Annual Report

KwaZulu-Natal
LIQUOR AUTHORITY

2022 - 2023

2022 - 2023

The KZN Liquor Authority conducts its work without fear or favour and it understands that whilst liquor revenue contributes generously to our national fiscus, we are mindful that liquor abuse not only has a devastating effect on the individual, the family, the community but also on our national psyche.

Therefore, the Kwa-Zulu Liquor Authority will strive in earnest to pursue its mandate, underpinned by espousing values of fairness, transparency, honesty and integrity.

Vision

To position the Authority as a leading, distinguished and effective Liqour Regulator in the country

Mission

To ensure strict regulation and control of the retail sale and micro -manufacturing of liqour in the Province of KwaZulu-Natal through effective policies,

Values

Caring
Accountability
Integrity Responsiveness
Transparency
Fairness
Confidentiality
Learning organisation

Contents

2022 - 2023

General Information

REGISTERED OFFICE:
1st Floor, The Marine Building, 22 Dorothy Nyembe Street (Gardiner Street), Durban, 4000

POSTAL ADDRESS:
P.O Box 2853, Durban, 4000

AUDITORS:
External - Auditor General
Internal - Ukukhanya Advisory Services

BOARD SECRETARIAT :
KZNLA use Board Secretariat services through CGF Research Institute

BANKERS:
ABSA Bank, KZN Provincial Banking Branch

FRAUD AND CORRUPTION HOTLINE:
0800 004 4241 EMAL: hotline@kpmg.co.za
KPMG WEB MAIL: www.thornhill.co.za/kpmgfaircallreport

STATUTORY AND LEGISLATIVE MANDATE OF THE KWAZULU-NATAL LIQUOR AUTHORITY

The mandate of the KwaZulu-Natal Liquor Authority is to ensure that the objectives of the KZN Licensing Act are accomplished. The KZN Liquor Licensing Act lists the following as objectives:

- To provide for the regulation of the micromanufacturing and retail sale of liquor;
- To reduce the socio-economic and other costs of alcohol abuse;
- To provide for public participation in the consideration of applicants for registration; and
- To promote the development of a responsible and sustainable retail and micro-manufacturing liquor industry in a manner that facilitates:
    - The entry of new participants into the industry;
    - Diversity of ownership in the industry; and
    - An ethos of social responsibility in the industry

STAKEHOLDER ANALYSIS

The KZN Liquor Authority identified a number of key stakeholders, and has furthermore, through its District Offices, has established strategic relationships with these critical stakeholders, for the purpose of ensuring the key objectives of the organisation are achieved.

The organisation acknowledges that for the success and sustainability of the Sector, collaborative relationship with the liquor industry and the community are required.

The Authority understands that public, private and community partnerships are critical for the organisation to remain relevant and effective.

Key Stakeholders include:

- Government Departments (National, Provincial and Local);
- District and Local Municipalities
- NGO's, Liquor Traders and Liquor Trader Associations
- Liquor Manufacturers and Distributors
- Law Enforcement Agencies
- Justice Cluster and Other Cabinet Clusters
- Media
- Existing Community Structures
- National and Provincial Liquor Authorities
- Suppliers/Service Providers

STRATEGIC GOALS OF THE KZN LIQUOR AUTHORITY

The following key strategic goals are required to give effect to the statutory mandate and strategic objectives of the KZN Liquor Authority. These strategic goals and objectives serve over the Medium Term Expenditure Framework (MTEF) period to enable KZNLA to achieve on its mandate.

STRATEGIC GOALS

1. To provide for an effective regulatory environment
2. To implement effective corporate governance processes in the Liquor Authority
3. To develop and implement an effective communications strategy for the organisation
4. To attract, nurture and retain skills within the organisation
5. To implement sound financial management and effective and reliable information management systems
6. To implement an effective liquor licensing process
7. To ensure compliance with the Liquor licensing legislation
8. To advocate for an informed, efficient and seamless liquor regulatory environment

2022 - 2023

MEC's Report

Mr Sibonsio Duma

MEC: KWAZULU-NATAL ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

Unemployment remains a significant challenge that our government continues to address with utmost attention, as we strive to ensure sustainable livelihoods for our people. Consequently, creating opportunities for growth and employment remains a top priority in the policy agenda of the KZN Government.

One of the key objectives of the KwaZulu-Natal Liquor Authority Act is to promote the responsible and sustainable development of the retail and micro-manufacturing liquor industry, allowing for the entry of new participants, diversity of ownership, and a culture of social responsibility. The Authority remains committed to promoting the accessibility of liquor licences throughout the province as a means to boost the KwaZulu-Natal economy. By facilitating the process of obtaining liquor licences, we aim to foster entrepreneurship and create job opportunities, thereby strengthening our local economy and enhancing our global competitiveness.

The liquor sector continues to be a prominent contributor to our country's economy. Recent statistics highlight its significant impact, with the alcohol sector supporting approximately one million jobs and playing a crucial role in generating tax revenues. The sector has contributed a total of R72 billion to tax revenues, along with an additional R173 billion to the country's GDP. These figures underscore the substantial economic significance of the liquor sector in South Africa.

While acknowledging the rise of illicit liquor trading and its potential risks to the sector's integrity, we are steadfast in our commitment to safeguarding the economy. The KZN Liquor Authority, through its Compliance and Enforcement Inspectors strategically positioned across the province, diligently enforces compliance measures and curtails the proliferation of illegal outlets. Their exceptional dedication ensures that efficient and precise service delivery is coupled with outstanding customer care and service excellence.

Ensuring visibility and maximizing resource utilisation are paramount for the Authority's operations throughout the province. Collaborative relationships with various government institutions enable us to raise awareness about the dangers of excessive alcohol consumption and implement impactful education initiatives.

In line with our commitment to economic recovery, a dedicated fund was established to support the revitalisation of businesses affected by the floods in April and May 2022, as well as February 2023. This initiative aimed to facilitate social, economic, and spatial transformation in KZN by providing financial assistance of up to R1.5 million per applicant to businesses in townships, rural areas, and small towns. Our goal was to bolster these communities, fostering resilience and enabling them to rebound from the impacts of these natural disasters.

I express my heartfelt gratitude to the South African Breweries for their significant investment of R800 million in the KZN province following the devastating floods. This partnership showcases the kind of collaboration we desire from the industry, as it demonstrates their commitment to supporting the communities that have been steadfast in their support of their products. I extend my appreciation to all players in the liquor industry for their tireless efforts in contributing to the development of our province. The strong relationships built between the industry and the provincial regulatory body are valued, and we anticipate further fruitful outcomes resulting from this partnership.

In conclusion, I would like to acknowledge the board, CEO, executives, staff, and former staff of the KwaZulu-Natal Liquor Authority for their remarkable efforts in steering this organisation. As we celebrated its tenth anniversary in August 2022, it is truly remarkable to witness the exceptional growth and establishment achieved by the Authority in its first decade of existence.

MR SIBONISO DUMA, MPL
MEC: ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

2022 - 2023

Chairperson's Statement

Ms Mbali Myeni

STATEMENT BY THE KWAZULU-NATAL LIQUOR AUTHORITY'S CHAIRPERSON OF THE BOARD OF DIRECTORS:

In our continuous commitment to upholding the KwaZulu-Natal Liquor Act (Act 06 of 2010) and fulfilling our mandate of effectively regulating and controlling the retail sale and micro-manufacturing of liquor in the province, the KZN Liquor Authority has achieved significant progress in ensuring compliance with the Act.

We have diligently addressed the annual evaluation procedure, promptly attended to complaints and queries from stakeholders. Moreover, we have taken decisive action against non-compliant outlets by suspending or cancelling licences of troublesome establishments. Our dedicated Enforcement and Compliance Units remain vigilant, conducting routine inspections and Blitz operations throughout the province to uphold the integrity of the liquor industry. These efforts showcase our unwavering commitment to promoting a responsible and compliant liquor environment in KwaZulu-Natal.

While the liquor industry and its businesses continue to make substantial contributions to the economy of not only the Province but the entire country, it is equally important to acknowledge our collective responsibility to educate and raise awareness about the dangers of excessive alcohol consumption. Binge drinking, its impact on health, and its role in exacerbating issues such as Gender-Based Violence are critical concerns. We must put an end to the sale of alcohol to pregnant women and underage pupils, drunk driving, and serving alcohol to visibly intoxicated patrons through all available means.

We commend the Social Responsibility initiatives undertaken by the Social Responsibility Unit during the aforementioned financial year, including combating gender-based violence, addressing underage drinking concerns, implementing roadblocks during festive seasons and Easter weekends, and promoting women's empowerment within the sector. These efforts exemplify our dedication to creating a safer and more responsible environment.

In our ongoing efforts to uphold the KwaZulu-Natal Liquor Act (Act 06 of 2010) and fulfil our mandate of effectively regulating and controlling the retail sale and micro-manufacturing of liquor in the province, the KZN Liquor Authority has made significant strides. We have made progress with the annual evaluation procedure, promptly addressed complaints and queries, and taken decisive action against non-compliant outlets. Our Enforcement and Compliance Units conduct routine inspections and Blitz operations to ensure compliance throughout the province.

As we review and enhance the delivery of our core responsibilities, the Entity, in collaboration with the shareholder department, continues to revisit legislation and propose amendments to the Liquor Act. These amendments will ensure our continuous growth and improvement as an Entity, with a primary focus on serving our communities to the best of our ability.

We remain dedicated to fulfilling our mandate as we have done over the past ten (10) years of our existence. The goals and targets we have set for the upcoming financial year fill us with excitement. We are committed to improving our service delivery while actively pursuing social and economic transformation within the province.

I would also like to acknowledge the unwavering support we receive from the MEC of the Department of Economic Development, Tourism, and Environmental Affairs, Mr. Siboniso Duma. His ongoing encouragement plays a crucial role in our ability to fulfil our mandate. My appreciation extends to the esteemed members of the Board, Executive Management, and the dedicated staff of the KZN Liquor Authority. Their unwavering commitment and willingness to go above and beyond the call of duty have molded and shaped the Entity into what it is today.

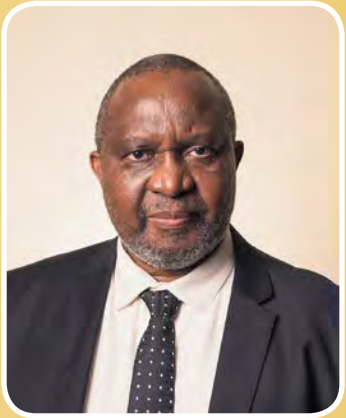
MS MBALI MYENI
CHAIRPERSON: BOARD OF DIRECTORS
KWAZULU-NATAL LIQUOR AUTHORITY

2022 - 2023

Board of Directors

The KwaZulu-Natal Liquor Authority Board of Directors comprised of the following members during the 2022/23 financial year.

Ms. M.P Myeni
Chairperson



Prof B Dumisa
Deputy Chairperson

Mr. M Thango
Board Member

Inkosi M Tembe
Board Member

Lieutenant Colonel S. C. Langki.
Board Member

The KwaZulu-Natal Liquor Authority Board of Directors comprised of the following members during the 2022/2023 financial year.

NAME	DESIGNATION	APPOINTMENT DATE	END OF TERM
Ms. M.P Myeni	Board Chairperson	01 May 2017	
	Adjudication Committee Member	31 May 2017	
	Chairperson Finance Committee	31 May 2020	
Prof B Dumisa	Deputy Chairperson of the Board	01 May 2017	
	Chairperson Board Adjudication Committee	31 May 2017	
	Finance Committee Member	31 May 2017	
Mr. M Thango	Board Member	01 May 2017	
	Chairperson Audit and Risk Committee	31 May 2017	
	Chairperson Human Resources and Remuneration Committee	31 May 2020	
	Social and Ethics Committee Member	31 May 2020	
Inkosi M Tembe	Board Member	01 May 2017	
	Chairperson Social and Ethics Committee	31 May 2020	
Lt Col S Langkie	Board Member	1 March 2022	
	Board Adjudication Committee Member	1 March 2022	
	Social and Ethics Committee Member	1 March 2022	
	Human Resources and Remuneration Member	1 March 2022	

INDEPENDENT MEMBERS			
Ms. E Mcoyi	Human Resources and Remuneration Member	01 May 2017	
Mr. S Hlophe	Audit and Risk Committee Member	20 July 2018	
Mr. D Mncwabe	Audit and Risk Committee Member	20 July 2018	

EX-OFFICIO MEMBERS		
MEMBER	**DESIGNATION**	
Mr. BB Mbanjwa	Acting Chief Executive Officer	
Ms. O Cingo	Acting Chief Financial Officer	
Mr. S Mkhize	EDTEA representative	
Ms. N. Thavar	EDTEA representative	

Board/Special Meeting Attendance

MEMBER	Board Meeting Attendance									
	Designation	2022/08/02 Special Board	2022/08/26 Special Board	2022/09/08	2022/11/21 Special Board	2022/11/29	2023/03/09	2023/05/19 Special Board	2023/05/30 Special Board	2023/06/14
Ms. M.P Myeni	Chairperson	✓	✓	✓	✓	✓	✓	✓	✓	✓
Prof B Dumisa	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. M Thango	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
Inkosi M Tembe	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lt Col S Langkie	Member	✓	AB	✓	AB	A	✓	✓	✓	AB
Mr. B.B Mbanjwa	Acting Ex officio	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. N. Thavar	Acting Ex officio	✓	N/A		N/A	A	✓	✓	N/A	
Brigadier Ngubane	Member	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

