Driving Licence Card Account

The Driving Licence Card Account is a Trading entity of the Department of Transport



2022 | 2023
ANNUAL REPORT

The trusted leader in the provision of authentic, secure and quality driving licence cards.

transport
Department:
Transport
REPUBLIC OF SOUTH AFRICA

2022 | 2023

ANNUAL REPORT

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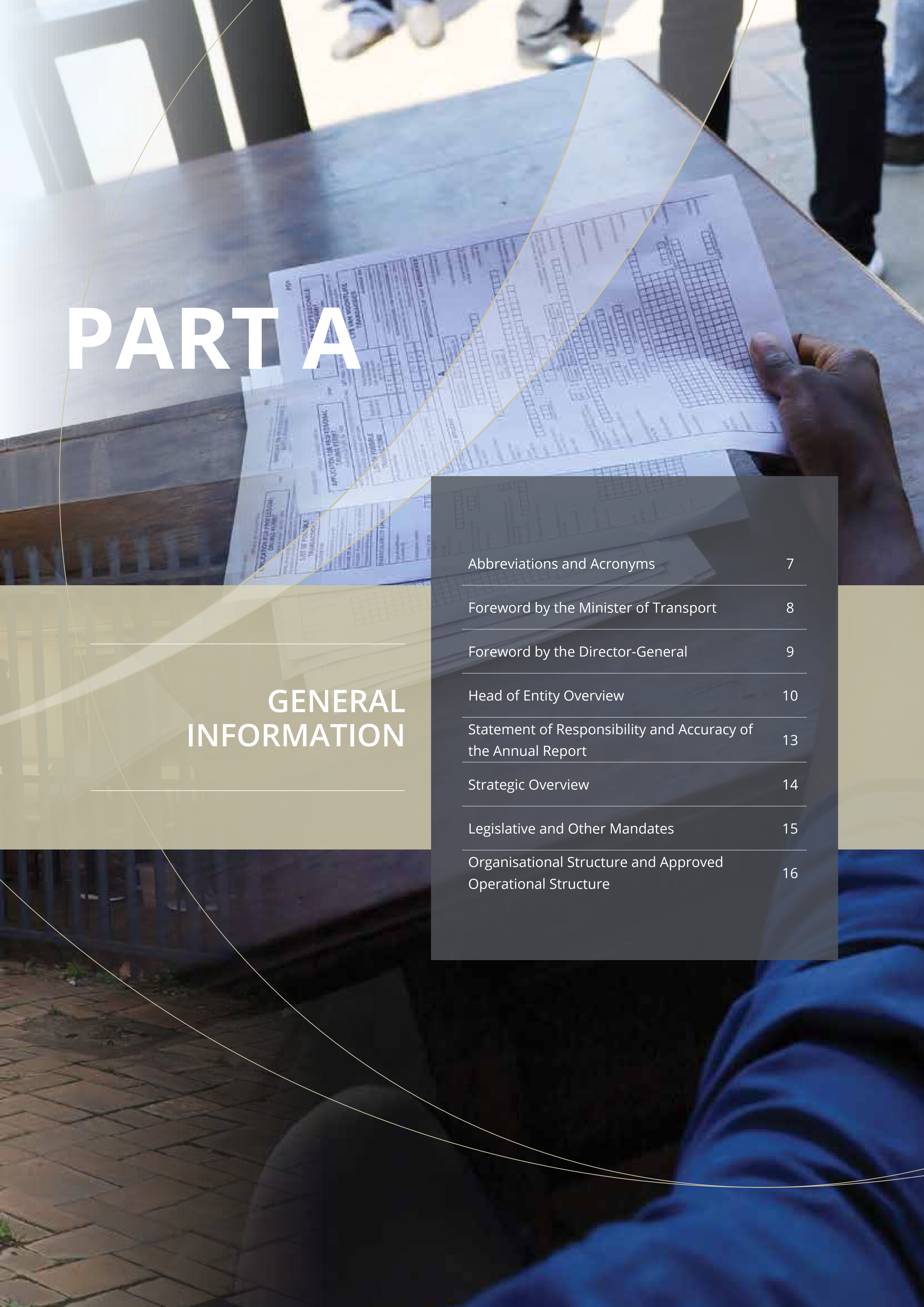

