of the Board which includes the preferential procurement regulations in terms of the Preferential Procurement Policy Framework Act No. 5 of 2000. In this regard, points are awarded for all procurement greater than R30 000 based on the B-BBEE status level of the supplier until 15 January 2023. Effective from 16 January 2023 specific goals were used in line with the new Preferential Procurement Regulations, 2022/2023.
Determining qualification criteria for the sale of state-owned enterprises?	N/A	
Developing criteria for entering into partnerships with the private sector?	N/A	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	N/A	

APPROVED BY:



Mr. M. Gobingca

Board Chairperson

ACCOUNTING AUTHORITY: **EASTERN CAPE LIQUOR BOARD**

SPHERE OF GOVERNMENT / PUBLIC ENTITY / ORGAN OF STATE: EASTERN CAPE LIQUOR BOARD

DATE: 31 / 08 /2023

PART D:
HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

The overall purpose of HR is to ensure that all matters relating to Human Capital Management and Development are implemented effectively and efficiently. The Entity's ability to implement its strategic intent rests on its management and employees, particularly how they are led / managed and capacitated within the right climate to deliver and grow into a high-performance culture. Human resource management plays a pivotal role in this process.

2. HR PRIORITIES FOR 2022/23

The HR priorities play a key role in the achievement of the organisation's overall strategic objectives and its mandate of regulating liquor in the Province. The HR priorities during the year under review were as follows:

- Effectively manage employment relations within the organisation
- Enhance employee wellness programmes
- Promote implementation of human resources planning and organisational development
- Enhance human capital development for all employees
- Enhance the Integrated Performance Management System

People are the organisation's most valuable resource and their management and development are critical to meeting planned organisational objectives.

3. WORKFORCE PLANNING FRAMEWORK AND KEY STRATEGIES TO ATTRACT AND RECRUIT SKILLED AND CAPABLE WORKFORCE

Training and development initiatives, including study loan assistance, are in place to ensure that the current workforce is efficient and to enhance personal development. The organisation offers competitive salaries on a total cost to company basis. Its policies allow for professional growth and employee wellness. Career advancement opportunities are created to allow progression of internal employees.

4. EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The Integrated Performance Management System ensures that the organisation's strategic objectives are translated into operational and performance objectives that are cascaded to every level (from top to bottom throughout the organisation) and which inform the manner in which both the institution and its employees function.

Performance management is an ongoing and continuous process rather than an event whereby all employees are required to sign annual performance contracts and are evaluated bi-annually. Excellent performance is recognised in line with the Performance Management and Development System policy.

5. EMPLOYEE WELLNESS PROGRAMMES

The Entity continued to implement its Employee Health and Wellness Programme throughout the year. The Entity works in partnership with departments, NGOs and the private sector for some of the educational sessions on selected topics.

6. POLICY DEVELOPMENT

The HR unit ensures that policies are up to date, reviewed and implemented. The review process included employees, management and the Board. Workshops were conducted for all staff on the reviewed policies.

7. HIGHLIGHT ACHIEVEMENTS

- The successful implementation of the performance management system continues to improve the performance of the organisation and also assisted in achieving the individual as well as the organisational targets for the 2022/23 financial year.
- Proper implementation of labour related policies has seen ECLB attending and addressing all the labour related matters successfully in the 2022/23 financial year.
- Filling of three vacancies took place and as a result of internal recruitment some employees moved up the career ladder in the organisation. A total of eleven graduates were offered an opportunity to participate in the internship programme.
- A Skills Development Plan was prepared for the period under review and employee training on functional training programmes were undertaken in various programmes.
- An Employee Health and Wellness Plan was developed to provide structured wellness programmes for the year. In line with the Occupational Health and Safety directive from the Department of Employment and Labour, the Entity continued to put measures in place to ensure health and safety of employees. Occupational Health and Safety Representatives were appointed for each division.
- Employees were permitted to use hybrid working arrangements and equipment for remote working was provided by the organisation.

8. CHALLENGES FACED BY THE PUBLIC ENTITY

- Shortage of staff in particular in some core business divisions.
- Vacant unfunded positions in the approved organogram.
- Shortage of funds for implementation of Bursary as well as Skills Development Policy.

9. FUTURE HR PLANS /GOALS

- Upon implementation of the new Liquor Act the organisational structure will need to be reviewed.
- A change management programme will be required to effectively manage changes in the organisation.
- Selected HR policies will be reviewed in the 2023/24 financial year to ensure alignment with the overall organisational strategic plan and HR strategies.

10. HUMAN RESOURCES OVERSIGHT STATISTICS

10.1 PERSONNEL COST BY PROGRAMME

Programme	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R'000)
Licencing	6 722 000	5 595 000	83	11	508 636
Finance	14 715 000	4 120 000	28	7	588 571
Corporate Service	8 084 000	4 854 000	60	11	441 273
Compliance and Enforcement	26 774 000	19 859 000	74	39	509 205
Social Accountability	7 840 000	3 973 000	51	24	165 542
ICT	3 732 000	1 600 000	43	4	400 000
Office of the CEO	6 939 000	4 854 000	70	6	809 000
TOTAL	**74 806 000**	**45 173 000**	**60**	**102**	**442 873**

The total number and personnel expenditure per programme include stipends for 10 interns and 17 project facilitators for universities anti-alcohol programme. Performance rewards are excluded in the total personnel expenditure.

10.2 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)
Top Management	2 338 768	5%	1	2 338 768
Senior Management	6 154 794	14%	4	1 538 699
Professional Qualified	11 998 130	26%	13	922 933
Skilled	10 838 285	24%	20	541 914
Semi-skilled	11 347 579	25%	33	343 866
Unskilled	792 584	2%	4	198 146
Contract workers(Interns)	1 702 860	4%	27	63 068
TOTAL	**45 173 000**	**100%**	**102**	**442 873**

10.3 PERFORMANCE REWARDS

Level	Performance rewards	Personnel Expenditure (R'000)	% of Performance rewards to total personnel cost (R'000)
Top Management	309 300	2 338 768	13%
Senior Management	750 537	6 154 794	12%
Professional Qualified	1 319 476	11 998 130	11%
Skilled	1 392 526	10 838 285	13%
Semi-skilled	1 269 882	11 347 579	11%
Unskilled	89 309	792 584	11%
Contract workers (Interns)	-	1 702 860	-
TOTAL	**5 131 031**	**45 173 000**	**11%**

(NB. The total personnel expenditure and performance rewards above excludes the personnel expenditure for Interns/ Project Facilitators)

10.4 TRAINING COSTS

Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No of employees trained	Average training cost per employee
Licencing	5 595 000	20 241	0.36	6	3 374
CED	4 120 000	39 588	1.0	5	7 918
Social Accountability	4 854 000	60 677	1.3	9	6 742
Corporate Services	19 859 000	32 868	0.2	11	2 988
Finance	3 973 000	6 818	0.2	2	3 409
ICT	1 600 000	10 260	0.6	2	5 130
OCEO	4 854 000	55 989	1.2	5	6221
TOTAL	**45 173 000**	**226 439**	**0.5**	**38**	**5 959**

10.5 EMPLOYMENT AND VACANCIES

Programme	2022/2023 No of employees	2022/2023 Approved Posts	2022/2023 Vacancies	% of vacancies
Licencing	11	11	-	-
Finance	5	5	-	-
Corporate Services	9	9	-	-
Compliance and Enforcement	38	39	1	2.5%
Social Accountability	5	5	-	-
Information and Communication Technology	2	2	-	-
Office of the CEO	5	5	-	-
Contract workers (Interns/Project Facilitators)	27	27	-	-
TOTAL	**102**	**103**	**1**	**1.3%**

Level	2022/2023 No of employees	2022/2023 Approved Posts	2022/2023 Vacancies	% of vacancies
Top Management	1	1	-	-
Senior Management	4	4	-	-
Professional Qualified	13	14	1	7.1%
Skilled	20	20	-	-
Semi-skilled	33	33	-	-
Unskilled	4	4	-	-
Contract workers (interns)	27	27	-	-
TOTAL	**102**	**103**	**1**	**1.3%**

(NB: 102 is the total number of employees including contract workers as at 31 March 2023)

10.6 EMPLOYMENT CHANGES

The table below provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in employment profile of the public Entity.