✓= Attended A = Apology R = Resigned N/A = Not Applicable AB = Absent no Apology RR =Recused

HR and Remuneration Committee

MEMBER	DESIGNATION	HR and Remco Meeting Attendance								
		2022/08/12	2022/08/23 Special Meeting	2022/10/11 Special Meeting	2022/10/24	2022/10/31 Joint KZNLA KZNGBB Meeting	2022/11/08	2023/02/08	2023/05/12	2023/06/23
Mr. M Thango	Chairperson	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Mcoyi	Member	✓	✓	✓	✓	✓	✓	✓	✓	
Lt Col S Langkie	Member	AB	AB	AB	AB	AB	A	AB	AB	AB
Mr. B.B Mbanjwa	Acting Ex officio	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. O Cingo	Acting Ex officio	✓	✓	AB	AB	✓	✓	✓	✓	AB

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Audit and Risk Committee

MEMBER	DESIGNATION	ARC Meeting Attendance					
		2022/08/01 Special Meeting	2022/08/15	2022/11/14	2023/02/15	2023/05/15	2023/05/29 Special Meeting
Mr. M Thango	Chairperson	✓	✓	✓	✓	✓	✓
Mr. S Hlophe Independent	Member	✓	✓	✓	✓	✓	✓
Mr. D Mncwabe Independent	Member	✓	✓	✓	✓	✓	✓
Mr. B.B Mbanjwa	Acting Ex officio (ACEO)	✓	✓	✓	A	✓	✓
Ms. O Cingo	Acting CFO	✓	✓	✓	✓	✓	✓

Social and Ethics Committee

MEMBER	DESIGNATION	SEC Meeting Attendance			
		2022/08/12	2022/11/08	2023/02/08	2023/05/12
Inkosi M Tembe	Chairperson	✓	✓	✓	✓
Mr. M Thango	Member	✓	✓	✓	✓
Mr. B.B Mbanjwa	Acting CEO	✓	✓	✓	✓
Ms. O Cingo	Acting CFO	✓	✓	✓	✓

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Finance Committee

MEMBER	DESIGNATION	FINCO Meeting Attendance					
		2022/05/25	2022/08/11	2022/11/10	2023/02/14	2023/05/11	2023/05/25
Ms. M. P Myeni	Chairperson	✓	✓	✓	✓	✓	✓
Prof B Dumisa	Member	✓	✓	✓	✓	✓	✓
Mr. B.B. Mbanjwa	Acting Ex officio	✓	✓	A	✓	✓	✓
Ms. O Cingo	Acting CFO	✓	✓	✓	✓	✓	✓

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Board Adjudication Committee

MEMBER	KZNLA BAC Meeting Attendance									
	DESIGNATION	2022/07/22	2022/08/26	2022/10/10	2022/10/28	2022/12/05	2023/01/27	2023/03/02	2023/03/24	2023/05/03
Prof B Dumisa	Chairperson	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. MP Myeni	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
Inkosi M Tembe	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lt Col S Langkie	Member	✓	A	✓	A	✓	A	A	✓	A
Mr. B.B Mbanjwa	Acting Ex officio - ACEO	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓= Attended A = Apology R = Resigned N/A = Not Applicable AB = Absent no Apology RR =Recused

2022-2023

Chief Executive Officer's Report:

Mr B.B Mbanjwa

CHIEF EXECUTIVE OFFICER'S REPORT: 2022/2023 KZNLA ANNUAL REPORT

As we review the past financial year, we are filled with immense joy and hope as we witness the remarkable growth of the KZN Liquor Authority. This remarkable achievement is a testament to the dedication and hard work of our entire team, including the Executives, Management, and Staff.

Their unwavering commitment and willingness to go above and beyond have played a vital role in consistently striving to meet the KZNLA targets for the 2022/2023 financial year.

It is a matter of great pride to see our Entity growing, embracing the changes, overcoming challenges, and still achieving what our mandate requires us to deliver. Over the past ten years, we have managed to enhance our brand and image as the KZN Liquor Authority, expand and strengthen our stakeholder base and working relationships, and establish ourselves as a regulator of the liquor industry in KZN. Together, we continue to work towards our vision of being a distinguished liquor regulator in the country and actively pursuing our mission of ensuring effective regulation and control of the liquor industry through policies and strategic partnerships.

Since our establishment, we have identified areas in our legislation that require amendment, and we are collaborating with our parent Department of Economic Development, Tourism, and Environmental Affairs (EDTEA) to improve our legislation so that we can better serve our communities. In the past three financial years, we have achieved three consecutive clean audits.

The year under review presented its fair share of challenges, including an increase in tavern shootings and the concerning growth of illicit liquor trading. However, these challenges are not unique to the KZN Province but are prevalent throughout the country. Nevertheless, we must also acknowledge and commend those who choose to obtain their licences through proper channels. In the aforementioned financial year alone, we granted licences and/or special permits within the prescribed timeframes to **326** new applicants in KwaZulu-Natal. This demonstrates the trust placed in our system, and we must ensure timely and efficient delivery to further instill confidence.

Our Compliance and Enforcement Business Unit remains resolute in fulfilling its mandate. They conducted 6245 routine inspections, participated in **126** joint law enforcement operations, and addressed community complaints across the province.

In the year under review, our Social Responsibility Business Unit conducted **202** induction programmes for new liquor licence holders and visited **178** schools to educate on the negative effects of alcohol abuse. Recognising the potential dangers of excessive liquor consumption, the Entity will continue to foster strategic partnerships with various government institutions and major liquor industry stakeholders. Through these collaborations, we aim to deploy initiatives that reduce the harmful effects associated with the sale of liquor. While significant progress has been made in prioritising service delivery, we acknowledge the need for further improvements. Each business unit is working tirelessly to meet their annual targets.

I commend the leadership of our Board of Directors, Board Committees, Local Committee members, Executives, Management, and the entire staff of the KwaZulu-Natal Liquor Authority for their unwavering efforts in shaping, molding, and advancing the Entity. In the same breath, I would also like to express my heartfelt gratitude to our partners and stakeholders who have worked hand in hand with us to make this Entity what it is today. Their collaboration and support have been instrumental in our growth and success. Together, we have forged strong relationships and fostered a sense of unity towards our shared goals. We value their contributions and look forward to continuing our fruitful partnerships in the future.

Throughout the various business units of our Entity, we have undertaken numerous projects, programmes, and events. Some of these initiatives were highly successful and contributed to the growth of the Entity, while others served as important learning experiences, furthering our commitment to continuous improvement.

In conclusion, the KZN Liquor Authority has made significant strides in fulfilling its mandate as a regulator of the liquor industry. We take pride in our achievements, the dedication of our staff, and the trust placed in our system. Moving forward, we will continue to work diligently, address challenges, and foster strategic partnerships to ensure effective regulation and control of the liquor industry in KwaZulu-Natal.

MR BHEKI MBANJWA
ACTING CHIEF EXECUTIVE OFFICER
KWAZULU-NATAL LIQUOR AUTHORITY

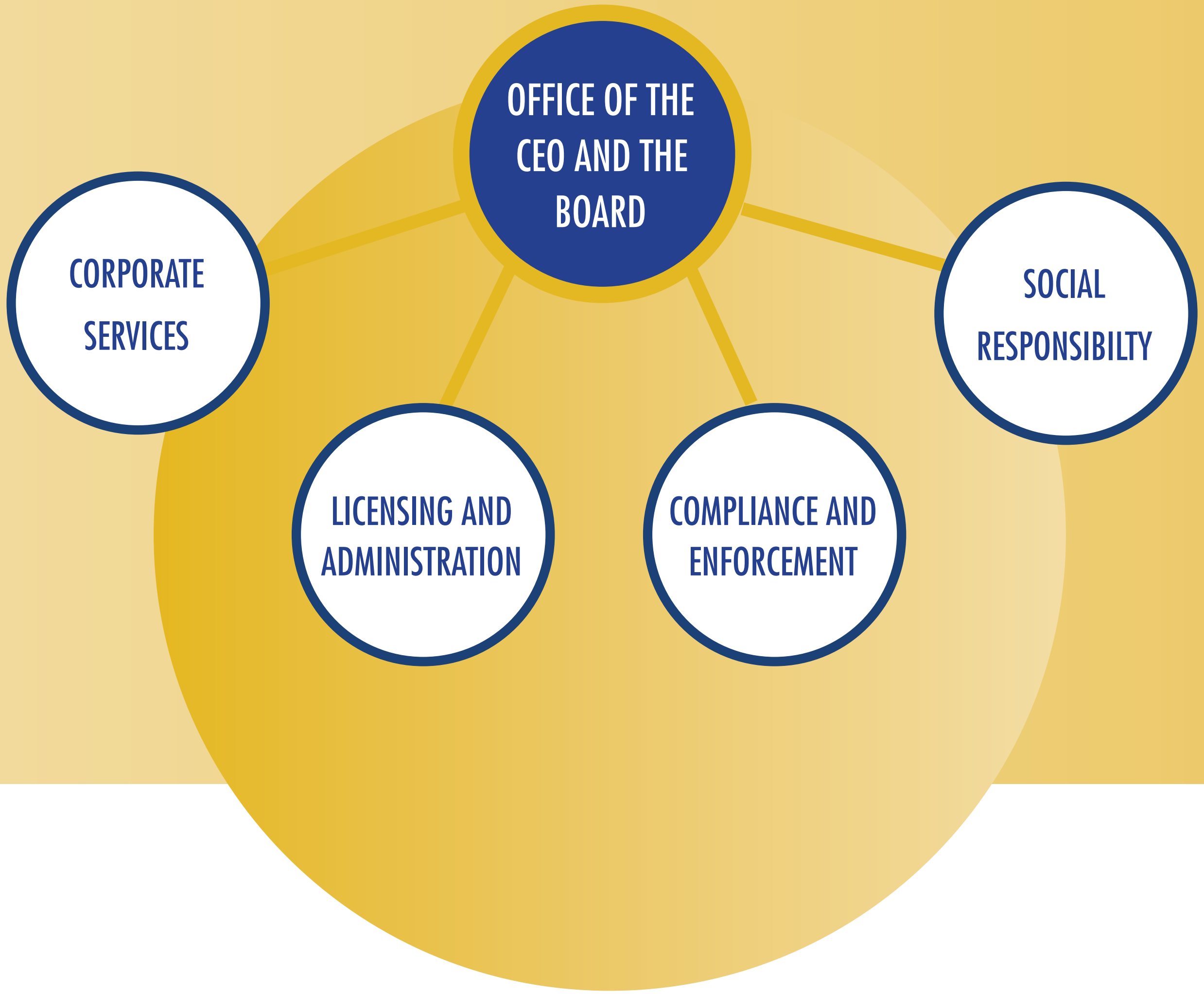
Performance Information

INTRODUCTION

The KZN Liquor Authority had determined Performance Indicators and Targets for implementation during the 2022/23 financial year. The process of determining the performance indicators was derived from the strategic guidance provided by the Board of directors who then approved the APP for 2022/23.

The Entity, reports below, on Annual Performance, in line with the Annual Performance Plan for 2022/2023 as approved.

ORGANISATIONAL BUSINESS UNITS



Executive Management Team

2022 - 2023

Mr. B.B Mbanjwa
Acting Chief Executive Officer

Ms O. Cingo
Acting Chief Financial Officer

Ms C Mbhele
Acting Executive Manager: Social Responsibility

Ms. L. Sibiya
Acting Executive Manager: Licensing and Administration

Mr. V. Mzobe
Acting Executive Manager: Compliance and Enforcement

Programme 1: Office of the CEO and the Board

Strategic Objectives

- To optimise service excellence through strategic leadership, governance and operational management to the organisation
- To oversee risk matters in the organisation
- To develop and implement an integrated transformation strategy in the liquor industry in KZN

PROGRAMME NAME: OFFICE OF THE CEO AND THE BOARD				
PERFORMANCE INDICATOR	**PLANNED ACTIVITIES**	**MILESTONES ACHIEVED**	**DEVIATION FROM PLANNED TARGET**	**COMMENT ON DEVIATION**
Number of Annual Performance Plans submitted within timelines	1	1	0	None
Number of Quarterly Performance Reports submitted within Timelines	4	4	0	None
Percentage of Risk action plans mitigated within committed deadlines	100%	100%	0	None
Number of strategic stakeholder engagement with the liquor industry	2	2	0	None

Strategic Objectives

- To provide for effective and efficient human resources system with the organisation

PROGRAMME NAME : OFFICE OF THE CEO AND THE BOARD				
SUB-PROGRAMME: HUMAN RESOURCES				
PERFORMANCE INDICATOR	**PLANNED ACTIVITIES**	**MILESTONES ACHIEVED**	**DEVIATION FROM PLANNED TARGET**	**COMMENT ON DEVIATION**
Percentage of approved training needs completed within the timelines	100%	100%	0%	Trainings not conducted in Q1
Vacancy rate of 10% or less	10%	>10% Not Achieved when the vacancy rate is above 10% acceptable norm (11/97 * 100) = 11,34% Formula (no. of vacant positions divide by no of approved positions on the organogram times 100.)	100%	1,85% The Entity has not filled all vacant positions due to the imminent merger as resolved by the Board
Percentage of the Board's approved HR Strategy implemented	100%	100%	0%	None
percentage of Covid-19 Regulations implemented in line with the Guidelines issued by Department of Labour.	100%	25%	0	None