PART A

GENERAL INFORMATION

DLCA General Information

Registered Name	**Driving Licence Card Account**
Registered Office Address	**459B Tsitsa Street**
	Erasmuskloof
	Pretoria
	0181
Postal Address	**PO Box 25223**
	Monument Park
	Pretoria
	0001
Telephone Number	**012 347 2522**
Email Address	**Headofentity@dlca.gov.za**
Website Address	**www.transport.gov.za**
External Auditors	**The Auditor-General of South Africa**
	Lynnwood Bridge Office Park
	The Auditor-General of South Africa Building
	4 Daventry Road
	Lynnwood Manor
	0181
Bankers	**First National Bank**
	Bank City
	Corner Simmons and Pritchard Street
	Johannesburg
	2001
	ABSA
	Absa Towers
	15 Troye Street
	Johannesburg
	2000

Abbreviations and Acronyms

AGSA	Auditor General of South Africa
AO	Accounting Officer
APP	Annual Performance Plan
BBBEE	Broad-Based Black Economic Empowerment
CFO	Chief Financial Officer
DLCA	Driving Licence Card Account
DLTC	Driving Licence Testing Centre
DG	Director-General
DoT	Department of Transport
DPSA	Department of Public Service and Administration
EA	Executive Authority
EU	European Union
GRAP	Generally Recognised Accounting Practice
HoD	Head of Department
IESBA	International Ethics Standards Board for Accountants
IS	International Standards on Auditing
LCU	Live Capture Unit
LEU	Live Environment Unit
MEC	Member of Executive Council
MoU	Memorandum of Understanding
MTEF	Medium-term Expenditure Framework
NaTIS	National Traffic Information System
NDP	National Development Plan
NKP	National Key Point
OHS	Occupational Health Safety
PAA	Public Audit Act
PFMA	Public Finance Management Act
POPIA	Protection of Personal Information Act
PPPFA	Preferential Procurement Policy Framework Act
PPR	Preferential Procurement Regulations
RTMC	Road Traffic Management Corporation
RTMCA	Road Traffic Management Corporation Act
SCM	Supply Chain Management
SDIP	Service Delivery Improvement Plan
SITA	State Information Technology Agency
SLA	Service Level Agreement

Foreword

by the Minister of Transport

It is encouraging to see Driving Licence Card Account (DLCA) steering the new driving licence card design and machine project that has improved security features in line with the latest technological security trends. It will further drive service delivery to ensure the efficient delivery of driving licence cards to South African citizens.

Hon. Sindisiwe Chikunga, MP
Minister of Transport

The transport sector further seeks to modernise and rationalise the printing environment in collaboration with stakeholders such as the Road Traffic Management Corporation (RTMC).

This will provide these entities the opportunity to review the driving licence production process and identify opportunities to become more agile in delivering the service by aligning technology correcting, positioning the transport sector to be service delivery oriented and reducing the cost of delivering services.

Acknowledgement and appreciation is due to DLCA, as 3,9 million driving licence cards were produced in the 2022/23 financial year. Thus, it gives me pleasure to present the annual report of DLCA.

Hon. Sindisiwe Chikunga, MP
Minister of Transport
Date: 27 September 2023

Foreword
by the Director-General

DLCA has a mandate to deliver authentic, secure and quality driver's licence cards, and through dedication and willingness to strive for distinction, employees have executed the mandate very well.

Adv. James Mlawu
Director-General

DLCA has learnt from the challenges related to the obsolete and ailing production machine. It has heeded the call to upgrade the technology of the production process with the new driving licence card and production machine project. Cabinet has approved the design of the new card and the tender for the procurement of the new production machine is in progress.

The management team is also committed to maintaining the highest standards of governance, as this is fundamental to the management of public finances and resources. Therefore, the level of compliance with applicable legislation is monitored at regular intervals, as DLCA aims to maintain the highest standards of governance.

As the president of the Republic of South Africa stated, "Let us now work together, black and white, men and women, young and old to build a South Africa that truly belongs to all that live in it". This is what we seek to achieve at DLCA.

Adv. James Mlawu
Director-General: Department of Transport
Date: 26 September 2023

"I would like to appreciate the DLCA team for holding it together under the circumstances the entity is operating on and thank the management who also jumped into the challenge and assisted where necessary."