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top Management	1	-	-	1
Senior Management	4	-	-	4
Professional Qualified	13	-	-	13
Skilled	20	-	-	20
Semi-skilled	30	3	-	33
Unskilled	4	1	1	4
Interns	27	-	-	27
TOTAL	**99**	**4**	**1**	**102**

10.6.1 REASONS FOR STAFF LEAVING

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignation	0	0
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of contract	1	1.3%
Other	0	0
TOTAL	**1**	**1.3%**

10.7 LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final written warning	1
Dismissal	0
Other	0
TOTAL	**1**

10.8 EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

During the year under review, the Entity continued to implement its Employment Equity (EE) Plan. An Employment Equity report is submitted annually to the Department of Labour as required by the Employment Equity Act No. 55 of 1998. Despite efforts exerted in ECLB recruitment advertisements to attract and encourage people with disabilities to apply, none of this category respond. ECLB will continue to encourage targeted groups to apply when there are vacancies.

Levels	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	2	2	0	0	0	0	0	0
Professional Qualified	8	4	0	1	0	1	0	0
Skilled	7	7	1	2	0	0	0	1
Semi-skilled	5	8	0	3	0	1	0	1
Unskilled	1	1	0	0	0	0	0	0
TOTAL	**23**	**22**	**1**	**6**	**0**	**2**	**0**	**2**

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	0	0	0	0
Senior Management	2	1	0	1	0	0	0	0
Professional Qualified	4	4	1	1	0	1	0	1
Skilled	10	6	1	2	0	1	1	1
Semi-skilled	26	15	1	3	0	1	1	1
Unskilled	3	3	0	0	0	0	0	0
TOTAL	**46**	**30**	**3**	**7**	**0**	**3**	**2**	**3**
Staff with disability	2	-	-	-	-	-	2	-

(N.B: Despite numerous efforts exerted in our recruitment adverts to attract and encourage other targeted groups to apply, no positives response is received. ECLB will continue to encourage this group of people to apply for all the positions advertised for levels.)

Levels	Staff with disability			
	MALE		FEMALE	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional Qualified	0	1	0	1
Skilled	0	1	1	1
Semi-skilled	1	1	2	2
Unskilled	0	0	0	1
TOTAL	**1**	**3**	**3**	**5**

N.B: Despite numerous efforts exerted in our recruitment adverts to attract and encourage people with disabilities to apply, none of this category applies. ECLB will continue to encourage this group of people to apply for all the positions advertised for levels.

PART E:
PFMA COMPLIANCE REPORT

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1 IRREGULAR EXPENDITURE

None for the period under review.

1.2 FRUITLESS AND WASTEFUL EXPENDITURE

a) RECONCILIATION OF FRUITLESS AND WASTEFUL EXPENDITURE

Description	2022/ 2023	2021/2022
	R'000	R'000
Opening balance	36 596	5 635
Add: Fruitless and wasteful expenditure confirmed	-	-
Less: Fruitless and wasteful expenditure written off	-	-
Less: Fruitless and wasteful expenditure recoverable	(36 596)	(5 635)
Closing balance	-	-

b) RECONCILING NOTES

Description	2022/ 2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2021/2022	-	5 635
Fruitless and wasteful expenditure that relates to 2021/2022and identified in 2022/ 2023	-	-
Fruitless and wasteful expenditure for the current year	36 596	-
Total	**36 596**	**5 635**

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of invoices	Consolidated Value
		R'000
Valid invoices received	332	11 474 019
Invoices paid **within** 30 days or agreed period	330	10 938 697
Invoices paid **after** 30 days or agreed period	1	437 450
Invoices older than 30 days or agreed period (***unpaid and without dispute***)	-	-
Invoices older than 30 days or agreed period (***unpaid and in dispute***)	1	97

3. SUPPLY CHAIN MANAGEMENT

3.1 PROCUREMENT BY OTHER MEANS

None

3.2 CONTRACT VARIATIONS AND EXPANSIONS

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Leasing and maintenance of Computer equipment	Xerox	Expansion	ECLB:008/2019/20	957 151	143 573	61 425
Total				**957 151**	**143 573**	**61 425**

The contract had to be extended for a period of three months as bidders who responded to the new did for Leasing and Maintenance of Computer Equipment were non-responsive, thus procurement process had to be restarted.

PART F:
FINANCIAL INFORMATION

AUDITORS GENERAL REPORT

Enabling and Promoting a Responsible Liquor Industry

Report of the auditor-general to the Eastern Cape Provincial Legislature on Eastern Cape Liquor Board

Report on the financial statements

1. I have reviewed the financial statements of the Eastern Cape Liquor Board set out on pages 83 to 122 which comprise the statement of financial position as at 31 March 2023, 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 notes to the financial statements, including a summary of significant accounting policies.

Conclusion

2. Based on my review, nothing has come to my attention that causes me to believe that the financial statements do not present fairly, in all material respects, the financial position of the Eastern cape Liquor Board as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Acceptable Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management of South Africa, Act.1 of 1999 (PFMA).

Responsibilities of the accounting authority for the financial statements

3. 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 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.

4. In preparing the financial statements, the accounting authority is responsible for assessing the public 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 public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

5. My responsibility is to express a conclusion on the accompanying financial statements. I conducted my review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to review historical financial statements*. The standard requires me to conclude on whether anything has come to my attention that causes me to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires me to comply with relevant ethical requirements.

6. A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. I am required to perform procedures, primarily consisting of making enquiries of management and others within the auditee, as appropriate, and applying analytical procedures, and evaluating the evidence obtained.

7. The procedures performed in a review engagement are substantially fewer than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, I do not express an audit opinion on these financial statements.

Report on the annual performance report

8. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

9. I selected the following material performance indicators related to licensing and compliance and enforcement programmes presented in the annual performance report for the year ended 31 March 2023. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

    - % of fully compliant licence applications considered within the 60 days legislated timeframes
    - Number of new formal liquor traders' associations facilitated
    - Number of Black liquor traders' distributors facilitated to participate at higher levels of the value chain
    - Number of projects facilitated with funding to contribute to local economic development
    - % of pre-registration inspections conducted
    - Number of compliance inspections conducted to ensure compliance with liquor regulations
    - Number of blitz operations conducted with law enforcement agencies to enforce compliance with legislation.

10. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides the users with useful and reliable information and insights on the public entity's planning and delivery on its mandate and objectives.

11. I performed procedures to test whether:

    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives

- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
- the targets linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as were committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

12. I performed the procedures for the purpose of reporting material findings only.

13. I did not raise any material findings on the reported performance information for the selected material performance indicators.

Other matters

14. I draw attention to the matter below.

Achievement of planned targets

15. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievement.

Material misstatements

16. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for licensing. Management subsequently corrected all the misstatements and I did not include any material findings in this report.

Report on compliance with legislation

17. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

18. I performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

19. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow for consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

20. I did not identify any material non-compliance with the selected legislative requirements.

Internal control deficiencies

21. I considered internal control relevant to my engagement on the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

22. I did not identify any significant deficiencies in internal control.

Professional ethics and quality control

23. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my engagements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

24. In accordance with the International Standard on Quality Management 1, the AGSA maintains a comprehensive system of quality management that includes documented policies and procedures on compliance with ethical requirements and professional standards.