Strategic Objectives

PROGRAMME NAME : OFFICE OF THE CEO AND THE BOARD				
SUB-PROGRAMME: LEGAL SERVICES				
PERFORMANCE INDICATOR	**PLANNED ACTIVITIES**	**MILESTONES ACHIEVED**	**DEVIATION FROM PLANNED TARGET**	**COMMENT ON DEVIATION**
Number of Legal Reports appraising the Board of legal matters processed	4	8		None
Percentage of internal legal opinions furnished within the prescribed timeframes	100%	100%	100%	None

- **To provide for an effective and efficient statutory and regulatory environment**

Strategic Objectives

- To develop and implement an effective communications strategy for the organisation

PROGRAMME NAME : OFFICE OF THE CEO AND THE BOARD				
SUB-PROGRAMME: COMMUNICATIONS				
PERFORMANCE INDICATOR	**PLANNED ACTIVITIES**	**MILESTONES ACHIEVED**	**DEVIATION FROM PLANNED TARGET**	**COMMENT ON EVIATION**
Percentage of the Board's approved Communication strategy implemented	100%	100%	0	None

2022 - 2023

Programme 2: Corporate Services Business Unit

Strategic Objectives

- To Ensure Statutory And Regulatory Compliance
- To Maintain Efficient And Effective Supply Chain Management Systems
- To Maintain Efficient And Effective Financial Management Systems
- To Maintain Efficient And Effective Information Technology Infrastructure

PROGRAMME NAME : COPORATE SERVICES				
SUB-PROGRAMME: FINANCIAL MANAGEMENT, ASSETS AND BUDGET				
PERFORMANCE INDICATOR	PLANNED ACTIVITIES	MILESTONES ACHIEVED	DEVIATION FROM PLANNED TARGET	COMMENT ON DEVIATION
Audit Outcomes	Clean Audit	Clean Audit Outcome	0	None
Percentage of invoices paid within the specified timeframes	100%	100%	0	None
Percentage of procurement spend on BBBEE compliant suppliers	100%	100%	0	None
Percentage of the Paperless strategy implemented	100%	66,67% 2 Out of 3	1	33,33 The tender for document management system was advertised, evaluated but no suitable service provider was found.

2022 - 2023

Programme 3: Licensing and Administration Business Unit

Strategic Objectives

- To develop and implement an effective, efficient and measurable licensing applications process
- To provide effective and efficient administrative support to Local Committees and the Board

PROGRAMME NAME : LICENSING AND ADMINISTRATION				
PERFORMANCE INDICATOR	PLANNED ACTIVITIES	MILESTONES ACHIEVED	DEVIATION FROM PLANNED TARGET	COMMENT ON DEVIATION
Percentage of applications processed and finalized in line with the prescribed timeframes	80%	43,21%	56,79%	56,79 Covid-19 and backlog prohibited the unit from achieving its targets.
Percentage of licences and or permits issued within the prescribed timeframes	100%	58,63%	41,37%	41,37% variance - underachievement Covid-19 and backlog prohibited the unit from achieving its targets.
Percentage of annual licence evaluation applications processed before expiry dates	100%	100%	0	None
Number of job opportunities created from licences issued	3	3	3	2 jobs created for 5 licenses issued due to these being small outlets that could not employ a minimum of 3 people.

LICENSES GRANTED PER DISTRICT MUNICIPALITY FOR TRADING YEAR 2022 OVERALL LICENSES PER DISTRICT AS AT END MARCH 2023

District Municipality	Total
AMAJUBA DISTRICT MUNICIPALITY (DC25)	13
ETHEKWINI METROPOLITAN MUNICIPALITY (ETH)	106
ILEMBE DISTRICT MUNICIPALITY (DC29)	24
HARRY GWALA DISTRICT MUNICIPALITY (DC43)	07
UGU DISTRICT MUNICIPALITY (DC21)	20
UMGUNGUNDLOVU DISTRICT MUNICIPALITY (DC22)	22
UMKHANYAKUDE DISTRICT MUNICIPALITY (DC27)	21
UMZINYATHI DISTRICT MUNICIPALITY (DC24)	11
UTHUKELA DISTRICT MUNICIPALITY (DC23)	11
KING CETSHWAYO DISTRICT MUNICIPALITY (DC28)	27
ZULULAND DISTRICT MUNICIPALITY (DC26)	14
Grand Total	276

Programme 4: Compliance and Enforcement Business Unit

Strategic Objectives

- To provide support in the license application process

To monitor and enforce compliance at liquor premises with the provisions of the Liquor Act

PROGRAMME NAME : COMPLIANCE AND ENFORCEMENT				
PERFORMANCE INDICATOR	**PLANNED ACTIVITIES**	**MILESTONES ACHIEVED**	**DEVIATION FROM PLANNED TARGET**	**COMMENT ON DEVIATION**
Percentage of pre-inspection reports concluded within the prescribed time frames	100%	97,55%	2.45%	2,45%. Variance - underachievement was due shortage of inspectors
% of Annual Evaluations compliance inspections concluded (Section 64 renewals)	80%	91,04%	0	11,04% surplus
Number of routine compliance inspections conducted on licensed premises	4920	6245	0	1324 inspections over achievement due to demand from stakeholders (SAPS,MEC, National Minister) increase of stats crimes, GBV, etc. receive instructions to conduct these stats
% of identified illegal outlets that have been reported to SAPS for shutdown	100%	100%	0	None
Number of enforcement blitz operations conducted	65	126	0	Over-achieved of 61 blitz were as a result of demand by SAPS other by Stakeholders.to close down illegal outlets
Percentage of complaints investigated and finalised	100%	100%	0	None

2022 - 2023

Programme 5: Social Responsibility Business Unit

Strategic Objectives

- To ensure that there are mechanisms developed to reduce the socio-economic and other effects of alcohol abuse
- Facilitate mechanisms to ensure public participation and good inter-governmental relations in the liquor licensing process

To facilitate, develop and ensure a responsible and sustainable liquor industry

PROGRAMME NAME : SOCIAL RESPONSIBILITY				
PERFORMANCE INDICATOR	**PLANNED ACTIVITIES**	**MILESTONES ACHIEVED**	**DEVIATION FROM PLANNED TARGET**	**COMMENT ON DEVIATION**
Number of schools visited for education on the negative effects of alcohol abuse	144	178	0	34 overachievement
Number of KZNLA public awareness programmes implemented	7	7	0	None
Number of liquor trader training sessions to capacitate traders on their obligations	144	117		27 - variance under-achievement due shortage of staff due to vacant Posts in certain districts
Percentage of induction programmes on new liquor licence holders conducted within a period of 30 days of licence issue	100%	83%	17%	17 % variance under- achievement due to licence holders refusing to attend the induction session, consultants refused to share licensee's details.
Number of training sessions held to facilitate the entry of new micro-manufacturers	48	46	2	2 variance over achievement under achievement requests from potential licence holders

HUMAN RESOURCES OVERSIGHT STATISTICS

Performance Rewards

The KZNLA has a Performance Management Policy, which has been approved for implementation. The organization also had no budget available to cater for performance bonuses, thus the Entity only implemented the pay progression(s) with only five employees not qualifying for pay progression(s).

PROGRAMME	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COSTS
TOP MANAGEMENT	0	0	0
SENIOR MANAGEMENT	0	0	0
PROFESSIONAL QUALIFIED	0	0	0
SKILLED TECHNICAL	0	0	0
SEMI SKILLED	0	0	0
UNSKILLED	0	0	0
TOTAL	0	0	0

Training Costs

The Entity has spent on training for the 2022/23 financial year was R 364 820.60

Employment and Vacancies 2022/23

PROGRAMME	2022/23 APPROVED POSTS	2022/23 NO OF EMPLOYEES	2022/23 VACANCIES	% OF VACANCY RATE
CEO	5	3	2	66,6%
SOCIAL RESPONSIBILITY	16	7	3	42,85%
LICENSING	31	29	2	6,89%
COMPLIANCE	28	24	4	16,66%
CORPORATE SERVICES	14	12	2	6,89%
COMMUNICATION	0	0	0	0
HUMAN RESOURCES	3	3	0	0
TOTAL	**97**	**78**	**13**	**13,4%**

We have three frozen posts on the below table, they are as follows

- Chief Exec Officer
- Senior Communications & Social Responsibility Manager
- Senior Communications Officer

Vacancies

- Executive Manager – Licensing & Administration
- Executive Manager – Compliance & Administration
- 1x Financial Accountant
- IT Manager
- X3 SR Practitioners
- X3 Compliance Inspectors
- Local Committee Secretaries x1
- Help Desk Officer

Formula * vacant position / no. of filled positions x 100

13/97X100 = 13,4%

PROGRAMME	2022/23 NO OF EMPLOYEES	2022/23 NO OF APPROVED POSTS	2022/23 NO OF VACANCIES	PERCENTAGE OF VACANCIES
Top Management	-	-	-	
Senior Management	3	3	2	66,66%
Professional Qualified	9	9	3	33,33%
Skilled Technical	38	43	5	11,62%
Semi-Skilled	29	29	3	10,34%
Unskilled	6	6	-	-
Total	**78**	**97**	**13**	**13,40%**

Equity Target and Employment Equity Status -

MALE					FEMALE				TOTAL
EMPLOYEE CATEGORY	A	C	I	W	A	C	I	W	
TOP MANAGEMENT	1	0	0	0	1	0	0	0	2
SENIOR MANAGEMENT	3	1	0	0	2	0	0	0	6
PROFESSIONAL QUALIFIED	4	0	0	0	6	1	0	0	11
SKILLED TECHNICAL	21	1	2	1	21	1	2	2	51
SEMI SKILLED	10	2	1	3	20	1	1	3	41
UNSKILLED	1	0	1	1	0	0	0	0	3
TOTAL PERMANENT	**40**	**4**	**4**	**5**	**50**	**3**	**3**	**5**	**114**

OCCUPATIONAL CATEGORIES	MALE	FEMALE
	CURRENT	CURRENT
Top Management	0	0
Senior Management	0	0
Professional Qualified	0	0
Skilled Technical	0	0
Semi-Skilled	1	0
Unskilled	0	0
Total	**1**	**0**

Organization Disability Statistic

The current status of the organization's disability percentage is **1 %.** The organization is required to be at 2%.

RETIREMENT

The Entity had one retirements in 2022/23 financial year

RESIGNATIONS

Indicate how many employees have resigned during the 2022/23 financial year

BOARDING

The KwaZulu-Natal Liquor Authority had no medical boarding in 2022/23.

EXPIRY OF CONTRACT

There were three (03) employment contract for the 2022/23 that have expired.

INTERNSHIP

The KZNLA had one (01) Intern employed for the 2022/23 financial year

TEMPS

The KZNLA had six (06) Temporary Staff employed for the 2022/23 financial year

STAFF COMPLEMENT

We had 82 employees at the end of March 2023.

DISMISSAL

The KwaZulu-Natal Liquor Authority has had no dismissals for the 2022/23 financial year

CODE OF CONDUCT

The Entity has a Disciplinary Policy in place and it stipulates the Code of Conduct for the Entity which also serves as a guide and makes provision for progressive disciplinary actions for each category of offence

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Corporate Governance

The KZNLA Board has absolute responsibility for the performance of the Public Entity and is fully accountable to the shareholder (Department of Economic Development, Tourism and Environmental Affairs – EDTEA) for such performance.

The Board Charter sets out the responsibilities of Board Members and confirms the Board's responsibility for the adoption of strategic plans, monitoring of operational performance and management, determination of policy and processes to ensure the integrity of the KZN Liquor Authority's Risk management and internal controls, communication policy, and director selection, orientation and evaluation.

The Board provides strategic direction to the organisation and is further responsible for the development of a fraud prevention Policy, as well as other governance structures, which include management of processes to minimize conflict of interest, implementation of code of conduct as well as safety, health and other related issues facing the entity. Management is responsible and accounts to the board for developing, implementing and monitoring the processes as outlined and integrating them into operational activities of the entity.

The Board established appropriate governance structures. Guided by the recommendation of the King Code on Corporate Governance and the circumstances of the Public Entity, the KZN Liquor Authority has established the following Board Committees, which are appointed by the chairperson of the

Board:

MR. M. THANGO

Chairperson: Human Resources and Remuneration Committee

Human Resources and Remuneration Committee

The Human Resource and Remuneration Committee comprises is chaired by a member of the Board appointed by the Board Chairperson. The Board has appointed an independent non-executive director, to serve as a member of the Committee and provide the required expertise to assist the Board in achieving its mandate. The Human Resources and Remuneration Committee has terms of reference which outline the composition, operations and guides the functioning of the Committee.