Mr. Tsholofelo Lejaka

Head of Entity: Driving Licence Card Account

Overview

by the Head of Entity

General financial overview of the public entity

DLCA continues to increase its operational surplus year on year, with the current financial year's surplus having doubled from that recorded in the previous year. This can be attributed to the increase in sales of driver's license cards and the strict cost containment approach adopted. During the financial year, the entity surrendered excess funds from prior periods amounting to R175 million to the national revenue fund. Nevertheless, it is still in a sound liquidity position, with current assets almost 10 times that of its current liabilities. Most of the working capital of the entity is held in the form of short-term investments, as the entity has plans to invest the funds in major capital investment projects that involve purchasing a new and upgraded card production machine and smart enrolment units.

DLCA spending trends

The public entity practices strict cost control and containment measures to remain self-sustainable in the long term, whilst still providing a decent service to the public. Due to the entity being a manufacturing entity, the biggest area of spending is on the direct and indirect costs of manufacturing driving license cards, including raw materials, machine maintenance, operating expenses and human capital. During 2022/23, there was a 40% increase in costs associated with raw materials, in order to support the 47% increase in revenue from the sale of cards. The entity also saw a 32% increase in operating expenses to support the increase in sales volumes. Employee related costs only increased by 22%, despite the increase in production, which is evidence of the cost containment measures applied by management and those charged with governance. Machine repair costs increased by 32%, and despite the increased running time of the machine (to produce more cards), this does signal a need to replace the unit, due to constant break-downs.

Capacity constraints and challenges facing the entity

The machine is currently running at a rate of 38 batches a week (27 without any backlog), which produces approximately 94 000 cards. However, the ideal is for the entity to run 45 batches a week, which is 111 000 cards. This cannot be achieved because of the legislative limitation on overtime, lack of skills and expertise to operate the machine, general under-staffing across the entity, resignation of key personnel and the obsolete nature of the machine, which does not allow over-runs in production due to a lack of spare sparts and proper support contracts.

Key activities discontinued/to be discontinued

The Department of Transport (DoT) is currently evaluating the rationalisation of entities, and the entity's operations will be transferred to the RTMC. This was not finalised in the year under review, as the process is still being reviewed. The finalisation date is not yet confirmed.

New/proposed key activities

There are no new or proposed activities.

Request for roll–over of funds

The public entity has put plans in place to acquire a new card production machine. The entity also finalised the procurement process of smart enrolment units during the period under review. These are capital-intensive projects with an estimated budget of R819 million to be spent over the next two years, therefore application will be made to the national revenue fund for the entity to retain surplus funds to finance these projects. Application for funding will also be facilitated, as the projects are estimated to exceed the entity's cash reserves.

Supply Chain Management

The Supply Chain Management (SCM) unit has a code of conduct that promotes mutual trust, respect and an environment in which business can be conducted with integrity, fairness and in a reasonable manner. There is clear segregation of duties to safeguard the integrity of decision-making. All members of bid committees are required to declare their interest and where a potential conflict of interest exists, a member is required to recuse himself/herself from participation in the evaluation and adjudication process. The entity did not receive unsolicited bid proposals during the period under review.

Challenges experienced and how they will be resolved

In an attempt to resolve some of the challenges the entity has been facing, secondment of key employees was facilitated from DoT and RTMC. In terms of the challenges that arose because of the obsolete production machine, a tender was issued to procure a new card production machine. Also, the rationalisation of entities is aimed at addressing most, if not all, of the administrative challenges experienced.

Audit report matters in the previous year and how they will be resolved

In the previous financial year, the Auditor General of South Africa (AGSA) raised 13 findings against DLCA. Twelve findings have been resolved and one finding is still to be resolved. The unresolved finding relates to review and approval of policies. With the pending rationalisation process, this will be resolved, as the entity will apply RTMC policies in all of its operations. Nonetheless, the entity has commenced reviewing some of its policies to assess the degree of alignment with current legislation.

Outlook/plans to address financial challenges in the future

There are currently no financial challenges that need to be addressed. However, management will continue to apply sound finance management principles, including forecasting, budgeting and quarterly reporting, to identify any financial challenges as they arise and to respond to them promptly.

Events after the reporting date

During the reporting period, it was noted that xxxx (SARS) levied a penalty on an amount they incorrectly classified as unpaid. This was later resolved by SARS after they allocated the payment to the correct balance that had not been cleared.