AUDITOR GENERAL

East London

26 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999 (PFMA)	Sections 38(1)(b); 44; Sections 45(b); Sections 51(1)(b)(ii); 51(1)(e)(iii); Sections 53(4); Sections 55(1)(a) - (b); 55(1)(c)(i); Section 57(b)
Treasury Regulations (TR)	TR 8,2,1; 8,2,2; TR 16A3.2; TR 16.6A6.1; 16A6.2(a) & (b); TR 16A6.3(a) - (c); 16A6.4; 16A6.5; TR 16A6.6; TR 16A8.3; 16A8.4; TR 16A9.1(b)(ii); 16A9.1(d) – (f) TR 16A9.2(a)(ii); TR 30.1.1; 30.1.3(a) - (b); 30.1.3(d); TR 30.2.1; TR 31.1.2 (c); TR 33.1.1; 33.1.3
Public Service Regulations	Regulations 18(1) and (2)
Construction Industry Development Board Act 38 of 2000 (CIDB)	Section 18(1)
CIDB regulations	Regulations 17; 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	Sections 2.1(a), (b) and (f)
Preferential Procurement regulations (PPR), 2011	Regulations 9.1
Preferential Procurement regulations (PPR), 2017	Regulations 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.8; 7.8; 8.2; 8.5 Regulations 9.1; 10.1; 10.2; 11.1
Preferential Procurement regulations (PPR), 2022	Regulations 4(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)
NT SCM Instruction Note 04 of 2015-16	Par. 3.4
NT SCM Instruction Note 4A of 2016-17	Par. 6
NT SCM Instruction Note 07 of 2017-18	Par. 4.3
NT SCM Instruction Note 05 of 2020-21	Paragraphs 4.8; 4.9; 5.3
Erratum NT SCM Instruction Note 05 of 2020-21	Par. 2
Second Amendment to NT SCM Instruction Note 05 of 2020-21	Par. 1
NT Instruction Note 11 of 2020-21	Paragraphs 3.1; 3.4(b); 3.9

ANNUAL FINANCIAL STATEMENTS

Enabling and Promoting a Responsible Liquor Industry

Statement of Responsibility

The Board Members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Board Members to ensure that the annual financial statements fairly present the state of affairs of the Eastern Cape Liquor Board as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board Members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Board Members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board Members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Board Members have reviewed the entity's cash flow forecast for the year to 31 March 2024 determined through the Department of Economic Development, Environmental Affairs and Tourism Medium Term Expenditure Framework budget, and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Eastern Cape Liquor Board is wholly dependent on the Department of Economic Development, Environmental Affairs and Tourism for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity. Further to that, the entity has received additional funding to commence activities towards the implementation of the Eastern Cape Liquor Authority Act 4 of 2018 which was asserted to and published in the Provincial Government Gazette on 11 March 2019. DEDEAT and the ECLB are in the process of finalising Liquor Regulations in line with the new Act which is a further confirmation of the entity's ability to continue operating in the foreseeable future.

Although the accounting authority are primarily responsible for the financial affairs of the entity, they are supported by the Chief Executive Officer, Audit Committee and external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 77.

The annual financial statements set out on pages 83 to 122, which have been prepared on the going concern basis, were approved by the accounting authority on 22 May 2023 and were signed on its behalf by:

Mr M. Gobingca
Board Chairperson

Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2023.

Audit Committee Member attendance

The Audit Committee consist of the members listed hereunder. in terms of section 77 of the PFMA, the Audit Committee should meet at least twice a year. In order to ensure effective support of the ECLB's Accounting Authority in discharging the entity's mandate whilst ascribing to good corporate governance, during the current year 6 (six) meetings were held.

Name of Member	2022/04/19	2022/05/19	2022/07/21	2022/08/24	2022/11/18	2023/02/16
Vicky Ntsodo-Boyce (Chairperson) appointed 01/10/2022	N/a	N/a	N/a	N/a	Yes	Yes
Phumzile Zitumane appointed as Deputy Chairperson 01/10/2022)	Yes	Yes	Yes	Yes	Yes	Yes
Wayne Manthe (Chairperson - term ended September 2022)	Yes	Yes	Yes	Yes	N/a	N/a
Simthandile Gugwini-Peter (Deputy Chairperson - term ended September 2022)	Yes	Yes	Yes	Yes	N/a	N/a
Phambili Jizana (term extended for a period of 3 years)	Yes	No	Yes	Yes	No	Yes
Bongeka Jojo (Term ended 26 February 2023)	Yes	Yes	No	Yes	Yes	Yes
Dumisani Rorwana (appointed 01 October 2022	N/a	N/a	N/a	N/a	Yes	Yes

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the Eastern Cape Liquor Board over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Authority of the Eastern Cape Liquor Board during the year under review.

Evaluation of annual financial statements and annual performance information report

The Audit Committee has:

- reviewed and discussed the annual financial statements and annual performance information report included in the annual report;
- reviewed the Auditor-General of South Africa’s management report and management responses thereto;
- reviewed changes to accounting policies and practices; and
- reviewed the entities compliance with legal and regulatory provisions.

The Audit Committee accepts the annual financial statements and performance information report and are of the opinion that the annual financial statements and annual performance information report should be accepted and read together with the report of the Auditor-General of South Africa.

Audit Committee Report

Internal audit

The Internal Audit function was outsourced for the year under review to Lunika Incorporated.

The Audit Committee has approved the Internal Audit plan and Internal Audit has executed the plan accordingly. The Audit Committee has received reports from the Internal Auditors, considered the content of the reports and is satisfied with the content and quality of reports received on the audits carried out for the year under review.

#	INTERNAL AUDIT PROJECT	TIMING OF PROJECT	STATUS
1	Risk Management, ethics and fraud considerations	Q4: April 2023	Completed
2	Planning, Project Administration and Reporting	Q1: July 2022 Q2: October 2022 Q3: January 2023 Q4: April 2023	Completed
3	Follow-up on User access management review	Q3: February 2023	Completed
4	Supply Chain Management	Q3: February 2023	Completed
5	Performance information	Q1: August 2022 Q2: November 2022 Q3: February 2023 Q4: May 2023	Completed
6	Annual Financial Statements	Q4: May 2023	Completed
7	Revenue and Licensing	Q1: August 2022 Q2: November 2022 Q3: April 2023 Q4: May 2023	Completed
8	Follow Up (internal & external)	Q2: November 2022 Q3: February 2023 Q4: May 2023	Completed
9	Ad-Hoc: Performance Appraisal Review	Q4: April 2023	Completed
10	Stakeholder Management	Q1: August 2022	Completed
11	Human Resource Management	Q3: February 2023	Completed
12	POPI Act Compliance	Q1: August 2022	Completed
13	Financial Controls	Q2: November 2022	Completed

Audit Committee Report

Auditor-General of South Africa

The Audit Committee has met twice with the Auditor-General of South Africa to discuss the audit strategy, management report as well as the audit report.

Mrs Vicky Ntsodo-Boyce
Chairperson of the Audit Committee

Date: 31/8/2023

Accounting Authority's Report

The members submit their report for the year ended 31 March 2023.

1. Review of activities

The entity spent R75 318 000 in the achievement of its mandate for the 2022/23 financial year. The entity is within its budget allocation for the year as it has implemented cost containment measures per Treasury instructions.

The entity is in the last year of implementing the revised five-year strategic plan that is aligned to Government's Medium Term Strategic Framework (2020 – 2024), the Entity is still committed to the agreed strategic objectives. The Board is responding to three national strategic outcomes, as outlined in the strategic plan which are: transformation and job creation, social cohesion and safe communities, and a capable, ethical and developmental state. The Entity has further developed two (2) new indicators that are intended to contribute to Local Economic Development (LED) and township economy, and the second is assessing the impact of the anti-alcohol campaigns conducted.

Further details pertaining to entity operations are contained in the annual report.

2. Going concern

The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity. Further to that, the entity has received additional funding to commence activities towards the implementation of the Eastern Cape Liquor Authority Act 4 of 2018 which was asserted to and published in the Provincial Government Gazette on 11 March 2019. DEDEAT and the ECLB are in the process of finalising Liquor Regulations in line with the new Act which is a further confirmation of the entity's ability to continue operating in the foreseeable future.

3. Subsequent events

The Board Members are not aware of any significant matters or circumstances arising since the end of the financial year.

4. Members' interest in contracts

The Board Members of the Eastern Cape Liquor Board have no interests in contracts.

5. Accounting policies

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).