The Committee's primary function include reviewing and recommending to the Board the following:

- To review the performance objectives and determine and agree the appropriate levels of compensation, i.e. salary, bonus and incentive arrangements,
- Human Resources Management and Development; and Staff Training and Development;
- Overall oversight responsibility on compensation matters of the organisation to review the design and management of organization's salary structures and incentive schemes and ensure proper authorization for awards made under such schemes
- To advise the Board on Human Resources and compensation matters;
- To recommend to the Board for approval, overall Human Resources Strategy
- To recommend to the Board for approval, key human resources policies and procedures in line with the corporate strategy and other statutory requirements
- To recommend to the Board for approval, overall compensation policy framework for the organization and consider annually a report on the proposed salary increases for staff across the organisation
- To recommend to the Board for approval staff conditions of service and other related matters
- To recommend organizational structure to the Board for approval
- To recommend to the Board and monitor on behalf of the Board the corporate training plan

MS. M.P MYENI

Chairperson: Finance Committee

Finance Committee

The Finance Committee is chaired by a member of the Board who is appointed by the Board chairperson and the Committee comprising of two (2) directors with backgrounds in finance, accounting, business, investment management, executive leadership, and business ownership. The overall role of the Committee is to review the annual financial statements and the mid-year budget and performance assessment reports, and other financial information to be made public, prior to submission and approval by the board.

FUNCTIONS OF THE COMMITTEE

- To monitor the Entity's activities with regard to matters relating to –
- Recommend policies that maintain and improve the financial health and integrity of the Entity
- Review and recommending a long-range financial plan for the Entity
- Review and recommending an annual operating budget and annual capital budget;
- Review and recommending capital expenditures and unbudgeted operating expenses that, per board approved policy, are above management authority but below the threshold required for board approval;
- Review the financial aspects of major proposed transactions, new programs and services, as well as proposals to discontinue programs or services, and making action recommendations to the board;
- Monitor the financial performance of the organisation as a whole and its programmes against approved budgets, long-term trends, and industry benchmarks
- Require and monitor corrective actions to bring the organisation into compliance with its budget and other financial targets
- Recommend to the board policies governing investments and pension plans

INKOSI M TEMBE

Chairperson: Social and Ethics Committee

Social and Ethics Committee

The Social and Ethics Committee is chaired by a member of the Board who is appointed by the Board chairperson and the Committee comprising of two (2) directors. The Committee is responsible for ensuring ethical conduct of Management and Staff and collective responsibilities of Board members in respect of their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their legal obligations.

FUNCTIONS OF THE COMMITTEE

Monitor, report, advise and make recommendations to the Board regarding the ethical conduct of the Entity, its directors and its employees having regard to the applicable legislation, principles and guidelines.

- Monitor on-going investigations and appeals brought to its' attention and which are relevant to the ethical conduct of those associated with the entity.

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PROF B DUMISA

Chairperson; Board & Adjudication Committee

Board Adjudication Committee

The Board referred to as the Liquor Authority, has the key responsibility to consider, grant or reject liquor license applications in the Province. The Board established a committee comprising of four (4) Board members and chaired by the Board Deputy chairperson, to carry out the function of adjudication. The Adjudication Committee reports to the Board on all matters finalised by the Committee.

The Board during the year of reporting, delegated certain adjudication responsibilities to the CEO for processing. The Board continued to provide oversight over the delegated responsibility to ensure that the Entity and the clients we serve, were not compromised. The Board, however, met to consider the remainder of the undelegated function through its Adjudication Committee as reported on above.

At the end of the year of reporting, the Board, in line with section 21(1) (a) (i) of the KZN Liquor Licensing ACT no. 06 of 2010 amended in 2013, delegated to the CEO the following applications as contemplated on the same ACT, section 41,52,55, 69,74,75, 77 and 89(12). The delegation was subject to review by the Board at any given point. The Board ensured that due diligence was applied in consideration of all applications lodged in terms of the applicable ACT.

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MR. M. THANGO

Chairperson; Audit and Risk Committee

Audit and Risk Committee

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is chaired by a member of the Board who is appointed by the Board chairperson and is comprised of majority of the members which are financially literate. The Board has appointed two (2) independent non-executive directors namely Mr. S Hlophe and Mr. D Mncwabe as members of the Audit and Risk Committee.

The Audit and Risk Committee has terms of reference which outline the composition, operations and guides the functioning of the committee. The Audit and Risk committee is responsible for improving management reporting by overseeing audit functions, internal controls and the financial reporting process. The Committee is further responsible for monitoring and Managing Risk issues as delegated by the Board.

The committee's primary responsibility is as follows:

• INTEGRATED REPORTING

The Committee oversees integrated reporting, and in particular the Committee must:

- Have regard to all factors and risks that may impact on the integrity of the integrated report, including factors that may predispose management to present a misleading picture, significant judgments and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information;
- Review the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents;
- comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;
- Review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- Recommend to the board the engagement of an external assurance provider on material sustainability issues;
- Recommend the integrated report for approval by the board;
- Consider the frequency for issuing interim results;
- Consider whether the external auditor should perform assurance procedures on the interim results
- Review the content of the summarized information for whether it provides a balanced view; and
- Engage the external auditors to provide assurance on the summarized financial information.

- **COMBINED ASSURANCE**

The Committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee should:

- Ensure that the combined assurance received is appropriate to address all the significant risks facing the company; and
- Monitor the relationship between the external assurance providers and the company

- **FINANCE FUNCTION AND FINANCIAL DIRECTOR**

The Committee reviews the expertise, resources and experience of the company's finance function, and discloses the results of the review in the integrated report. The Committee also considers and satisfies itself of the suitability of the expertise and experience of the financial director every year.

- **INTERNAL AUDIT**

The Committee is responsible for overseeing of internal audit, and in particular the Committee must:

- be responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive;
- approve the internal audit plan; and
- ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate.

- **RISK MANAGEMENT**

The Committee is an integral component of the risk management process and specifically the Committee must oversee:

- financial reporting risks;
- internal financial controls;
- fraud risks as it relates to financial reporting; and
- IT risks as it relates to financial reporting.

- **AUTHORITY**

The Committee, in terms of its terms of reference as approved by the Board, has authority as follows:

- The Committee recommends to the Board with regard to its statutory duties and is accountable in this respect to the board. On all responsibilities delegated to it by the board outside of the statutory duties, the Committee makes recommendations for approval by the board.
- The Committee acts in accordance with its statutory duties and the delegated authority of the board as recorded in this terms of reference. It has the power to investigate any activity within the scope of its terms of reference.
- The Committee, in the fulfilment of its duties, may call upon the chairman of the other board Committees, any of the executive directors, employees, and board secretary or assurance providers to provide it with information subject to board approved process.
- The Committee has reasonable access to the company's records, facilities, employees and any other resources necessary to discharge its duties and responsibilities subject to following board approved process.
- The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.
- The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at company's cost, subject to a board approved process being followed.

Report of the Audit and Risk Committee

The Audit and Risk Committee is an operating committee of the Board of KwaZulu-Natal Liquor Authority, charged with oversight of financial reporting and disclosure. The members of the Committee are drawn from and appointed by the company's Board of directors, with the Chairperson remaining as the representative from the Board.

The Committee is charged with the responsibility to assist the Board in discharging its duties relating to the safeguarding of assets, effective management of liabilities and working capital, the operation of adequate systems and process of internal control and the preparation of financial reports and Annual Financial Statements.

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has performed its duties and complied with its responsibilities in accordance with the Public Finance Management Act and the Treasury Regulations. The Audit Committee also reports that it has approved Terms of Reference, which were adopted as the Audit and Risk Committee Charter which the Committee regulated its affairs in compliance with and discharged all its responsibilities as contained therein. The Committee held a Special meeting to consider and finalize the Annual Financial Statements for submission as per the PFMA requirements.

MEMBERSHIP AND ATTENDANCE

The Audit and Risk Committee, for the year under review consisted of the members listed hereunder and met seven (6) times as per approved Terms of Reference.

MEMBER	NUMBER OF MEETINGS ATTENDED
Mr. M Thango	6
Mr. S Hlophe Independent	6
Mr. D Mncwabe Independent	6
Mr. B.B. Mbanjwa	5
Ms. O Cingo	6

RISK MANAGEMENT

The Audit and Risk Committee, considered the organizational Risk Register which was reviewed by management with the assistance of the Internal Auditors. The committee further assessed the risks as identified and ensured that strategic Risks were effectively monitored. The Committee monitors the implementation of controls as identified, through reports tabled and interrogated during the Audit and Risk Committee meetings on a quarterly basis.

The Audit and Risk Committee constantly monitors the roll-out of risk management to ensure that this process reaches maturity with a reasonable time. The Committee engaged on a process to develop the Risk Management Framework, and guided management in this process. The Committee considered and approved the Risk Management for the organisation which guides the risk management process within the organisation. The Committee, also adopted a risk governance system, which assists the Committee in extracting required reports which will guide the Committee in effectively providing the oversight as stipulated on the Committee terms of reference.

INTERNAL AUDIT

Internal Audit was operated through an annual operational plan, between the KZNLA and Ukukhanya Advisory Services which was approved by the Board. The audit coverage included mainly recurring audits and focused on areas considered to be key. The results of the internal audits were presented to management for their response on findings and to the Audit and Risk Committee for final review then to the Board for noting. The Audit and risk Committee also thoroughly interrogated the Internal Audit Operational Plan and ensured that the internal audit are effectively executed to the benefit of the organisation.

EXTERNAL AUDIT

The Committee met with the external auditor to thoroughly engage on the Audit Strategy for the 2022/23 financial year. The Committee, committed to ensuring that strategies are in place to ensure that processes run effectively for ease of Audit implementation.

Evaluation of Financial Statements

THE COMMITTEE

- Considered all financial information,
- Considered the appropriateness of policies as developed
- Met separately with management to discuss the draft financial statements, external auditors to consider the findings on the audit report and the audit unit at Treasury to plan for internal audit processes for the Liquor Authority
- Made appropriate recommendations to the Board regarding corrective actions to be taken as a consequence of audit findings
- Reviewed and recommended for adoption by the Board financial information that is publicly disclosed within the annual report

Governance Processes and Accountability

The Committee reports that it has adopted appropriate terms of reference which serve as the Committee charter. All the committee affairs have been regulated in compliance with the committee charter, and discharging of its responsibilities has been done in accordance with what is contained therein.

The Audit and Risk Committee reviewed quarterly financial reports and is satisfied that controls are in place to monitor spending patterns. The Quarterly reports were submitted to the Board for noting and to the Department of Economic Development and Tourism in line with the funding agreement.

The committee, also placed considerable effort in reviewing the Performance of the organisation through considering and aligning performance information with the organizational performance as reported by management. The Committee ensured that, there is a balance and justification in terms of financial performance and organizational performance of the organisation.

Emphasis was placed on ensuring that the organizational plan for the 2022/23financial year, is aligned to the budget allocations and the Committee committed to ensuring that oversight, in ensuring that this is monitored, will be conducted.

Information Technology Governance

The Audit and Risk Committee reports that it considered all IT policies as reviewed and made recommendation for consideration and approval by the Board. The Committee received reports from the IT Steering committee, and is thus assured that sufficient oversight is exercised on IT Governance matters within the organisation.

The Committee, upon realizing that the Liquor management system currently utilized by the entity, is not assisting the Entity to efficiently execute its mandate, recommended that management working with the IT Steering Committee members, draft Terms of Reference of the development of a new system. The Committee is constantly updated and continuously provides required direction to management and advice to the Board in this regard.

The Audit and Risk Committee concurs with and accepts the Auditor-General's conclusions on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor General.

Board Member`s Remuneration

The MEC for Economic Development, Tourism and Environmental Affairs, determined the rate for remuneration of Board members. The fee structure outlines the full terms for payment of each member either for attendance at Board meetings, or participation in Board Committees. The remuneration determinations by the MEC, further in the case of KZNLA, outline the rate for payment of members for adjudication processes.

Board members were paid in accordance with the determinations which clearly states that members are paid a retainer and attendance fee for Board meetings but are just paid a retainer for participation in Committee meetings. Members are paid an hourly rate for attendance at special meetings, if these are over and above the meetings prescribed within the retainer fee.

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B- BBEE Certification

KwaZulu-Natal LIQUOR AUTHORITY

B-BBEE Verification Certificate

INKOMBA VERIFICATION AGENCY

THIS SERVES TO CERTIFY THAT:

KWAZULU NATAL LIQUOR AUTHORITY

Registration Number: N/A   Vat Number (N/A)

Physical Address: 22 DOROTHY NYEMBE STREET, MARINE BUILDING, DURBAN, 4001

Certificate No: LIQ20220978GEN

has been rated as per the Department of Trade and Industry 's Codes of Good Practice Gazette No. 38766. In obtaining the B-BBEE status, Generic Specialised Enterprise principles were used, based on the information provided to Inkomba Verification Agency. An independent opinion based on verification, validation and audit analysis was performed.

This B-BBEE certificate is valid for 12 months from the date of issue.