Economic viability

DLCA is currently the sole producer of driving license cards on behalf of the Department of Transport and, due to the increased demand year on year, the entity continues to be economically viable. However, there are plans in place to transfer the functions of the entity to the RTMC in terms of section 42 of the PFMA and in line with the transport entity's rationalisation process. The effective date of this development will be announced in the future.

Acknowledgements and appreciation

I would like to express my appreciation to the DLCA team for holding it together, given the circumstances the entity is operating under and thank the management team, who also rose to the challenge and assisted where necessary.

Overview of financial results

The entity generates its revenue from the sale of driving licence cards. The revenue is recognized in line with the Generally Recognised Accounting Practice (GRAP) standards, which stipulate that revenue can only be recognised after the risks and rewards have been transferred.

At year end, the total outstanding debt of 120+ days was only 1.3% of the debtor's book, whilst the total debt book increased from R3,8 million in the prior year to R24,4 million in 2022/23. A significant portion of the debtors' balance is in the current category, which indicates that the overall increase in the debtors' balance is attributable to the increase in sales of cards – up from R182 million in the prior year to R268 million in the current year - rather than from non-collection of revenue.

DLCA continued to implement stringent measures during the financial year to ensure that outstanding debt was collected. One of the measures implemented was to withhold cards for the DLTCs that have long outstanding debt.

In the year under review, 97% of the budget was utilised. According to Table 8, the budget was under-spent by R5 770 000 due to cost controls, disposal of assets and a reduction in contract and permanent employees who were replaced by seconded employees.

Delegation of duties and responsibilities

During the 2015/16 financial year, the Accounting Officer (AO) delegated his power to the Head of the Entity in terms of Section 44(1) of Public Finance Management Act, 1999 (Act no 1 of 1999) (PFMA). Section 44(1) (a) of the PFMA states that the AO of a department, trading entity or constitutional institution may, in writing, delegate any powers entrusted or delegated to the AO in terms of this Act, to an official in that department, trading entity or constitutional institution.

Section 44(1) (b) of the PFMA states that the AO of a department, trading entity or constitutional institution may instruct any official in that department, trading entity or constitutional institution to perform any of the duties assigned to the AO in terms of this Act. In the financial year under review, the AO revoked certain powers of delegation regarding procurement and tenders over R100 000.

Exemptions or deviations received from National Treasury

During the reporting period under review, in the few instances where it was impractical to call for bids/tenders, the entity applied Treasury Regulation 16A.6.4 to procure goods and services. The majority of these related to the nature of the raw material used in the card production process and to maintenance of the production machine. These deviations were reported and noted by National Treasury, as required by the practice notes.

Statement

of Responsibility and Accuracy of the Annual Report

I confirm that, to the best of my knowledge:,

- All information and amounts disclosed throughout the annual report are consistent.
- The annual report is complete, accurate and is free from any omissions.
- The Annual Report has been prepared in accordance with the guidelines on annual reports issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP), and the relevant frameworks and guidelines issued by National Treasury.

The AO is responsible for the preparation of the Annual Financial Statements, and for the judgments made in this information. The AO is responsible for establishing and implementing a system of internal control that is designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the trading entity for the financial year ended 31 March 2023.

Yours faithfully

Mr Tsholofelo Lejaka

Head of Entity: Driving Licence Card Account

Date: 27 September 2023

Strategic
Overview

Vision

To be the trusted leader in the provision of authentic, secure and quality driving licence cards.

Mission

To achieve our vision, we will:

- Prioritise service delivery to ensure the satisfaction of all our clients.
- Continuously evolve our delivery in line with technology and innovation.
- Foster collaborative relationships with all relevant regulatory stakeholders.
- Inspire and empower human capital to nature excellence.

Values

Table 1: DLCA Values

VALUES	EXPLANATION
People centred	We have to serve you, our customers. Our people are our enduring advantage. Their calibre, passionate and commitment sets us apart. We value transformation and encourage diversity. Performance counts.
Accountability	We are focused on delivering, and we do what we say we will do. We hold ourselves accountable for our work, our behaviour, our ethics and our action. We aim to deliver.
Integrity	We maintain a high level of transparency, honesty, fairness and respect when we deal with each other, our customers and our stakeholders.
Excellence	We are inspired by excellence in everything we do. We strive for exceptional business standards, superior performance and professionalism within a framework of sound governance and affordability.
Passion	We love what we do. We are passionate about our brand and promote a positive, energizing, optimistic and fun environment. Our reputation relies on advocacy and the enthusiasm of every employee.