6. Accounting Authority

The members of the entity during the year and to the date of this report are as follows

Mr. M. Gobingca (Chairperson from 01 April 2023 formerly Deputy Chairperson)	South African	Independent Member
Ms. N. Tys (Chairperson - term ended 26 February 2022)	South African	Independent Member
Member Ms. B. Jojo (term ended 26 February 2023)	South African	Independent Member
Dr. M. Mboto	South African	DEDEAT ex-officio Member
Ms. N. N. Nongogo	South African	Independent Member

7. Member and executive managers' emoluments

Refer to note 24.

8. Compliance with applicable legislation

The ECLB has complied with material prescripts of all laws and regulations applicable to it. The primary legislation applicable to the entity include the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996); Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999); Treasury Regulations, 2001; Eastern Cape Liquor Act (Act 10 of 2003), amongst others.

The annual financial statements set out on pages 83 to 122, which have been prepared on the going concern basis, were approved by the accounting authority on 22 May 2023 and were signed on its behalf by:

Mr M. Gobingca
Board Chairperson

Statement of Financial Position as at 31 March 2023

Figures in Rand	Note	2023	2022
Assets			
Current Assets			
Receivables from exchange transactions	6	1 497 946	1 091 240
Cash and cash equivalents	7	13 914 089	15 673 493
		15 412 035	**16 764 733**
Non-Current Assets			
Property, plant and equipment	3	6 686 008	8 692 248
Intangible assets	4	3 285 629	4 835 067
		9 971 637	**13 527 315**
Total Assets		**25 383 672**	**30 292 048**
Liabilities			
Current Liabilities			
Finance lease obligation	8	1 924 753	1 553 402
Payables from exchange transactions	9	21 819 618	20 395 993
		23 744 371	**21 949 395**
Non-Current Liabilities			
Finance lease obligation	8	1 640 812	3 245 826
Total Liabilities		**25 385 183**	**25 195 221**
Net Assets		**(1 511)**	**5 096 827**
Accumulated surplus		(1 511)	5 096 827
Total Net Assets		**(1 511)**	**5 096 827**

Statement of Financial Performance

Figures in Rand	Note	2023	2022
Revenue			
Revenue from non-exchange transactions			
Government grants & subsidies	12	74 480 000	72 315 732
Revenue from exchange transactions			
Commissions received		1 174	1 122
Other income	10	165 098	171 944
Interest received	11	1 173 903	531 887
		1 340 175	**704 953**
Operating expenses			
Administration and management fees	14	(13 214 113)	(13 281 926)
Auditors remuneration	18	(2 125 048)	(2 035 594)
Depreciation and amortisation	15	(5 093 467)	(3 023 029)
Personnel expenditure	13	(50 443 046)	(46 991 040)
Operating expenses	17	(9 140 886)	(7 316 121)
Marketing		(436 997)	(897 554)
Research and development costs		-	(216 340)
		(80 453 557)	**(73 761 604)**
Operating deficit		**(4 633 382)**	**(740 919)**
Finance costs	16	(581 897)	(160 732)
Deficit for the year from continuing operations		**(5 215 279)**	**(901 651)**
Profit/(Loss) on disposal of property, plant and equipment		116 941	(52 707)
Deficit for the year		**(5 098 338)**	**(954 358)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 April 2021	**6 051 185**	**6 051 185**
Changes in net assets		
Deficit for the year	(954 358)	(954 358)
Total changes	(954 358)	(954 358)
Opening balance as previously reported	5 096 827	5 096 827
Balance at 01 April 2022	**5 096 827**	**5 096 827**
Changes in net assets		
Deficit for the year	(5 098 338)	(5 098 338)
Total changes	(5 098 338)	(5 098 338)
Balance at 31 March 2023	**(1 511)**	**(1 511)**

Cash Flow Statement

Figures in Rand	Note	2023	2022
Cash flows from operating activities			
Receipts			
Cash receipts from services		-	329 616
Revenue from non-exchange transactions		74 480 000	68 770 265
Interest income		1 173 903	531 887
		75 653 903	69 631 768
Payments			
Employee costs		(49 769 995)	(46 619 020)
Suppliers		(23 872 662)	(24 320 985)
Finance costs		(581 897)	(160 732)
		(74 224 554)	(71 100 737)
Net cash flows from operating activities	20	**1 429 349**	**(1 468 969)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(384 827)	(1 452 581)
Proceeds from sale of property, plant and equipment	3	244 103	5 140
Purchase of other intangible assets	4	(972 102)	(1 155 510)
Net cash flows from investing activities		**(1 112 826)**	**(2 602 951)**
Cash flows from financing activities			
Finance lease payments		(2 075 927)	(1 441 009)
Net decrease in cash and cash equivalents		**(1 759 404)**	**(5 512 929)**
Cash and cash equivalents at the beginning of the year		15 673 493	21 186 422
Cash and cash equivalents at the end of the year	7	**13 914 089**	**15 673 493**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand					Budget on Cash Basis
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Revenue					
Revenue from exchange transactions					
Commissions received	-	1 174	**1 174**	1 174	**-**
Other income	-	115 802	**115 802**	165 098	**49 296**
Interest received - investment	-	1 173 903	**1 173 903**	1 173 903	**-**
Total revenue from exchange transactions	**-**	**1 290 879**	**1 290 879**	**1 340 175**	**49 296**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	74 480 000	-	**74 480 000**	74 480 000	**-**
Total revenue	**74 480 000**	**1 290 879**	**75 770 879**	**75 820 175**	**49 296**
Expenditure					
Personnel	(47 268 000)	(900 000)	**(48 168 000)**	(47 949 888)	**218 112**
Administration	(12 960 000)	(380 000)	**(13 340 000)**	(13 214 113)	**125 887**
Finance costs	(620 000)	-	**(620 000)**	(581 897)	**38 103**
Marketing expenses	(490 000)	-	**(490 000)**	(436 997)	**53 003**
Operating Expenses	(9 664 000)	239 121	**(9 424 879)**	(9 140 886)	**283 993**
Audit fees	(2 200 000)	-	**(2 200 000)**	(2 125 048)	**74 952**
Capital Expenditure	(1 278 000)	(250 000)	**(1 528 000)**	(1 356 929)	**171 071**
Total expenditure	**(74 480 000)**	**(1 290 879)**	**(75 770 879)**	**(74 805 758)**	**965 121**
Operating surplus	**-**	**-**	**-**	**1 014 417**	**1 014 417**
Gain on disposal of assets and liabilities	-	-	**-**	116 941	**116 941**
Surplus before taxation	**-**	**-**	**-**	**1 131 358**	**1 131 358**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**1 131 358**	**1 131 358**

Reconciliation between budget and statement of financial performance is reflected in note 28.

Accounting Policies

1. Significant accounting polices

The principal accounting policies applied in the preparation of these annual financial statements are set out 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

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

Judgements

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

Estimates

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

Designation of property plant and equipment and intangible assets as non-cash generating assets

All items of property, plant and equipment and intangible assets are designated as non-cash generating assets as they are held to for service delivery purposes and are not expected to generate commercial returns

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Provisions

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

Impairment for credit losses

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

Depreciation and amortisation

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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

1.4 Property, plant and equipment

Initial recognition and measurement

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

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

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost when acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non exchange transactions, those items are initially measured at their fair values as at the date of acquisition.

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

The cost also includes the estimated costs of dismantling and removing the asset and restoring the site on which it is operated.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. These major components are depreciated separately over their useful lives.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

Subsequent measurement

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

Depreciation

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

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

The annual depreciation rates are based on the following estimated asset useful lives and 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	8 to 15 years
Motor vehicles	Straight-line	5 years

Accounting Policies

1.4 Property, plant and equipment (continued)

Office equipment	Straight-line	4 to 10 years
Computer equipment (including cellular and related equipment)	Straight-line	1 to 10 years
Leasehold improvements	Straight-line	1 to 5 years
Finance lease assets	Straight-line	2 to 5 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 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 the derecognition 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 derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

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

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

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

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

1.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position when:

- is separable, i.e., is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Accounting Policies

1.5 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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

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

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Accounting Policies

1.5 Intangible assets (continued)

Amortisation

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values. The annual amortisation rates are based on the following estimated average asset lives:

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	24 months to indefinite
Computer software, other	Straight-line	1 to 6 years

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

Impairments

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Intangible assets with indefinite useful lives are assessed for impairments at the end of each reporting period. Derecognition

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised and is determined as the difference between the sales proceeds and the carrying value and is recognised into the Statement of Financial Performance (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Financial instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liability, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial Measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, cost or amortised cost .