Specialized Generic Scorecard:

LEVEL 8 CONTRIBUTOR

	Elements	Element Weighting	Actual Score
Direct Empowerment	Management	20.00	18.88
HR Department	Skills Development	25.00	7.06
Indirect Empowerment	Enterprise and Supplier Development	50.00	27.13
	Socio- Economic Development	5.00	5.00
Total Score			**58.07**

B-BBEE Procurement Recognition Level	10%
Black Owned	N/A
Black Women Owned	N/A
Black New Entrant	N/A
Black designated group	N/A
Black Youth	N/A
Black Disabled	N/A
Black Unemployed	N/A
Black people living with disabilities	N/A
Financial Year End	01 April 2021 to 31 March 2022
Designated Group Suppliers	No
Empowering Supplier	Yes
Black Military	N/A
Black people living in rural areas	N/A
Discounting Principle Used	Yes (Initially level 7 discounted to level 8)
Exclusion principle used	No
Modified flow through principle applied	N/A
Participated in Y.E.S initiative	No
Achieve Y.E.S target and 2.5% Absorption	No
Achieve 1.5 * Y.E.S target and 5% Absorption	No
Achieve double Y.E.S target and 5% Absorption	No

Khulekani Ziphozonke Mvubu – Technical Signatory

Date of Issue: 27 September 2022
Expiry Date: 26 September 2023
Revision Date: N/A

sanas BBBEE Verification Agency
BVA126

Address: 38 Noble Road, Berea, Durban
T: 031 201 8546 | F: 086 734 377
Email: inkomba@worldonline.co.za
Website: www.inkomba.co.za

Management Control

Sub-Element	Indicator	Weighting Points	Compliance Target		Actual	Score
Board Participation	Exercisable voting rights of black board members as a percentage of all board members	2	50.00%		100.00%	2.00
	Exercisable voting rights of black female board members as a percentage of all board members	1	25.00%		60.00%	1.00
	Black persons who are executive directors as a percentage of all executive directors	2	50.00%		100.00%	2.00
	Black female executive directors as a percentage of all executive directors	1	25.00%		60.00%	1.00
Other Executive Management	Black Other Executive Management as a percentage of all Other Executive Management	4	60.00%		100.00%	4.00
	Black female Other Executive Management as a percentage of all Other Executive Management	2	30.00%		33.33%	2.00
Middle Management	Black Employees in Middle Management as a percentage of all Middle Management	2	75.00%		66.76%	1.78
	Black female Employees in Middle Management as a percentage of all Middle Management	1	38.00%		34.51%	0.91
Junior Management	Black Employees in Junior Management as a percentage of all Junior Management	2	88.00%		85.69%	1.95
	Black female Employees in Junior Management as a percentage of all Junior Management	1	44.00%		43.15%	0.98
Disabled	Black Employees with disabilities as a percentage of all employees	2	2.00%		1.27%	1.27
						18.88

Skills Development

Sub-Element	Indicator	Weighting Points	Compliance Target		Actual	Score	
Skills Development Expenditure	Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black people as a percentage of Leviable Amount	9	6.00%		4.71%	7.06	
	Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for black employees with disabilities as a percentage of Leviable Amount	4	0.30%		0.00%	0.00	
Learnerships	Number of black people participating in Learnerships, Apprenticeships and Internships as a percentage of total employees	6	2.50%		0.00%	0.00	
Unemployed Learners	Number of black unemployed people participating in training specified in the Learning Programme Matrix as a percentage of total employees	6	2.50%		0.00%	0.00	SubMin
Bonus Points	Number of black people absorbed by the Measured and Industry Entity at the end of the Learnerships programme	5	100.00%		0.00%	0.00	
						7.06	

Enterprise Supplier Development

Sub-Element	Indicator	Weighting Points	Compliance Target		Actual	Score	
Preferential Procurement	B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a Percentage of Total Measured Procurement Spend	5	80.00%		63.91%	3.99	
	B-BBEE Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	15.00%		0.51%	0.14	
	B-BBEE Procurement Spend from Exempted Micro-Enterprise suppliers based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	5	15.00%		38.87%	5.00	
	B-BBEE Procurement Spend from all Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	11	40.00%		56.54%	11.00	
	B-BBEE Procurement Spend from all Empowering Suppliers that are at least 30% Black Women Owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	5	12.00%		33.75%	5.00	
Bonus Points	B-BBEE Procurement Spend from Designated Group Suppliers that are at least 51% Black owned based on the B-BBEE Recognition Level	2	2.00%		7.09%	2.00	
Supplier Development	Annual value of all Qualifying Supplier Development Contributions made by the Measured Entity as a percentage of the target	15	0.20%	of NPAT / Turnover for NPO's	0.00%	0.00	SubMin
Enterprise Development	Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target	5	0.10%	of NPAT / Turnover for NPO's	0.00%	0.00	SubMin
Bonus Points	Bonus point for graduation of one or more Enterprise Development beneficiaries to graduate to the Supplier Development level	1	Yes		No	0.00	

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Report of the auditor-general to KwaZulu-Natal Provincial Legislature on the KwaZulu-Natal Liquor Authority

OPINION

1. I have audited the financial statements of the KwaZulu-Natal Liquor Authority set out on pages xx to xx, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the KwaZulu-Natal Liquor Authority 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 Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa No. 1 of 1999 (PFMA).
3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the Auditor-General for the audit of the financial statements section of my report.
4. I am independent of the 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 audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

EMPHASIS OF MATTERS

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

CONTINGENCIES

7. As disclosed in note 27 to the financial statements, the entity has various litigation cases in progress. The ultimate outcome of these matters could not be determined and no provision for any asset or liability that may result, was made in the financial statements.

GOING CONCERN

Rationalisation of public entities

8. As described in note 32, the entity resolved to initiate the process of rationalising public entities falling under the Department of Economic Development, Tourism and Environmental Affairs, and, as a result, consultations are ongoing on the merger of KwaZulu-Natal Liquor Authority and KwaZulu-Natal Gaming and Betting Board.

OTHER MATTERS

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

Unaudited supplementary schedule

10. The entity provided supplementary information in the financial statements on whether resources were obtained and used according to the legally adopted budget. The supplementary budget information set out on pages XX to XX do not form part of the financial statements and is presented as additional information. Accordingly, I do not express an opinion on it.

National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23

11. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 21 and 22 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of KwaZulu-Natal Liquor Authority. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.

I do not express an opinion on the disclosure of irregular as well as fruitless and wasteful expenditure in the annual report.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

12. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA 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.
13. In preparing the financial statements, the accounting authority is responsible for assessing the 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 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

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

REPORT ON THE ANNUAL PERFORMANCE REPORT

16. In accordance with the Public Audit Act of South Africa No. 25 of 2004 (PAA) ana the generar 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.
17. I selected the following material performance indicators related to Programme 3 - Licencing and administration as well as Programme 4 - Compliance and enforcement as presented in the annual performance report for the year ended 31 March 2023. I selected those indicators that measure the entity's performance on its primary mandated functions that are of significant national, provincial, community or public interest.

Licencing and administration

- Percentage of applications processed and finalised within the prescribed timeframes
- Percentage of licences and/or permits issued within the prescribed timeframes
- Number of job opportunities created from licences issued
- Percentage of annual licence evaluation applications processed before expiry dates

Compliance and enforcement

- Percentage of inspection reports finalised within the prescribed timelines
- Percentage of annual evaluations compliance inspections concluded (section 64)
- Number of routine compliance inspections conducted on licenced premises
- Percentage of identified illegal outlets that have been reported to SAPS for shutdown
- Number of enforcement blitz operations conducted
- Percentage of complaints investigated and finalised within timeframes

18. 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 useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.
19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the 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 are applied 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 what was 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.

20. I performed the procedures for the purpose of reporting material findings only.
21. I did not identify any material findings on the reported performance information for the selected material performance indicators.

OTHER MATTERS

22. I draw attention to the matters below.

Achievement of planned targets

23. The annual performance report includes information on the reported achievements against planned targets and provides explanations for over- and under-achievements. This information should be considered in the context of the material findings on the reported performance Information.

Material misstatements

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

REPORT ON COMPLIANCE WITH LEGISLATION

25. 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 entity's compliance with legislation.
26. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
27. 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 entity, clear to allow 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.
28. I did not identify any material non-compliance with the selected legislative requirements.

OTHER INFORMATION IN THE ANNUAL REPORT

29. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the seeped-in programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
30. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
31. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the seeped-in programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
32. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
33. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

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

OTHER REPORTS

36. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
37. Two investigations had been conducted and completed during the year by independent consultants at the request of the entity into allegations of incorrect processing of primary and secondary applications relating to liquor licences. The investigation resulted in the commencement of disciplinary inquiries against implicated officials as well as system weaknesses being addressed with the service provider.

Auditor-General

Pietermaritzburg

31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Annexure to the Auditor's Report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, 1 exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the entity's compliance with selected requirements in key legislation.

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to, the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Selected legislation and regulations	Consolidated firm level requirements
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b);
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 8.2.1; 8.2.2 Regulation 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; 16A 8.3; 16A 8.4; 16A9.1(b)(ii); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2(a)(ii) Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Regulation 31.1.2(c'); Regulation 33.1.1; 33.1.3
Public service regulation	Public service regulation 13(c);18; 18 (1) and (2);
PRECCA	Section 29; 34(1)
CIDB Act	Section 18(1)
CIDB Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
PFMA SCM Instruction no. 09 of 2022/2023	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
National Treasury Instruction No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4(c); 4.4(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
NT SCM Instruction 4A of 2016/17	Paragraph 6
NT SCM Instruction Note 03 2019/20	Paragraph 5.5.1(vi); 5.5.1(x)
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; Paragraph 3.4(a); 3.4(b) Paragraph 3.9 Paragraph 6.1; 6.2; 6.7
NT SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.2; 3.2.4(a); 3.2.4(b); 3.3.1; Paragraph 4.1

Selected legislation and regulations	Consolidated firm level requirements
PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1) Paragraph 4(2) Paragraph 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2 Paragraph 4.3.2; 4.3.3
Competition Act	Section 4(1)(b)(ii)
NT instruction note 4 of 2015/16	Paragraph 3.4
NT instruction 3 of 2019/20 - Annexure A	Section 5.5.1 (iv) and (x)
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph 2
Practice note 7 of 2009/10	Paragraph 4.1.2
Practice note 11 of 2008/9	Paragraph 3.1 Paragraph 3.1 (b)
NT instruction note 1 of 2021/22	Paragraph 4.1
Public Service Act	Section 30 (1)

2022 - 2023

ANNUAL FINANCIAL STATEMENTS

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

The 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 financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the period 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 financial statements and were given unrestricted access to all financial records and related data.

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

The 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 members to meet these responsibilities, the board of members sets standards for internal control aimed at reducing the risk of error or loss 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 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have reviewed the entity's cash flow forecast for the year to 31 March 2024 and, in 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 entity is substantially dependent on the Economic Development, Tourism and Environmental Affairs for continued funding of operations. The financial statements are prepared on the basis that the entity is a going concern and that the Provincial Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the entity.The external auditors are responsible for independently reviewing and reporting on the entity's financial statements. Although the entity generates revenue in the form of license fees, such revenue is wholly transferred to the Department of Economic Development, Tourism and Environmental Affairs.

The financial statements set out on pages 3 to 38, which have been prepared on the going concern basis, were approved by the board of members on 31 May 2023 and were signed on its behalf by:

Ms M P Myeni
Chairperson: Board of Directors
KwaZulu-Natal Liquor Authority

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

1. Incorporation

The entity was established on 01 August 2012 in terms of section two of the KZN Liquor Licensing Act No.6 of 2010. The KwaZulu-Natal Liquor Authority went into operation on 01 November 2012. The entity operates principally in South Africa.

2. Review of activities

Main business and operations

- Manage and implement effective and efficient liquor administrative processes in terms of the receiving and processing of liquor applications.
- To raise awareness and provide education on liquor issues
- To implement enforcement and compliance with the prescripts of the applicable liquor legislation
- Facilitate entry of the new entrants into liquor industry

3. Going concern

The 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.

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of R11,189,238 and that the entity's total assets exceed its total liabilities by R11,189,238. The entity's current ratio is 2:1 from the current assets of R11,382,502 and current liabilities of R5,571,430. The entity will be able to settle the obligations as they become due.

Notwithstanding the aforementioned statement, the Provincial Executive Council has resolved to initiate the process of rationalising public entities falling under the Department of Economic Development, Tourism and Environmental Affairs and as a result, consultations are on-going on the merger of KZN Liquor Authority and KZN Gaming and Betting Board.

The rationalisation process was envisaged to be finalised by the end of March 2023. However, due to the delays with the finalisation of the Bill, which has to be passed into law as well as the approval of the business case, this deadline was not met. It must be further stated that the current arrangement will have a positive impact in terms of cost saving benefits which will be realised through economies of scale in the newly-formed entity. The new date for the finalisation of the rationalisation process is yet to be communicated.

4. Board of members

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

Board Members	**Designation**	**Date of appointment**
Ms M.P Myeni	Chairperson	01/05/2017
Mr M Thango	Board Member	01/05/2017
Prof B Dumisa	Board Member	01/05/2017
Inkosi M I Tembe	Board Member	01/05/2017

Committee Members	**Designation**	**Date of appointment**
Ms N.E Mcoyi	Human Resources Committee Member	01/08/2016
Mr D Mncwabe	Audit & Risk Committee Member	20/07/2018
Mr S Hlophe	Audit & Risk Committee Member	20/07/2018

Executive Management	**Designation**	**Date of appointment**
Mr B.B Mbanjwa	Acting Chief Executive Officer	01/08/2012
Miss O.L Cingo	Acting Chief Financial Officer	01/08/2012
Miss C Mbhele	Acting Executive Manager	01/02/2013
Miss L Sibiya	Acting Executive Manager	01/12/2012
Mr E Mzobe	Acting Executive Manager	01/04/2012

5. Subsequent events

The members are not aware of any matter or circumstance arising since the end of the financial year.