The entity strives to put people first, render affordable services, and ensure accountability and transparency whilst maintaining sustainable operations in all key strategic decisions of the entity.

Legislative and Other Mandates

National Road Traffic Act 93 of 1996, Section 12, stipulates that no person shall drive a motor vehicle on a public road without a driving licence and Section 13 places responsibility for issuing licences authorizing the driving of a motor vehicle on the Driving Licence Testing Centre (DLTC).

National Road Traffic Regulations 108 of 2000, governs the issuance of driver's licenses by prescribing the procedures to be undertaken by driver's licence testing centres and the card production facility when issuing a driver's licence and in terms of payment of card production fees.

Treasury Regulations of May 2000 paragraph 19.2.1 defines a trading entity as an entity operating within the administration of a department. In 2007, National Treasury approved the establishment of the DLCA trading entity and stated that the AO of the DoT must be the AO of the trading entity.

Treasury Regulations paragraph 19.3.2 states that the head of the trading entity is accountable to the AO of the department operating that trading entity, and must forward all reports or approvals required in terms of the Act via the AO of the department.

Treasury Regulations paragraph 19.5.3 states that the head of the trading entity must review rates for user charges at least annually before the budget, and any tariff increases are subject to approval by the relevant treasury. The rates approved by National Treasury are gazetted by the MoT in the Government Gazette.

Treasury Regulations paragraph 19.8.3 states that the relevant treasury may direct that the annual report and financial statements of the trading entity be incorporated into those of the department responsible for that trading entity.

Public Service Act, 1994 (Proclamation No.103 of 1994) provides for the organisation and administration of the Public Service of the Republic, the regulation of conditions of employment, terms of office, discipline, retirement and discharge of members of the public service and any related matters.

Protection of Personal Information (Act No. 4 of 2013) (POPIA) sets out the minimum standards regarding assessing and processing of personal information belonging to another person. The Act defines 'processing' as collecting, retrieving, recording, organising, retrieving or the use, destruction or sharing of any such information.

The 2019-2024 Medium-Term Strategic Framework (MTSF) outlines seven priorities, as shown in Figure 9 below.

Table 2: MTSF Priorities

MTSF Priorities	
Priority 1:	Capable, ethical and developmental state
Priority 2:	Economic transformation and job creation
Priority 3:	Education, skills and health
Priority 4:	Consolidating the social wage through reliable and quality basic services
Priority 5:	Spatial integration, human settlements and local government
Priority 6:	Social cohesion and safer communities
Priority 7:	A better Africa and world

Department of Transport Key Priorities

The strategy of the DOT was guided by five strategic priorities that define the work of the Department and the political agenda for the duration of the term of this administration. The following five key priorities were identified and guide the efforts of the sector:

Organisational

Structure

Operational Structure

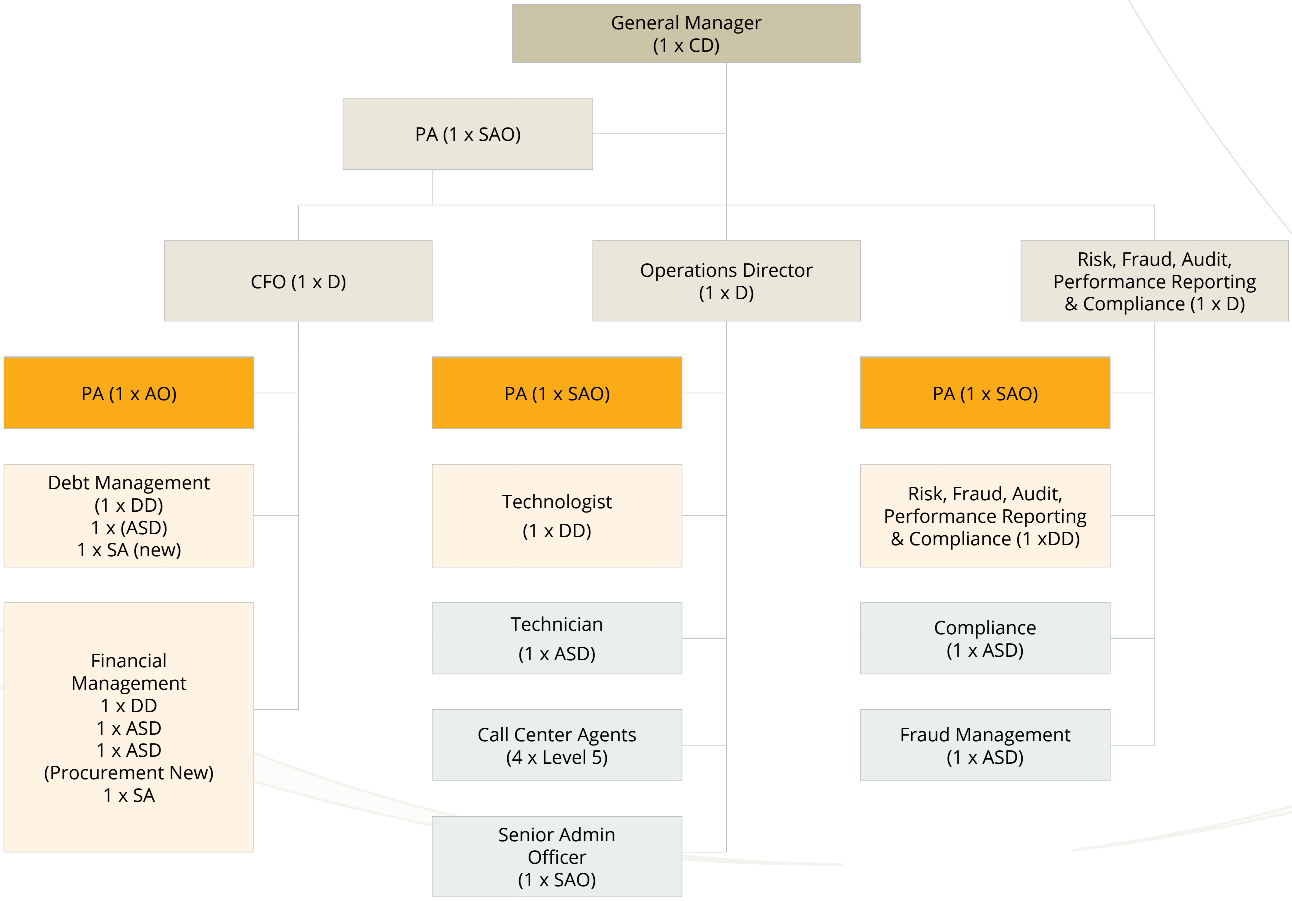

Figure 1: Organisational Structure

During the year under review, the below high-level structure was approved by the Minister of Transport. However, no appointments were made.

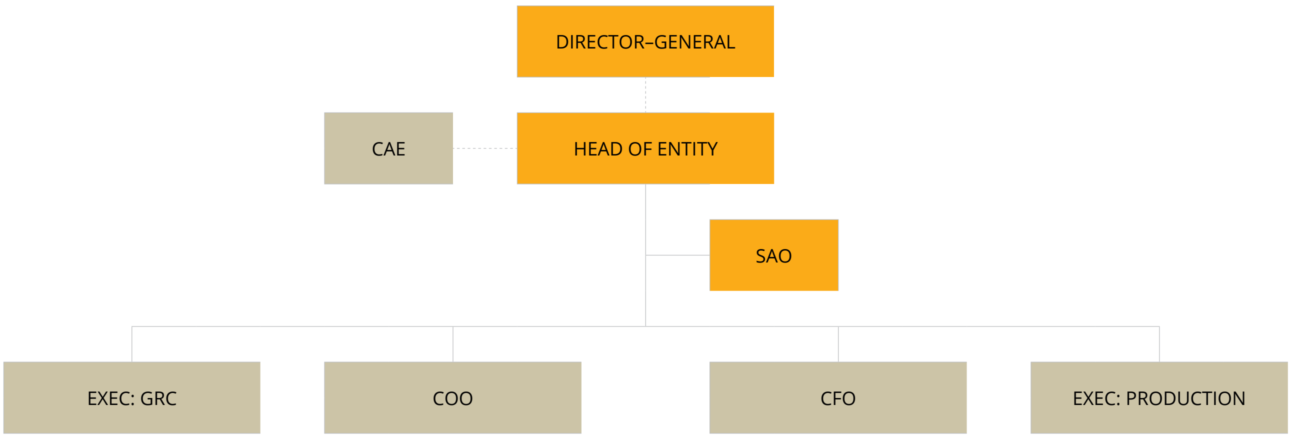

Figure 2: High-level Management Structure


BLOCK 2


EYE TEST BOOTH
ONE
1
ONLINE
BOOKING
natis.gov.za
PLEASE NOTE:
NO CASH
PAYMENT IN

PART B

PERFORMANCE INFORMATION

Auditor-General's Report: Predetermined Objectives

AGSA currently performs certain audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The AGSA selected 3 of the 4 programmes for the audit of predetermined objectives. The audit conclusion on the performance against predetermined objectives is included in the report to management.