Derecognition of financial assets

Accounting Policies

1.6 Financial instruments (continued)

A financial asset is derecognised at trade date, when:

a) The cash flows from the asset expire, are settled or waived;

b) Significant risks and rewards are transferred to another party; or

c) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Offsetting

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of setoff exists and the parties intend to settle on a net basis.

Impairments

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets held at amortised cost:

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

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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor‘s credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall 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.

For financial assets held at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.7 Tax

No provision for taxation has been made as the Eastern Cape Liquor Board is exempted in terms of Section 10 (1)(cA)(1) of the Income Tax Act (Act No 58 of 1962).

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Assets subject to operating leases are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

Derecognition

The finance lease liabilities are derecognised when the entity’s obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity’s obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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 on the remaining balance of the liability.

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

Accounting Policies

1.8 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Future expenses relating to operating leases are separately disclosed as operating lease commitments in note 19

1.9 Impairment of cash-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.

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its 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.

1.10 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

Accounting Policies

1.10 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions whereby an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises 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 benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises 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.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short-term employee benefits are measured at their undiscounted costs in the period the employee renders the related service the specific event occurs. They are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable/fall due. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

1.11 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.

Accounting Policies

1.11 Provisions and contingencies (continued)

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.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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 reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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

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

are not recognised for future operating deficit.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 22.

1.12 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the notes to the annual financial statements. Commitments represent goods/services that have been ordered, but no delivery has taken place at the reporting date. Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

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; and
- Contracts should relate to something other than the routine, steady, state business of the entity.

Approved and Contracted Commitments: Where the expenditure has been approved and the contract has been awarded at the reporting date.

Approved but not yet contracted commitments: Where the expenditure has been approved and the contract is awaiting finalisation at the reporting date.

Material contracts entered into after the reporting date but prior to the approval of the financial statements are disclosed under subsequent events.

1.13 Revenue from non-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.

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Measurement

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Eastern Cape Liquor Board,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The Eastern Cape Liquor Board assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a reimbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Donations and sponsorships

Other donations and sponsorships are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Eastern Cape Liquor Board;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the donation and/or sponsorship.

If donations and sponsorships are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.14 Revenue from exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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

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

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.15 Interest received

Investment income is recognised on a time-proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Accounting Policies

1.16 Borrowing costs (continued)

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of Comparison of Budget and Actual amounts.

The financial statements and budget are not presented on the same basis, as the financial statements are prepared on the accrual basis and the budget on the modified accrual basis of accounting. A reconciliation between the surplus/(deficit) for the period as per the Statement of Financial Performance and budgeted surplus/(deficit) is included as a note to the Statement of Comparison of Budget and Actual Amounts.

Prior year comparatives

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

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

The presentation and classification of items in the current year is consistent with prior periods.

1.18 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 in subsequent financial years, it is subsequently accounted for as revenue in the statement of financial performance. Fruitless and wasteful expenditure recoverable in the year the expenditure is incurred is transferred to the statement of financial position as a receivable.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA), an overspending of the entity's budget or is in contravention of the entity’s supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Segment information

The nature of ECLB activities do not allow for meaningful reporting of segments as envisaged in GRAP 18 relating to segment reporting as such it is impractical for the entity to report in terms of this standard.

1.21 Budget information

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives by division, such details are provided on the annual performance plan and actual performance reported included in the annual report.

The approved budget covers the fiscal period from 2022/04/01 to 2023/03/31.

Accounting Policies

1.21 Budget information (continued)

The annual financial statements and the relevant budget figures are both presented by economic classification therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 28.

Comparative information is not required.

1.22 Related parties

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

The entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

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

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

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

1.23 Events after reporting date

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

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

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

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

1.24 Cash and cash equivalents

Cash and cash equivalents are measured at fair value which is considered to be equivalent to its carrying amount. Cash includes cash on hand and cash with banks. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and deposits held on call with bank.

1.25 Contingent liabilities and contingent assets

A contingent liability is:

- a possible obligation, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event(s) not wholly within the control of the entity; or
- a present obligation that is not recognised because, the outflow of economic benefits or service potential is not probable; or
- a real obligation, that may not be recognised, either because the timing or measurement is not known.

Accounting Policies

1.25 Contingent liabilities and contingent assets (continued)

Contingent liabilities are not recognised. Contingent liabilities are disclosed in note 21.

A contingent asset is a possible asset that arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the entity.

Contingent assets are not recognised.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statement
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After the Reporting Date
GRAP 16 Investment Property
GRAP 17 Property, Plant and Equipment
GRAP 18 Segment reporting
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 20 Related Parties
GRAP 21 Impairment of Non-cash generating Assets
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 25 Employee Benefits
GRAP 26 Impairment of Cash generating Assets
GRAP 27 Agriculture
GRAP 31 Intangible Assets
GRAP 32 Service Concession Arrangements: Grantor
GRAP 34 Separate Financial Statements
GRAP 35 Consolidated Financial Statements
GRAP 36 Investments in Associates and Joint Ventures
GRAP 37 Joint Arrangements
GRAP 38 Disclosure of Interests in Other Entities
GRAP 100 Discontinued Operations
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments
GRAP 105 Transfers of Functions Between Entities Under Common Control
GRAP 106 Transfers of Functions Between Entities Not Under Common Control
GRAP 107 Mergers
GRAP 108 Statutory Receivables
GRAP 109 Accounting by Principals and Agents
GRAP 110 Living and Non-living Resources

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2023 or later periods. The entity is of the view that these standards will have none to insignificant impact for the entity, as a result the entity has not early adopted these standards:

GRAP 1 Presentation of Financial Statements
GRAP 104 Financial Instruments
IGRAP21 The effects of Past Decisions on Materiality

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	3 581 241	(2 036 525)	1 544 716	3 622 363	(1 827 744)	1 794 619
Office equipment	1 578 941	(1 222 092)	356 849	1 519 891	(1 139 216)	380 675
Computer equipment	5 115 152	(3 695 499)	1 419 653	5 138 990	(3 375 274)	1 763 716
Leasehold improvements	950 559	(947 870)	2 689	950 555	(946 077)	4 478
Finance Lease Vehicles	4 784 017	(1 421 916)	3 362 101	5 126 011	(377 251)	4 748 760
Total	**16 009 910**	**(9 323 902)**	**6 686 008**	**16 357 810**	**(7 665 562)**	**8 692 248**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Furniture and fixtures	1 794 619	5 750	-	(19 841)	(235 812)	1 544 716
Office equipment	380 675	98 464	-	(2 098)	(120 192)	356 849
Computer equipment	1 763 716	280 613	(52 255)	(5 817)	(566 604)	1 419 653
Leasehold improvements	4 478	-	-	-	(1 789)	2 689
Finance Lease Vehicles	4 748 760	2 877 944	(2 605 287)	-	(1 659 316)	3 362 101
	8 692 248	**3 262 771**	**(2 657 542)**	**(27 756)**	**(2 583 713)**	**6 686 008**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Furniture and fixtures	2 032 639	-	-	5 814	(243 834)	1 794 619
Office equipment	258 976	199 921	-	2 501	(80 723)	380 675
Computer equipment	1 160 757	1 251 655	(59 002)	-	(589 694)	1 763 716
Leasehold improvements	85 882	-	-	-	(81 404)	4 478
Finance Lease Vehicles	959 923	5 126 011	(95 671)	-	(1 241 503)	4 748 760
	4 498 177	**6 577 587**	**(154 673)**	**8 315**	**(2 237 158)**	**8 692 248**

The ECLB has assets that are fully depreciated, however these assets are still in use. The review of these asset's residual values, useful lives and depreciation methods at year end did not warrant an adjustment to be made.