6. Secretary

KZNLA uses board secretariat services through Mashobane Advisory Services and CGF Research Institute.

7. Bankers

The banking institution of the KZNLA is ABSA Bank.

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Prepayments	3	1,333,064	1,096,211
Receivables from exchange transactions	4	219,707	226,507
Cash and cash equivalents	5	9,829,731	11,801,844
		11,382,502	**13,124,562**
Non-Current Assets			
Property, plant and equipment	6	1,802,602	2,326,607
Intangible assets	7	3,575,564	4,075,777
		5,378,166	**6,402,384**
Total Assets		**16,760,668**	**19,526,946**
Liabilities			
Current Liabilities			
Provisions	8	2,843,069	3,031,634
Operating lease liability	2	23,980	225,071
Payables from exchange transactions	9	1,856,820	2,319,214
Transfers payable (non-exchange)	10	847,561	566,751
		5,571,430	**6,142,670**
Total Liabilities		**5,571,430**	**6,142,670**
Net Assets		**11,189,238**	**13,384,276**
Accumulated surplus		11,189,238	13,384,276

* See Note 31

STATEMENT OF FINANCIAL PERFORMANCE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services		88,036	92,376
Interest received - investment	11	2,399	3,716
Total revenue from exchange transactions		**90,435**	**96,092**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	12	88,340,000	87,382,000
Total revenue		**88,430,435**	**87,478,092**
Expenditure			
Employee related costs	13	(47,656,998)	(44,015,161)
Administration	14	(476,657)	(495,258)
Depreciation and amortisation	15	(1,005,223)	(1,950,557)
Executive managers remuneration	23	(7,449,675)	(8,327,498)
Board members remuneration	23	(1,937,106)	(1,988,803)
General Expenses	16	(32,065,926)	(31,807,445)
Total expenditure		**(90,591,585)**	**(88,584,722)**
Loss on disposal of assets	17	(33,888)	(49,946)
Deficit for the year		**(2,195,038)**	**(1,156,576)**

* See Note 31

STATEMENT OF CHANGES IN NET ASSETS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	14,575,644	14,575,644
Adjustments		
Correction of 2021 errors (note 31)	(34,792)	(34,792)
Balance at 01 April 2021 as restated	**14,540,852**	**14,540,852**
Changes in net assets		
Deficit for the year as previously reported	(791,512)	(791,512)
Prior period errors (note 31)	(365,064)	(365,064)
Total changes	(1,156,576)	(1,156,576)
Balance at 01 April 2022 as restated	**13,384,276**	**13,384,276**
Changes in net assets		
Deficit for the year	(2,195,038)	(2,195,038)
Total changes	(2,195,038)	(2,195,038)
Balance at 31 March 2023	**11,189,238**	**11,189,238**

* See Note 31

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Grants		88,340,000	87,462,000
Interest income		2,399	3,716
Other receipts		88,036	92,376
		88,430,435	87,558,092
Payments			
Employee costs		(55,302,747)	(52,672,711)
Suppliers		(35,084,909)	(33,264,797)
		(90,387,656)	(85,937,508)
Net cash flows from operating activities	18	**(1,957,221)**	**1,620,584**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(14,892)	(2,133,998)
Proceeds from sale of property, plant and equipment	6	-	17,750
Net cash flows from investing activities		**(14,892)**	**(2,116,248)**
Net increase/(decrease) in cash and cash equivalents		**(1,972,113)**	**(495,664)**
Cash and cash equivalents at the beginning of the year		11,801,844	12,297,508
Cash and cash equivalents at the end of the year	5	**9,829,731**	**11,801,844**

* See Note 31

1. Presentation of Financial Statements

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

1.1 Basis of preparations

The 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), as well as the KwaZulu Natal Liquor Licensing Act (Act 6 of 2010).

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include: leave provisions, non-cash generating assets' useful lives and depreciation methods, financial instruments at fair value, impairment of receivables and asset impairment. Notes relating to the subject are included under the affected areas of the annual financial statements.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

1.4 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 - 9 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	3 - 9 years
IT equipment	Straight line	2 - 9 years
Cellphones	Straight line	2 years
Security equipment	Straight line	5 - 9 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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 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.

1.5 Intangible assets

An asset is identifiable if it either:
- 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.

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.

1.5 Intangible assets (continued)

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.

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.

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.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	2 - 8 years

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.

1.6 Financial instruments

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

Classification

Financial instruments are recognised on the statement of financial position when the entity becomes party to the contractual provisions of the instrument. Financial instruments include cash and bank balances, receivables and payables. These financial instruments are generally carried at their estimated fair value, which is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arms length transaction.

Financial assets:

The entity's principal financial instruments are cash at bank and cash on hand and other receivables.

Financial liabilities:

The entity's principal liabilities are trade and other payables.

1.6 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments. The entity classifies financial instruments, or their components parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Financial instruments are measured initially at fair value costs when the entity is a party to the contractual arrangement. Subsequent to initial recognition these instruments are measured as set below:

Receivables from exchange transactions

Trade and other receivables are stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

The entity measures a financial asset and financial liability initially at its fair value.

Payables from exchange transactions

Trade and other payables are measured at their nominal value. The carrying amount of these payables approximates fair value due to the short period to maturity of these instruments.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value. The carrying amount approximates fair value due to the short period to maturity. Cash and cash equivalents comprise cash at bank and cash on hand.

1.7 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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 asset 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.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.7 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.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the financial statements with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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 held with the primary 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:

(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

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

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

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

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

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

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

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

Useful life is either:

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

1.9 Impairment of non-cash-generating assets (continued)

Identification

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

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

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.11 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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.

A constructive obligation is an obligation that derives from an entity's actions where by 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;

When an employee has rendered service to the entity during a reporting period, the entity recognise 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, 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 measure 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.

1.11 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Long service awards

The entity provides long term service awards to all if its employees who have been in service of the entity for a certain period of time. According to the rules of the long-term service scheme, which the entity has instituted and operates, an employee (who is on the current conditions of service), is entitled to a fixed cash award, as per the rules of the scheme, after 5,10,15, and 20 years of continued service.

The long service award is recognised as an expense in the Statement of Financial Performance in the year in which it is settled.

1.12 Provisions and contingencies

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

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

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

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 deficits.

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.

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

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

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

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.14 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-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.

Income received from conditional grants, donations and subsidies is recognised in so far as the entity has complied with all of the criteria, conditions or obligations embodied in the applicable agreement. In so far as the criteria, conditions or obligations have not been met, a liability is recognised and should the funds committed for future use, that such funds be repaid. 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.

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.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method

1.17 Borrowing costs

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

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

ACCOUNTING POLICIES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1.18 Accounting by principals and agents

Identification

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

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

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

Recognition

The entity, as an agent, recognises only the portion of the revenue it receives (administration or management fees, if any) or any expenses it incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP. Licensing fees collected on behalf of the principal are not recognised as revenue.

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

1.19 Comparative figures

Where necessary, comparative figures have been reclassified/or restated in terms of GRAP 3.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.21 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure when incurred and confirmed is recorded in the annual financial statements disclosure. This relates to fruitless and wasteful expenditure incurred in the current financial year, with a one previous financial year comparative analysis.

Fruitless and wasteful expenditure for the previous financial years (comparative amounts) is recognised in the period in which it occurred as follows:

(a) fruitless and wasteful expenditure incurred and confirmed in the previous financial year;
(b) fruitless and wasteful expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
(c) fruitless and wasteful expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.

Fruitless and wasteful expenditure is disclosed in the notes to the financial statements when confirmed after its assessment. The amount disclosed is equal to the value of fruitless and wasteful expenditure incurred and confirmed in that current financial year unless it is impractical to determine.

1.24 Related parties

Parties are considered to be related to the entity if they have the ability to control or exercise significant influence over the entity or vice versa in making financial and operational decisions or if both parties are subject to common control. Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 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.

1.26 New standards and interpretations

Standards and interpretations effective and adopted in the current year

In the current year, the entity has not adopted any standards and interpretations that are effective for the current financial year and that are relevant to its operations.

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:

- GRAP 25 (as revised): Employee benefits (no effective date set).
- Guideline: Guideline on the application of Materiality to the Financial Statements (no effective date set).
- GRAP 104 (as revised): Financial Instruments (effective 1 April 2025).
- IGRAP21 : The effect of past decisions on Materiality (effective 1 April 2023).
- GRAP 2020: Improvements to the Standards of GRAP 2020 (effective 1 April 2023).
- GRAP 1 (amended): Presentation of Financial Statements (effective 1 April 2023).
- IGRAP 7 on the limit on a defined benefit asset, minimum funding requirements and their interaction (revised): (effective 1 April 2023).

Management has considered the effect of these Standards and it is unlikely that they will have any material impact on the financial statements.

Figures in Rand	2023	2022
2. Operating lease asset		
Operating lease accrual	(23,980)	(225,071)

3. Prepayments

Prepayments relate to rent and licence fees paid in advance to different service providers.

Licences	631,816	506,088
Insurance	101,228	-
Rent	600,020	590,123
	1,333,064	**1,096,211**

4. Receivables from exchange transactions

Trade debtors	116,678	124,310
Deposits	103,029	102,197
	219,707	**226,507**

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security.

Fair value of trade and other receivables

The fair values of receivables from exchange transactions approximate their carrying amounts.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	66	2,211
Bank balances	9,829,665	11,799,633
	9,829,731	**11,801,844**

Figures in Rand	2023	2022

6. Property, plant and equipment

	2023 Cost	2023 Accumulated depreciation and accumulated impairment	2023 Carrying value	2022 Cost	2022 Accumulated depreciation and accumulated impairment	2022 Carrying value
Furniture and fixtures	3,322,449	(3,077,982)	244,467	3,550,642	(3,267,649)	282,993
Motor vehicles	394,049	(391,515)	2,534	394,049	(391,321)	2,728
Office equipment	816,544	(621,384)	195,160	957,807	(720,178)	237,629
IT equipment	5,372,389	(4,031,540)	1,340,849	5,526,499	(3,744,567)	1,781,932
Security equipment	280,701	(261,109)	19,592	280,701	(259,376)	21,325
Total	**10,186,132**	**(8,383,530)**	**1,802,602**	**10,709,698**	**(8,383,091)**	**2,326,607**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	282,993	-	(7,111)	(31,415)	244,467
Motor vehicles	2,728	-	-	(194)	2,534
Office equipment	237,629	-	(6,047)	(36,422)	195,160
IT equipment	1,781,932	14,892	(7,820)	(448,155)	1,340,849
Security equipment	21,325	-	-	(1,733)	19,592
	2,326,607	**14,892**	**(20,978)**	**(517,919)**	**1,802,602**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	435,165	-	(7,390)	(144,782)	282,993
Motor vehicles	3,638	-	-	(910)	2,728
Office equipment	141,672	180,625	(6,121)	(78,547)	237,629
IT equipment	451,271	1,953,373	(50,424)	(572,288)	1,781,932
Security equipment	37,739	-	(1,110)	(15,304)	21,325
	1,069,485	**2,133,998**	**(65,045)**	**(811,831)**	**2,326,607**

Pledged as security

No items of property, plant and equipment have been pledged as security.

Figures in Rand	2023	2022

7. Intangible assets

	2023 Cost	2023 Accumulated amortisation and accumulated impairment	2023 Carrying value	2022 Cost	2022 Accumulated amortisation and accumulated impairment	2022 Carrying value
Computer software	8,712,020	(5,136,456)	3,575,564	9,419,522	(5,343,745)	4,075,777

Reconciliation of intangible assets - 2023

	Opening balance	Disposals	Amortisation	Total
Computer software	4,075,777	(12,909)	(487,304)	3,575,564

Reconciliation of intangible assets - 2022

	Opening balance	Disposals	Amortisation	Total
Computer software	5,217,154	(2,652)	(1,138,725)	4,075,777

Pledged as security

No items of intangible assets have been pledged as security.

8. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Utilised during the year	Total
Leave provision	3,031,634	(188,565)	2,843,069

Reconciliation of provisions - 2022

	Opening Balance	Utilised during the year	Total
Leave provision	3,398,551	(366,917)	3,031,634

Provision for leave is calculated at a current salary rate multiplied by a number of available leave days due to employees at the reporting date.

9. Payables from exchange transactions

	2023	2022
Trade payables	1,436,330	1,723,890
KwaZulu Natal Gaming and Betting Board	-	167,325
Accrued 13th cheque	420,490	427,999
	1,856,820	**2,319,214**

Figures in Rand	2023	2022

10. Transfers payable (non-exchange)

Transfers payable - EDTEA	847,561	566,751

The fair values of transfers payable approximate their carrying amounts.

11. Investment revenue

Interest revenue		
Bank	2,399	3,716

12. Government grants and subsidies

Recognised as income		
Unconditional grant	88,340,000	87,382,000

13. Employee related costs

Basic	42,014,847	39,668,046
13th cheque	(7,509)	36,865
UIF	165,843	156,857
SDL	417,263	389,456
Leave pay provision charge	(188,565)	(366,917)
Cellphone reimbursements	373,500	325,900
Travelling allowance	2,848,000	2,588,000
Overtime payments	857,041	711,584
Acting allowance	1,162,542	490,534
Other employee related costs	14,036	14,836
	47,656,998	**44,015,161**

14. Administrative expenditure

Administration and management fees - third party	476,657	495,258

15. Depreciation and amortisation

Property, plant and equipment	517,919	789,392
Intangible assets	487,304	1,161,165
	1,005,223	**1,950,557**

Figures in Rand	2023	2022

16. General expenses

Advertising	675,052	502,174
Attendance fees	1,605,733	262,162
Auditors remuneration	1,903,509	1,729,239
Bank charges	53,270	51,431
Catering	120,605	36,067
Cleaning	556,551	330,060
Consulting and professional fees	3,447,577	6,356,846
Electricity	569,124	530,658
Repairs and maintenance	40,550	39,360
Rationalisation expenses	-	167,325
Internal audit fees	149,236	309,350
Parking costs	1,390,061	1,290,014
IT expenses	131,425	273,153
Insurance	281,470	395,561
Lease rentals on operating leases	5,583,465	5,526,967
COVID-19 expenses	-	303,400
Office set-up cost	623,847	590,271
Investigation expenses	747,624	409,966
Placement fees	18,926	1,356
Postage and courier	30,049	20,730
Printing and stationery	516,929	888,555
Secretarial fees	413,694	630,064
Security	3,138,951	2,895,000
Software expenses	841,284	1,074,649
Staff welfare	423,272	259,821
Subscriptions and membership fees	1,639,934	1,698,877
Telephone and fax	1,344,734	1,130,144
Compliance tools	2,491	-
Training	623,738	718,652
Travel - local	4,962,644	3,079,489
Uniforms	4,740	-
Venue expenses	225,441	306,104
	32,065,926	**31,807,445**

17. Loss on disposal of assets

Loss on disposal of assets	(33,888)	(49,946)

18. Cash (used in) generated from operations

Deficit for the year	(2,195,038)	(1,156,576)
Adjustments for:		
Depreciation and amortisation	1,005,223	1,950,557
Loss on disposal of assets	33,888	49,946
Movements in operating lease assets and accruals	(201,091)	204,509
Movements in provisions	(188,565)	(366,917)
Other non-cash items - prior period error (note 31)	-	(34,792)
Changes in working capital:		
(Increase) / decrease in receivables from exchange transactions	6,800	(118,709)
(Increase) / decrease in receivables from non-exchange transactions	-	80,000
(Increase) / decrease in prepayments	(236,853)	(79,041)
Increase / (decrease) in payables from exchange transactions	(462,395)	1,152,807
Increase / (decrease) in transfers payable (non exchange)	280,810	(61,200)
	(1,957,221)	**1,620,584**

Figures in Rand	2023	2022
19. Commitments		
Operational expenditure		
▪ Approved and contracted	9,939,829	1,316,390
Capital expenditure		
▪ Approved and contracted	1,588,262	-
Approved operational expenditure and capital commitments		
Authorised capital and operational expenditure	11,528,091	1,316,390
Operating leases		
Minimum lease payments due		
- within one year	4,538,469	5,326,894
- in second to fifth year inclusive	4,901,546	-
	9,440,015	**5,326,894**

The KwaZulu Natal Liquor Authority leases a building from Delta Property Fund Limited effective 01 April 2016. The lease period ended on 31 March 2023. A new lease was entered into for a period of 24 months, commencing 01 April 2023 until 31 March 2025. The lease payment at the inception of the lease is R378,206 per month with an annual escalation clause of 8%.

Minimum lease payments due		
- within one year	423,680	153,879
- in second to fifth year inclusive	182,823	-
	606,503	**153,879**

The KwaZulu-Natal Liquor Authority leases a building from Zevoli Properties for a period of 24 months, effective 01 September 2018. The old lease expired on 31 August 2022. A new lease was entered into for a period of 24 months, commencing 01 September 2022 until 31 August 2024. The lease payment at the inception of the lease is R33,546 per month with an annual escalation clause of 9%.

Minimum lease payments due		
- within one year	243,432	712,264
- in second to fifth year inclusive	-	243,432
- later than five years	-	-
	243,432	**955,696**

The KwaZulu- Natal Liquor Authority leases a building from Sarosma Trust for a period of 2 years, effective 01 August 2019. The old lease expired on 30 July 2021. A new lease was entered into for a period of 24 months, commencing 01 August 2021 and ending on 30 July 2023. The lease payment is R56,350 per month with an annual escalation clause of 8%.

Minimum lease payments due		
- within one year	302,964	255,443
- in second to fifth year inclusive	297,948	-
	600,912	**255,443**

The KwaZulu-Natal Liquor Authority leases a building from Zelpy for a period of 1 year, effective 01 March 2021. The old lease was extended and it expired on 28 February 2023. The new lease was entered into for a period of 24 months, commencing on 01 March 2023 until 28 February 2025. The lease payment at the inception of the lease is R25,079 per month with escalation of 8%.

Figures in Rand	2023	2022
19. Commitments (continued)		
Minimum lease payments due		
- within one year	142,551	278,313
- in second to fifth year inclusive	-	142,551
	142,551	**420,864**

The KwaZulu- Natal Liquor Authority leases a building from Harcourts for a period of 2 years, effective 01 October 2019. The old lease expired on 30 September 2021. The new lease was entered into for a period of 24 months, commencing on 01 October 2021 until 30 September 2023. The lease payment at the inception of the lease is R22,627 per month with an annual escalation clause of 5%.

20. Related parties

The entity is wholly dependent on the Department of Economic Development, Tourism and Environmental Affairs - KZN for continued funding of operations.

Related party balances

	2023	2022
Amounts owing (to) by related parties		
Transfers payable - Department of Economic Development, Tourism and Environmental Affairs - KZN	(847,561)	(566,751)
Amounts included in receivables (payables) regarding related parties		
Trade payables - KwaZulu - Natal Gaming and Betting Board	-	(167,325)

Related party transactions

	2023	2022
Government grants received and retained by the entity		
Unconditional grant	88,340,000	87,382,000
Amounts paid to related party		
Revenue - licence fees paid over to EDTEA	34,704,493	23,840,180
Bank charges - licence fees	(587,425)	(612,139)
Operating expenses owing to related party		
Rationalisation expenses - KwaZulu - Natal Gaming and Betting Board	-	(167,325)

KZN Gaming and Betting Board

The entity received communication that there is a payable to the value of R949,393 relating to the secondment of KZN Gaming and Betting Board employee, Mr B.E Radebe. This amount relates to an acting allowance that the KZN Gaming and Betting Board paid to an employee who was appointed to act in Mr Radebe's position. There was no discussion or agreement regarding the acting allowance or the amount payable.

Mr Radebe was to be paid an acting allowance, travel, subsistence and other fees incurred in the rendering of his services by KZN Liquor Authority and these fees were settled. All the other employee related costs were to be borne by KZN Gaming and Betting Board. No payable was raised at year end as there was no signed agreement authorising the invoicing of Mr Radebe's salary to the entity. Future discussions will be held between the two entities to determine if the amount is payable as there was no agreement between the two entities. The amount of R949,393 is being disclosed as a contingent liability (refer to note 27) as there could be a potential liability for the entity to settle the amount.

Figures in Rand	2023	2022

21. Irregular expenditure

Add: Irregular Expenditure confirmed - current	-	-
Less: Amount written off/condoned - current	-	-
Less: Amount written off/condoned - prior period	-	-
Closing balance	-	-

No irregular expenditure was incurred by the entity during the year and in the 2021/22 financial year. As per the accounting policy of the entity and the PFMA Compliance and Reporting Framework, only irregular expenditure incurred in the years under review is disclosed in the financial statements.

The amount of R383,040 which is irregular expenditure incurred in the 2016/2017 has been investigated and the report with recommendations has been submitted to Treasury for condonation. This irregular expenditure is recorded in the irregular expenditure register for the 2016/2017 financial year.

22. Fruitless and wasteful expenditure

Add: Fruitless and wasteful expenditure identified - current	-	-
Less: Amounts condoned - current	-	-
Less: Amount condoned - prior period	-	-
Closing balance	-	-

No fruitless and wasteful expenditure was incurred by the entity during the year and in the 2021/22 financial year. As per the accounting policy of the entity and the PFMA Compliance and Reporting Framework, only fruitless and wasteful expenditure incurred in the years under review is disclosed in the financial statements.

An amount of R25,500 was incurred in the 2020/2021 financial year in respect of interest and penalties charged by SARS. This amount has been recorded in the 2020/2021 fruitless and wasteful expenditure register.

23. Board and executive managers remuneration

Executive

2023

	Basic salary	Pension fund	Medical aid	Travel allowance	UIF & SDL	Cellphone reimbursement	Long service award	Acting allowance	Backpay	Leave payout	13th Cheque	Total
Mr B B Mbanjwa	1,256,242	75,736	3,762	78,000	18,872	24,000	10,000	389,147	35,372	-	-	1,891,131
Mr M Tsautse	-	-	-	-	1,621	-	-	-	-	144,345	-	145,966
Miss O L Cingo	686,436	48,971	48,402	60,000	15,573	17,600	10,000	512,113	22,872	-	72,077	1,494,044
Miss L Sibiya	680,441	48,971	60,396	54,000	14,478	15,600	10,000	401,431	22,872	-	72,077	1,380,266
Miss C Mbhele	605,976	40,944	63,360	54,000	12,124	15,600	10,000	305,364	19,122	-	-	1,126,490
Mr E Mzobe	751,405	51,209	99,280	54,000	14,746	15,600	10,000	391,621	23,917	-	-	1,411,778
	3,980,500	**265,831**	**275,200**	**300,000**	**77,414**	**88,400**	**50,000**	**1,999,676**	**124,155**	**144,345**	**144,154**	**7,449,675**

2022

	Basic salary	Pension fund	Medical aid	Travel allowance	UIF & SDL	Overtime	Cellphone reimbursement	Acting allowance	Backpay	13th Cheque	Total
Mr B B Mbanjwa	1,202,754	72,496	-	78,000	18,318	-	18,000	394,772	19,536	-	1,803,876
Mr M Tsautse	1,013,055	62,635	-	93,500	12,381	13,200	-	-	10,514	-	1,205,285
Mrs Y E Bacus	603,603	34,166	-	-	7,870	7,200	-	-	18,684	-	671,523
Miss O L Cingo	738,173	46,876	45,894	27,000	14,778	14,400	-	446,091	51,682	-	1,384,894
Miss L Sibiya	649,549	46,876	57,279	54,000	13,025	12,800	41,241	257,497	12,632	68,280	1,213,179
Miss C Mbhele	636,277	39,433	55,866	11,500	10,110	10,800	23,826	101,584	6,063	-	895,459
Mr E Mzobe	721,821	48,651	83,685	54,000	12,521	11,600	47,682	165,850	7,472	-	1,153,282
	5,565,232	**351,133**	**242,724**	**318,000**	**89,003**	**70,000**	**130,749**	**1,365,794**	**126,583**	**68,280**	**8,327,498**

23. Board and executive managers remuneration (continued)

Non-executive

2023

	Board members fees	Total
Ms M P Myeni	680,358	680,358
Ms N E Mcoyi	37,610	37,610
Mr M Thango	345,484	345,484
Prof B Dumisa	495,989	495,989
Inkosi Mabhudu Tembe	280,809	280,809
Mr S Hlophe (Independent Audit & Risk Committee member)	48,428	48,428
Mr D Mncwabe (Independent Audit & Risk Committee member)	48,428	48,428
	1,937,106	**1,937,106**

2022

	Board members fees	Total
Ms M P Myeni	703,486	703,486
Ms N E Mcoyi	30,159	30,159
Mr M Thango	348,593	348,593
Prof B Dumisa	517,366	517,366
Inkosi Mabhudu Tembe	312,072	312,072
Mr S Hlophe (Independent Audit & Risk Committee member)	33,643	33,643
Mr D Mncwabe (Independent Audit & Risk Committee member)	43,484	43,484
	1,988,803	**1,988,803**

24. Risk management

Financial risk management

Liquidity risk

Liquidity risk is the risk that the organisation may not be able to meet its financial obligations as they fall due. The entity's risk is a result of the funds available to cover future commitments. The current ratio is 2:1 therefore the entity will be capable to pay its current obligations and will continue operations at desired levels.

Credit risk

The entity does not have any customers and trade debtors. Staff loans are the only financial asset exposed to credit risk. Credit risk in respect of staff loans is managed by the entity by recovering the debt from employees salary. Credit risk with respect to accounts receivable is limited to due to the nature of the entity's business and its reliance on government grant as the main source of funding.

Market risk

Interest rate risk

Market risk refers to the risk that the value of an investment will decrease due to moves in market factors. The entity is not exposed to any long term loans. As the entity has no significant interest-bearing liabilities, the entity's income and operating cash flows are substantially independent of changes in market interest rates. Staff loans bear no interest.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on cash and cash equivalents:

Changes to cash and cash equivalents should there be an increase/(decrease) in basis points		
Increase by 100 basis point (1%)	98,297	118,018
Decrease by 100 basis point (1%)	(98,297)	(118,018)
	-	-

Capital management

The entity maintains sufficient and equal levels of working capital, current assets and current liabilities. This helps the entity to meet its expense obligation while also maintaining sufficient cash flow and is primarily related to short term finance decisions. The entity is not subject to any externally imposed capital requirements.