The ECLB has spent R37 933 (2022: R10 508) repairing and maintaining its property, plant and equipment.

R218 905 (2022: R109 550) was spent by the ECLB repairing and maintaining leased premises whilst maintenance relating to finance leased assets amounted to R53 044 (2022: R114 944).

Proceeds on disposal of these assets amounted to R244 103 (2022: R5 140) Asset disposals in the prior year included redundant and unusable assets including furniture and office equipment with R nil book values as well as assets lost during the year.

Other changes and movements relate to correction of prior year differences due to consumables removed from the asset register and transfers between different classes of assets. These amounts are immaterial hence no prior period error adjustments have been made.

Security

Assets held under finance lease have a carrying value amounting to R3 396 268 (2022: R4 748 764) at year end and are used as security for the obligation as disclosed in note 7.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	4 446 795	(1 603 288)	2 843 507	4 446 795	-	4 446 795
Computer software, other	4 748 539	(4 306 417)	442 122	3 776 439	(3 388 167)	388 272
Total	**9 195 334**	**(5 909 705)**	**3 285 629**	**8 223 234**	**(3 388 167)**	**4 835 067**

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software, internally generated	4 446 795	-	-	(1 603 288)	2 843 507
Computer software, other	388 272	972 102	(11 786)	(906 466)	442 122
	4 835 067	**972 102**	**(11 786)**	**(2 509 754)**	**3 285 629**

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software, internally generated	3 992 775	454 020	-	-	4 446 795
Computer software, other	472 781	701 490	(128)	(785 871)	388 272
	4 465 556	**1 155 510**	**(128)**	**(785 871)**	**4 835 067**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Intangible assets (continued)

The ECLB has spent R317 546 (2022: R295 050) maintaining its intangible assets.

The entity's internally generated software was assessed as having indefinite useful life in prior years. The entity tests internally generated software for impairment as well as the adequacy of reported useful life, annually. Events and circumstances changed in the current financial year for this asset due to changes in technology as well as the inability of the system to effectively continue to support business without major overhaul. As such it is impractical to estimate the exact amount for the future periods as the entity is in a process of procuring a new licensing system with newer technology. An assessment made indicated that the software can assist business up to a maximum of 24 months with effect from 01/04/2022 and the system has now been amortised over a 24 month period from that date as reflected above.

5. Employee benefit obligations

Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its permanent employees. A defined contribution provident fund with Momentum, which is subject to the Pensions Fund Act exist for this purpose.

The entity is under no obligation to cover any unfunded benefits.

6. Receivables from exchange transactions

Trade debtors	1 252 977	1 086 683
Receivables - Past due	536 122	513 345
Salary related receivables	217 635	-
Less: Impairment for credit losses	(508 788)	(508 788)
	1 497 946	**1 091 240**

Receivables include rental deposits, hall hire deposits, staff recoverable expenditure relating to cellphone usage, study loans, prepayments and sundry debt of which R65 205 (2022 - R78 470) relates to key management personnel. The carrying amounts of trade and other receivables approximates their fair value. Sundry receivables are impaired when recovery is highly unlikely and a provision relating to this has been increased by R nil (2022: R475 226). Included in the receivables balance are unallocated fees paid to DEDEAT amounting to R124 970 (2022: R313 093).

Receivables increased as a result of increase in salary related debtors as well as prepayments relating to software licenses.

R5 920 (2022 - R5 920) of the receivables past due is not impaired and has been outstanding for more than 120 days as the amount is still recoverable.

7. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with First National Bank. Cash at bank earn interest at floating rates based on daily bank deposit rates. Interest earned on positive bank balances is reflected in note 11:

Cash on hand	51 284	39 730
Bank balances	13 862 805	15 633 763
	13 914 089	**15 673 493**

The entity has unrestricted title to cash and bank balances, and no portion of these are ceded in any way.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Finance lease obligation

It is ECLB's policy to lease motor vehicles under finance lease. The entity entered into finance lease arrangements with Avis with effect from January 2022. The period of the lease agreement is for a 36-month period with the liability repayable in monthly instalments. The liability is repayable in monthly instalments on the last day of the month including finance charges, at prime interest rates. This debt is secured by the finance lease assets as per note 3.

Minimum lease payments due		
- within one year	2 330 133	2 009 963
- in second to fifth year inclusive	1 747 599	3 517 751
	4 077 732	5 527 714
less: future finance charges	(512 167)	(728 486)
Present value of minimum lease payments	**3 565 565**	**4 799 228**

Present value of minimum lease payments due		
- within one year	1 924 753	1 553 402
- in second to fifth year inclusive	1 640 812	3 245 826
	3 565 565	**4 799 228**

Non-current liabilities	1 640 812	3 245 826
Current liabilities	1 924 753	1 553 402
	3 565 565	**4 799 228**

The average lease term is 3 years and the average effective borrowing rate was 16% (2022: 11%).

All leases have fixed repayments and no arrangements have been entered into for contingent rent and monthly installments are reviewed monthly.

The entity's obligations under finance leases are secured by leased assets as disclosed in note 3.

9. Payables from exchange transactions

Trade payables	503 218	288 794
Salary related	6 220	1 470 034
Accrued leave pay	1 802 467	1 716 172
Accrued bonus	5 131 031	4 544 275
Accruals	1 198 483	1 052 167
Sundry payables	12 274 772	10 766 728
Operating lease payables	903 427	557 823
	21 819 618	**20 395 993**

A major component of sundry payables relate to unallocated funds due to over/under payments as well as incorrect or insufficient information provided by license holders and applicants.

Accrued bonus relates to employee performance paid subsequent to year end after the approval has been granted by the Accounting Authority.

Accruals relate to normal payments for goods and services received by the entity in the normal course of its operations whose invoices either just before or after year end.

10. Other income

Insurance claim	142 610	171 944
Tender document fees	6 930	-
Sundry income	15 558	-
	165 098	**171 944**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

11. Interest received

Interest revenue		
Bank	1 173 903	531 887

12. Revenue from non-exchange transactions

Operating grants		
DEDEAT Transfer	74 480 000	68 995 000
Rollover funds approved and available	-	3 271 116
Funds to be surrendered to the revenue fund - Prior years	-	879 000
Funds surrendered to the revenue fund	-	(879 000)
	74 480 000	**72 266 116**
Capital grants		
Donations and sponsorships	-	49 616
	74 480 000	**72 315 732**

The entity did not have any rollovers applied for or due in the current financial year.

Donations and sponsorships include amounts received from South African Breweries in the prior year for harm reduction initiatives, licensing as well as compliance enforcement programmes. Donations received in kind from various stakeholders are disclosed under relevant divisions in the performance information report. Disclosure of these in kind donations and sponsorships are not disclosed in the notes as the entity is unable to obtain a reliable estimate as in a number of instances these are immediately transferred to beneficiaries.