Cash and cash equivalents	9,829,731	11,801,844
Prepayments	1,333,064	1,096,211
	11,162,795	**12,898,055**

25. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	Total
Trade and other receivables from exchange transactions	219,707	219,707
Cash and cash equivalents	9,829,731	9,829,731
Prepayments	1,333,064	1,333,064
	11,382,502	**11,382,502**

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	1,856,820	1,856,820
Transfers payable (non-exchange)	847,561	847,561
	2,704,381	**2,704,381**

2022

Financial assets

	At fair value	Total
Trade and other receivables from exchange transactions	226,507	226,507
Cash and cash equivalents	11,801,844	11,801,844
Prepayments	1,096,211	1,096,211
	13,124,562	**13,124,562**

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	2,319,214	2,319,214
Transfers payable (non-exchange)	566,751	566,751
	2,885,965	**2,885,965**

26. Events after the reporting date

The management is not aware of any matter or circumstance arising since the end of the financial year that may affect the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

27. Contingencies

Contingent liabilities

The entity has the following contingent liabilities at year end:

Kris and Savy Darson Development (Proprietary) Limited vs KZN Liquor Authority

Litigation is in the process against the entity relating to a dispute with Kris and Savy Darson Development (Proprietary) Limited that the entity has delayed issuing the liquor licence. The infringed company is seeking damages of R4,405,000 for losses/damages suffered as a result of such delays. The matter needs to proceed to trial to determine whether the entity is liable. The plaintiff needs to apply for a trial date.

AKNN Liquor Sales vs KZN Liquor Authority and Others

AKNN Liquor Sales have instituted claims against the entity, Chief Executive Officer of the entity, and the MEC of KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs for the delay in issuing a transfer of the liquor licence. AKNN Liquor Sales is seeking damages to the value of R4,459,650. The pleadings have concluded and AKNN Liquor Sales needs to set the matter down for a pre-trial conference.

KZN Gaming and Betting Board

The entity received communication that there is a payable to the value of R949,393 relating to the secondment of KZN Gaming and Betting Board employee, Mr B.E Radebe. This amount relates to an acting allowance that the KZN Gaming and Betting Board paid to an employee who was appointed to act in Mr Radebe's position.There was no discussion or agreement regarding the acting allowance or the amount payable.

Mr Radebe was to be paid an acting allowance, travel, subsistence and other fees incurred in the rendering of his services by KZN Liquor Authority and these fees were settled. All the other employee related costs were to be borne by KZN Gaming and Betting Board. No payable was raised at year end as there was no signed agreement authorising the invoicing of Mr Radebe's salary to the entity. Future discussions will be held between the two entities to determine if the amount is payable as there was no agreement between the two entities. The amount of R949,393 is being disclosed as a contingent liability as there could be a potential liability for the entity to settle the amount.

Contingent assets

The entity has the following contingent assets at year end:

Case No: D10617/2019 matter of N Rabillal vs the KZN Liquor Authority and 3 others

It is anticipated that the entity may recover R250,000 for this matter. The entity, through its attorneys, has prepared a bill of costs and the applicant's attorney has opposed it. The entity will proceed with setting the matter down for the court to make a final determination on the correct amount due to the entity.

Case No: 6588/2020P matter of And Beyond and 1 other vs the KZN Liquor

It is anticipated that the entity may recover R350,000 for this matter that went all the way to the Supreme Court of Appeals. The entity, through its attorneys, has served a bill of costs on the applicant and await their opposition, if any. The entity will thereafter proceed with setting the matter down for the court to make a final determination on the correct amount due to the entity.

Figures in Rand	2023	2022

28. Accounting by principals and agents

The KwaZulu-Natal Liquor Authority is a party to the principal-agent arrangement.

Details of the arrangement are as follows:

The KwaZulu-Natal Liquor Authority was established in terms of the KwaZulu - Natal Liquor Licensing Act, 2010 (Act. No. 06 of 2010). The Act sets out the objectives that the KwaZulu - Natal Economic Development, Tourism and Environmental Affairs (Principal) strives to achieve with regard to retail liquor licensing through KwaZulu - Natal Liquor Authority (Agent). The Liquor Authority serves as the agent in terms of the Liquor Licensing Act.

There were no changes to the principal - agent arrangement in the current financial year.

Entity as agent

In terms of the Liquor Licensing Act, the Liquor Authority administers the issuing of liquor licences on behalf of the KZN Economic Development, Tourism and Environmental Affairs. The licensing fees that are collected by the entity are paid over to the principal. The entity does not recognise any revenue relating to the licensing fees and no administration fees are charged by the entity for this service.

Fees collected on behalf of the principal		
Licensing fees collected and paid over to the principal	34,704,493	23,840,180
Costs incurred by the agent		
Bank charges	(587,425)	(612,139)
Receivables / (payables) relating to the principal - agent arrangement		
Transfers payable - EDTEA	(847,561)	(566,751)

29. Impact of COVID-19

At the end of March 2020, the COVID-19 virus was declared a pandemic by the World Health Organisation and by the South African Government. South Africa entered into lockdown on 26th March 2020, which meant that non-essential businesses had to shut down. The South African government announced the national state of disaster and further gazetted regulations implementing a national lockdown

The entity has put in place health measures to adhere to the COVID-19 regulations. In response to the pandemic a total amount of Rnil (2022: R303,400) was incurred by the entity for COVID-19 related expenditure.

There has been no changes in the use of the entity's assets due to COVID-19.

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

30. Change in estimate

Property, plant and equipment

In terms of GRAP 17- Property, Plant and Equipment, the entity is required to assess the useful lives, residual values and depreciation methods of assets at each reporting period date. In the current financial year, the management have revised the useful lives of all assets. The revision was accounted for as a change in accounting estimate. The remaining useful lives were reviewed based on the condition assessment carried out during physical verification.

Impact on Statement of Financial Performance	**2023**
IT equipment	
Depreciation expense	500,179
Impact due to the change in estimate	(52,141)
	448,038
Motor vehicles	
Depreciation expense	909
Impact due to the change in estimate	(714)
	195
Office equipment	
Depreciation expense	72,767
Impact due to the change in estimate	(36,346)
	36,421
Security equipment	
Depreciation expense	12,025
Impact due to the change in estimate	(10,292)
	1,733
Furniture and fixtures	
Depreciation expense	124,885
Impact due to the change in estimate	(93,469)
	31,416
Intangible assets	
Amortisation expense	1,135,046
Impact due to the change in estimate	(647,742)
	487,304

Figures in Rand	2023	2022

31. Prior period errors

Property, plant and equipment, depreciation, intangible assets and amortisation

In the prior year, depreciation and amortisation were overstated, resulting in property, plant and equipment and intangible assets being understated. The error was corrected retrospectively.

Operating lease expenses, receivables from exchange transactions and lease accrual

In the prior year, operating lease expenses and lease accrual were incorrectly recognised. This resulted in operating lease expenses and lease accrual being understated. The error was corrected retrospectively.

In addition, deposits relating to the rental were expensed in the previous financial years. As a result, operating lease expenses were overstated and receivables from exchange transactions understated. This error was corrected retrospectively.

Accumulated surplus and transfers payable (non-exchange)

During the 2021 financial year, interest relating to the transfers payable was incorrectly recognised as interest income for the entity. This resulted in the interest received - investment being overstated and transfers payable (non-exchange) being understated in the 2021 financial year. The error was corrected retrospectively.

The correction of the errors resulted in adjustments as follows:

2022

Statement of financial position	
Increase in Property, plant and equipment	41,681
Increase in intangible assets	22,440
Increase in operating lease accrual	(450,142)
Increase in receivables from exchange transactions	20,959
Increase in payables from exchange transactions (rounding)	(2)
Effect on opening accumulated surplus	**(365,064)**
Statement of financial performance	
Decrease in depreciation and amortisation expense	64,120
Increase in general expenses	(429,184)
Effect on prior year deficit	**(365,064)**
Cash flow statement	
Cash (used in) generated from operations	
Decrease in other non-cash items	(34,792)
Increase in transfers payable (non-exchange)	34,792
Effect on net cash (used in) generated from operations	-
2021 prior period error	
Effect on opening accumulated surplus	
Decrease in 2022 opening accumulated surplus	(34,792)

32. Going concern

The 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.

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of R11,189,238 and that the entity's total assets exceed its total liabilities by R11,189,238. The entity's current ratio is 2:1 from the current assets of R11,382,502 and current liabilities of R5,571,430. The entity will be able to settle the obligations as they become due.

Notwithstanding the aforementioned statement, the Provincial Executive Council has resolved to initiate the process of rationalising public entities falling under the Department of Economic Development, Tourism and Environmental Affairs and as a result, consultations are on-going on the merger of KZN Liquor Authority and KZN Gaming and Betting Board.

The rationalisation process was envisaged to be finalised by the end of March 2023. However, due to the delays with the finalisation of the Bill, which has to be passed into law as well as the approval of the business case, this deadline was not met. It must be further stated that the current arrangement will have a positive impact in terms of cost saving benefits which will be realised through economies of scale in the newly-formed entity. The new date for the finalisation of the rationalisation process is yet to be communicated.

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	-	88,321	**88,321**	88,036	**(285)**	
Interest received - investment	-	1,282	**1,282**	2,399	**1,117**	
Total revenue from exchange transactions	**-**	**89,603**	**89,603**	**90,435**	**832**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	88,340,000	11,513,508	**99,853,508**	88,340,000	**(11,513,508)**	(a)
Total revenue	**88,340,000**	**11,603,111**	**99,943,111**	**88,430,435**	**(11,512,676)**	
Expenditure						
Employee related costs	(51,909,892)	3,857,988	**(48,051,904)**	(47,656,998)	**394,906**	(b)
Administration	(609,103)	-	**(609,103)**	(476,657)	**132,446**	(c)
Depreciation and amortisation	-	(1,005,223)	**(1,005,223)**	(1,005,223)	**-**	
Executive members remuneration	(6,442,451)	(1,008,000)	**(7,450,451)**	(7,449,675)	**776**	
Board members remuneration	(2,444,708)	(7,416)	**(2,452,124)**	(1,937,106)	**515,018**	(d)
General Expenses	(26,933,846)	(14,356,080)	**(41,289,926)**	(32,065,926)	**9,224,000**	(e)
Total expenditure	**(88,340,000)**	**(12,518,731)**	**(100,858,731)**	**(90,591,585)**	**10,267,146**	
Operating deficit	**-**	**(915,620)**	**(915,620)**	**(2,161,150)**	**(1,245,530)**	
Loss on disposal of assets	-	-	**-**	(33,888)	**(33,888)**	(f)
Deficit before taxation	**-**	**(915,620)**	**(915,620)**	**(2,195,038)**	**(1,279,418)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**(915,620)**	**(915,620)**	**(2,195,038)**	**(1,279,418)**	

Material differences between budget and actual amounts

Budget variances of 10% or more are considered material.

(a) The budgeted amount is more than the actual amount. This is due to the rollover of the grants.

(b) The actual employee related costs in the current year are less than the budgeted amount. The variance is due to vacancies that have not been filled during the year, resulting in less spending on employee related costs.

(c) The actual administration costs are less than the budgeted amount. This is due to more positions being vacant during the year as well as overall cost savings in administration costs.

(d) The actual board fees were less than the budgeted amount. The budgeted amount considered the possible increases requested by the MEC.

(e) Actual general expenses were less than the budgeted amount. This is due to to overall cost savings by the entity and the fact that most of the budgeted funds are committed.

(f) Gains and losses on disposal of property, plant and equipment and intangible assets are not budgeted for.

WASTEFULL EXPENDITURE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Description	**2022/2023** **R'000**	**2021/2022** **R'000**	**2020/2021** **R'000**
Opening balance	25 500	25 500	-
Prior Period Errors	-	-	-
As Restated	**25 500**	**25 500**	**-**
Add: Wasteful expenditure incurred	-	-	**25 500**
Less: Wasteful expenditure condoned	-	-	-
Less: Wastefulexpenditure not condoned and removed	-	-	-
Less: Wasteful expenditure recoverable	-	-	-
Less: Wasteful expenditure not recovered and written off	-	-	-
Closing balance	**25 500**	**25 500**	**25 500**

Reconciling notes to the annual financial statement disclosure

Description		
Wasteful expenditure that was under assessment in 2021/2022	-	-
Wasteful expenditure that relates to 2021/22 and identified in 2022/23	-	-
Wasteful expenditure for the current year	-	-
Total	**-**	**-**

IRREGULAR EXPENDITURE

Description	2022/2023 R'000	2021/2022 R'000	2020/2021 R'000
Opening balance	383 040	383 040	383 040
Prior Period Errors	-	-	-
As Restated	**383 040**	**383 040**	**383 040**
Add: Irregular expenditure confirmed	-	-	-
Less: Irregular expenditure condoned	-	-	-
Less: Irregular expenditure not condoned and removed	-	-	-
Less: Irregular expenditure recoverable	-	-	-
Less: Irregular expenditure not recovered and written off	-	-	-
Closing balance	**383 040**	**383 040**	**383 040**

Reconciling notes to the annual financial statement disclosure

Description	2022/2023 R'000	2021/2022 R'000
Irregular expenditure that was under assessment in 2021/2022	-	-
Irregular expenditure that relates to 2021/22 and identified in 2022/23	-	-
Irregular expenditure for the current year	-	-
Total	**-**	**-**