13. Personnel

Basic salaries	39 606 129	37 391 569
Bonus	5 131 031	4 544 275
Medical aid contributions	403 709	329 977
UIF	350 364	327 062
Workmen's compensation	68 723	56 363
Pension fund contributions	4 794 793	4 365 233
Net movement in leave accruals	86 297	(29 639)
Temporary staff	2 000	6 200
	50 443 046	**46 991 040**

14. Administration and management fees

General and administrative expenses	813 467	1 579 413
Board administrative expenses	286 618	517 627
Board Members honorarium	606 663	1 063 500
Audit Committee expenses	255 070	197 402
Storage costs	178 566	99 826
Travel and subsistence	2 852 156	2 827 500
Entertainment	-	2 784
Rentals in respect of operating leases	4 495 635	4 388 455
Insurance	753 019	614 445
Communication costs	2 972 919	1 990 974
	13 214 113	**13 281 926**

General and administrative expenses in the prior year included an increase in provision for doubtful debts.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

15. Depreciation and amortisation

Computer Equipment	566 604	589 694
Office Furniture and Fittings	235 812	243 834
Office Equipment	120 192	80 723
Amortisation - Computer Software	2 509 754	785 871
Leasehold Improvements	1 789	81 404
Finance lease - Vehicles	1 659 316	1 241 503
	5 093 467	**3 023 029**

16. Finance costs

Finance leases	581 897	160 732

17. Operating expenses

Cleaning expenses	323 394	307 854
Consulting and professional fees	32 850	95 306
Consumables and tools	18 733	45 174
Equipment rental	1 060 189	876 510
Fuel and oil	1 152 812	789 458
Legal costs	954 282	341 995
Maintenance, repairs and running costs	695 098	530 052
Staff recruitment	12 637	17 032
Printing and stationery	254 966	315 208
Social responsibility outreach programme	3 127 831	2 366 711
Staff training and development	248 089	417 816
Utilities	539 108	529 546
Other	694 006	683 459
Vehicle rental	26 891	-
	9 140 886	**7 316 121**

Other includes costs relating to call centre services, staff refreshments, employee wellness, postage and delivery as well as costs relating to the strategic planning session

18. Auditors' remuneration

Statutory audit - Auditor General	1 853 715	1 667 443
Internal Audit	271 333	368 151
	2 125 048	**2 035 594**

19. Operating lease

The Eastern Cape Liquor Board entered into the following operational lease agreements:

- Rental of properties in East London, Gqeberha, Cradock, Queenstown and Mthatha with escalation ranging from 5.5% to 6.5%,
- Rental of network printers with no escalation; and
- Rental of computer equipment with no escalation.

At the statement of financial position date, the Board had outstanding commitments under non-cancellable operating leases which fall due.

All entity operating lease contracts are for 36 to 60 months, as one contract ends a new one is entered into to ensure continued service delivery.

Rental of properties contracts entered into in the previous financial year relate to Gqeberha, Cradock and Queenstown.

The East London operating lease contract is in its second year of the five year period whilst the Mthatha office contract commenced on the 1st April 2022. New lease contract for the Mthatha office has been concluded as at reporting date and commitments in respect of the new contract have been included in the amounts disclosed below.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

19. Operating lease (continued)

Up to 1 year	5 740 501	4 771 849
2 to 5 years	10 144 077	15 824 434
Total operating lease commitments	**15 884 578**	**20 596 283**

20. Cash generated from (used in) operations

Deficit	(5 098 338)	(954 358)
Adjustments for:		
Depreciation and amortisation	5 093 467	3 023 029
Loss/ gain on sale of assets	(164 596)	52 707
Finance costs - Finance leases	581 897	-
non-cash adjustment	-	32 145
Changes in working capital:		
Receivables from exchange transactions	(406 706)	186 075
Payables from exchange transactions	1 423 625	341 549
Taxes and transfers payable (non-exchange)	-	(4 150 116)
	1 429 349	**(1 468 969)**

21. Commitments

Authorised operational expenditure

Already contracted for but not provided for		
• Other financial liabilities	6 831 402	9 745 518

Total operational commitments		
Already contracted for but not provided for	6 831 402	9 745 518

Total commitments

Authorised operational expenditure	6 831 402	9 745 518

Commitments above relate to future expenditure and exclude operating lease commitments disclosed in note 19.

The entity does not have any capital commitments.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

22. Contingent liabilities

2023

There were **seven** legal matters that were not concluded by the ECLB as at **31 March 2023**. These matters include five civil claims and two labour related matters. At this stage it is not possible to estimate Eastern Cape Liquor Board's maximum exposure for any of these matters. The nature of these legal matters are detailed below.

Civil matters

1. The ECLB is cited as the second Respondent in a matter relating to the interpretation of the Eastern Cape Liquor Act, 2003 (Act no. 10 of 2003) wherein the Applicant is claiming R200 000 in damages.

2. The entity received summons from the Plaintiff claiming loss of income amounting to R 180 000. The Plaintiff is alleging that the ECLB wrongfully cancelled his liquor licence.

3. The ECLB is cited as a Respondent together with the Panel of Appeal in respect of a civil review application to review the decision of the Panel of Appeal

4. The ECLB is cited as a Respondent in an urgent application seeking an order directing that the ECLB make a final decision in respect of a liquor licence application. Judgment relating to this matter has been issued and the ECLB is awaiting taxation of the Bill of Costs. The ECLB is unable to reliably estimate these costs.

5. The ECLB is cited as a Respondent in an urgent application seeking that the Court provide the Applicant authority to trade despite being issued with a refusal decision in respect of a liquor licence application and despite pending liquor licence applications. The second leg of the application sought a declaratory order on the question of law. The ECLB received a favourable judgment in respect of the urgent application with costs. In respect of the second leg, the Applicant withdrew tendering the entity's costs. The Bill of Costs is awaiting taxation.

Labour matters

1. A labour matter is currently before the Labour Court subsequent to a review of a CCMA award which directs that the ECLB reinstate dismissed employees.

2. The CCMA ruled in favour of the employee. The ECLB took the decision on review to the labour court. Upon verbal advice, it was noted that due to lack of recordings etc. the matter must start afresh. The ECLB received a notice of set down from the CCMA, the arbitration was scheduled for 6 of December 2019. During arbitration it was agreed that the matter should be moved to the Labour Court. The matter is set down for hearing at the Labour Court on 8 of September 2023.

2022

There were **eight** legal matters that were not concluded by the ECLB as at **31 March 2022**. These matters include six civil claims and two labour related matters. At this stage it is not possible to estimate Eastern Cape Liquor Board's maximum exposure for any of these matters. The nature of these legal matters are detailed below.

Civil matters

1. The ECLB is cited as a second respondent in a matter relating to the interpretation of the Eastern Cape Liquor Act, 2003 (Act no. 10 of 2003) and the applicant is claiming R200 000 in damages

2. The entity received summons from the Plaintiff claiming loss of income amounting to R 180 000. The Plaintiff is alleging that the ECLB wrongfully cancelled his liquor licence.

3. The ECLB is cited as a respondent together with the Panel of Appeal on a civil review application made which seeks to review the decision of the Panel of appeal.

4. The matter concerns two applications wherein an external party critical to the liquor licence registration process failed/neglected to perform their responsibilities in terms of the Eastern Cape Liquor Act. The application is academic as the applications have been subsequently refused and it is envisaged that it will provide precedent and legal certainty of whose responsibility it is to enforce the duty placed on the external party/parties critical to the liquor licence registration process

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

22. Contingent liabilities (continued)

5. An urgent application was brought before the courts to allow an applicant to trade in various locations including those that were refused. The entity seeks the Court to condone non-adherence to pursuing internal appeals on the two refused applications including to provide a declaratory order. The application re Rule Nisi was dismissed and judgment has been delivered. The main application re declaratory order remains alive and the ECLB has set same down for argument on the opposed roll.

6. Another matter before the courts relates to the entity seeking review of a decision made to grant a licence on the basis of fraudulent community consultation.

Labour matters

1. A labour matter is currently before the CCMA relating to a decision made by the entity pursuant to a disciplinary process. Arbitration which is still in progress commenced in September 2020.

2. The CCMA ruled in favour of an employee. The ECLB took the decision on review to the labour court. Upon verbal advice, it was noted that due to lack of recordings etc. the matter must start de novo. The ECLB received a notice from the CCMA indicating an arbitration date of the 6th of December 2019. At arbitration which was held on the 6th of December 2019 it was agreed to proceed at Labour Court.

23. Related parties

Relationships	
Board Members	Refer to members' report note 24
Audit Committee Members	Refer below
Controlling entity	Department of Economic Development, Environmental Affairs and Tourism
Entities under the same controlling entity	Coega Development Corporation East London Industrial Development Zone Eastern Cape Development Corporation Eastern Cape Gambling and Betting Board Eastern Cape Parks and Tourism Agency
Member of key management	Refer to note 24

Related party transactions

	2023	2022
Related party rental related transactions		
ECDC rent paid	-	1 036 527
ECDC rental receivable balance	-	116 968
ECDC rental deposit refund to ECLB	116 968	-
Controlling entity related transactions		
Revenue from non-exchange transactions	74 480 000	68 995 000
Received on behalf of DEDEAT	26 018 700	22 354 357
Paid to DEDEAT	(26 143 670)	(22 667 450)
Due (from)/to DEDEAT	(124 970)	313 093
Audit Committee fees		
Vicky Ntsodo-Boyce (Chairperson appointed 10/2022)	33 627	-
Mr. P. Zitumane (appointed as a Deputy Chairperson on 10/2022)	40 493	28 000
Mr W. Manthe (Chairperson - term ended 09/2022)	50 700	94 500
Adv. S. Gugwini-Peter (Deputy Chairperson - term ended 09/2022)	53 600	33 252
Ms. B Jojo (term ended 02/2023)	20 000	28 000
Mr. D. Rorwana (appointed 10/2022)	14 400	-

Mr. P Jizana is employed by the Department of Public Works. He has been paid a data allowance, no committee fees have been paid to him.

Key management information

Class	Description	Number of members

Notes to the Annual Financial Statements

Figures in Rand			2023	2022
Board Members	Accounting Authority of the ECLB appointed by the MEC for the Department of Economic Development, Environmental Affairs and Tourism. Fiduciary duties of the accounting authority are stipulated in section 50 of the PFMA, Act 1 of 1999	4		
Audit Committee	Committee of the Board whose composition and responsibilities are in line with the PFMA. Audit Committee comprises of 1 Board Member and 4 independent members	5		

23. Related parties (continued)

Executive management	Comprises of the Accounting Officer being the Chief Executive officer of the ECLB reporting directly to the Board Members. The following direct reports of the Chief Executive Officer also form part of the Executive Management Chief Financial Officer, Chief Inspector, Senior Manager: Licensing as well as the Senior Manager: Corporate Services.	5

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Emoluments to Senior Management and Board Members

Senior Management

2023

	Basic Salary	Bonuses and performance related payments	Total
Dr. N. Makala (Chief Executive Officer)	2 338 768	309 300	2 648 068
Ms. A Vikilahle (Chief Financial Officer)	1 537 956	203 297	1 741 253
Mr. Z Tyikwe (Chief Inspector)	1 634 623	216 093	1 850 716
Mr. P Tyali (Senior Manager: Licensing)	1 635 500	177 767	1 813 267
Ms. L. Tini (Senior Manager Corporate Services)	1 481 903	153 381	1 635 284
	8 628 750	**1 059 838**	**9 688 588**

2022

	Basic salary	Bonuses and performance related payments	Total
Dr. N. Makala (Chief Executive Officer)	2 195 099	290 495	2 485 594
Ms. A Vikilahle (Chief Financial Officer)	1 443 496	155 119	1 598 615
Mr. Z Tyikwe (Chief Inspector)	1 534 274	164 882	1 699 156
Mr. P Tyali (Senior Manager: Licensing)	1 535 097	205 452	1 740 549
Ms. L. Tini (Senior Manager Corporate Services)	1 411 731	-	1 411 731
	8 119 697	**815 948**	**8 935 645**

Non-executive Board Members

2023

	Board Members' fees for service	Cell phone allowance	Travel reimbursement	Total
Mr. M. Gobingca (Chairperson from 01/04/2023)	140 000	1 500	8 776	150 276
Ms. N. Tys (Chairperson - term ended 26/02/2023)	312 000	12 000	42 334	366 334
Ms. B Jojo	68 000	-	9 747	77 747
Dr. M Mboto	-	-	28 632	28 632
Ms. NN Nongogo	86 663	-	1 648	88 311
	606 663	**13 500**	**91 137**	**711 300**

2022

	Board Members' fees for service	Cell phone allowance	Travel reimbursement	Total
Ms. N Tys (Chairperson)	468 000	18 000	35 856	521 856
Mr M. Gobingca (Deputy Chairperson)	260 000	-	22 261	282 261
Ms. B Jojo	174 000	-	18 178	192 178
Dr. M. Mboto	-	-	57 172	57 172
Ms. NN Nongogo	161 500	-	9 865	171 365
	1 063 500	**18 000**	**143 332**	**1 224 832**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Risk management

Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The entity's risk of liquidity is therefore as a result of the funds availability to cover future commitments. The entity manages liquidity risk through ensuring that adequate funds are available to meet its expected and unexpected financial commitments through an ongoing review of cash flows and future commitments and related budgets.

Refer to note 7 and below for financial assets exposed to liquidity risk.

Credit risk

Credit risk refers to the risk that the counter party will default on its contractual obligations resulting in financial loss to the entity. The entity has adopted a policy of only dealing with creditworthy parties

Credit risk consists mainly of cash deposits, cash equivalents and receivables from exchange transactions. The entity only deposits cash with major banks with high quality credit standing.

Credit risk relating to receivables from exchange transactions is limited and relates mostly to rental deposits, staff debt as well as licensing fees paid in advance to DEDEAT due to payments received with limited or incorrect information also referred to unallocated payments. Fees paid to DEDEAT are also disclosed in related party transactions.

All financial assets and liabilities are carried at fair value, cost or amortised cost.

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

Financial assets		
Cash and cash equivalents	13 914 089	15 673 493
Receivables from exchange transactions	1 497 946	1 091 240
	15 412 035	**16 764 733**

Financial liabilities		
Payables from exchange transaction	14 886 120	14 135 546
Finance lease obligations	3 565 565	4 799 228
	18 451 685	**18 934 774**

Pursuant to a technical disagreement with the Auditor-General, payables from exchange transactions have been reduced by R6 933 498 (2022: R6 260 447) relating to short-term employee benefits. GRAP 25 relating to employee benefits indicates that there are no specific disclosures about short-term employee benefits, other standards may require disclosure. This formed the basis of inclusion of these amounts under financial liabilities as they meet the definition of financial liabilities.

Market risk

The entity's activities expose it primarily to the risks of fluctuations in interest rates.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The entity manages interest rate risk through negotiating preferential rates with lenders on all amounts borrowed, as well as the use of fixed interest rates.

26. Going concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated deficit of R (1 511) and that the entity's total liabilities exceed its assets by R (1 511).

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

26. Going concern (continued)

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; for at least the next 12 months.

Further to that, the entity has received additional funding to commence activities towards the implementation of the Eastern Cape Liquor Authority Act 4 of 2018 which was asserted to and published in the Provincial Government Gazette on 11 March 2019. DEDEAT and the ECLB are in the process of finalising Liquor Regulations in line with the new Act which is a further confirmation of the entity's ability to continue operating in the foreseeable future.

A proposal on the merger of ECGB and ECLB has been made by Treasury but no formal instruction or announcement in this regard has been made. At reporting date, there were no indications that the ECLB would cease to exist (in its current form) in the next twelve months.

27. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure identified - current	36 596	5 635
Less: Amount recovered - current	(36 596)	(5 635)
Closing balance	**-**	**-**

Fruitless and wasteful expenditure relates to damaged printers in both years which have been recovered from employees concerned.

28. Reconciliation between budget and statement of financial performance

The budget disclosed in comparison of budget to actual amounts covers the period 01 April 2022 to 31 March 2023 and is for the ECLB only. The budget is prepared on cash basis. The financial statements are prepared on an accrual basis of accounting. The classification basis adopted in the budget is the same as the financial information.

Changes to the approved and the final budget are as a result of reallocations where cost pressures and entity priorities have been identified. Changes also relate mainly to the net effect of prior year surplus funds approved and available.

Net operating differences result mainly from the impact of accrued expenses with budgets reflected in subsequent periods as well as non-cash items e.g. depreciation, straight-lining of operating leases.

Net deficit per the statement of financial performance	(5 098 338)	(954 358)
Adjusted for:		
Revenue from non-exchange transactions	-	879 000
Net differences in operating expenditure	6 112 755	136 797
Profit/(Loss) on disposal of assets	116 941	(52 707)
Actual surplus on comparable basis as presented in the Budget and Actual Comparative Statement	**1 131 358**	**8 732**

29. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.