Overview of Public Entity's Performance

Summary Performance

Table 3: Summary of performance

PLANNED TARGET 2022/23	SELF-ASSESSMENT PERFORMANCE RATING
Fill 4% of vacant positions as per approved organizational structure	Not achieved
50% of employees trained	Not achieved
Approved 2023/24 Annual Performance Plan	Not achieved
Annual audit of the compliance to ISO 9001	Not achieved
25 % reduction of cases of fruitless and wasteful expenditure	Not achieved
25% reduction of cases of irregular expenditure	Not achieved
100% compliance to 30-day payment requirement	Not achieved
Unqualified audit with no material findings	Not achieved
Produce driving licences within 14 working days	Not achieved
2 000 000 cards produced annually	Achieved
95% of cards delivered within an average of 7 working days	Not achieved
95% enrolment servers uptime	Achieved
100% implementation of disaster recovery plan	Not achieved
100% implementation of electronic signatures	Not achieved
Implementation of one milestone of cloud migration plan	Not Achieved
95% of DLTC incidents attended to within an average of 5 working days	Achieved
95% of LEU calls logged resolved within an average of 7 working days	Not achieved
95% of enrolment equipment maintained	Achieved
Monitor and evaluate stakeholder framework	Not achieved

Manufacturing of the credit card format driving licence and maintenance layout DLCA successfully produced and delivered 3,398,504 cards. The table below outlines the production and delivery of cards per province.

Table 4: Number of cards produced and delivered

PROVINCE	ORDERS RECEIVED	PRODUCED	DELIVERED	SPOILED/CANCELLED
Eastern Cape	195 661	219 144	220 391	6 942
Free State Province	130 082	152 123	152 070	4 750
Gauteng	1 090 701	1 217 255	1 215 249	30 179
KwaZulu-Natal	445 629	519 707	521 440	15 726
Limpopo	254 041	297 553	293 251	7 713
Mpumalanga	245 035	284 911	283 515	9 995
North West	144 499	163 207	161 573	4 293
Northern Cape	54 998	60 111	61 003	1 904
Western Cape	432 770	493 100	490 012	12 858
TOTAL	**2 993 416**	**3 407 111**	**3 398 504**	**94 360**

From 1 April 2022 to 31 March 2023, DLCA received orders for 2,993,416 driver's license cards. In delivering the orders received, DLCA successfully produced 3,407,111 cards and delivered 3,398,504 cards. The difference is due to the 24-hour card production for the period January 2022 - July 2022, when the backlog from the previous financial year had to be caught up.

Service Delivery Environment

During the year under review, 100% of driving licence card related queries and requests received by DLTC nationally were resolved within five working days.

Table 5: Percentage of DLTC complaints resolved within five days

Month	Number of calls logged	Number of calls Resolved	Number of calls resolved in 5 days	% of Calls resolved within 5 Days
Apr-22	106	106	106	100%
May-22	118	118	118	100%
Jun-22	128	128	128	100%
Q1	**352**	**352**	**352**	**100%**

Month	Number of calls logged	Number of calls Resolved	Number of calls resolved in 5 days	% of Calls resolved within 5 Days
Jul-22	206	206	206	100%
Aug-22	156	156	156	100%
Sep-22	170	170	170	100%
Q2	**532**	**532**	**532**	**100%**

Month	Number of calls logged	Number of calls Resolved	Number of calls resolved in 5 days	% of Calls resolved within 5 Days
Oct-22	212	212	212	100%
Nov-22	235	235	235	100%
Dec-22	197	197	197	100%
Q3	**644**	**644**	**644**	**100%**

Month	Number of calls logged	Number of calls Resolved	Number of calls resolved in 5 days	% of Calls resolved within 5 Days
Jan-23	266	266	266	100%
Feb-23	244	244	244	100%
Mar-23	244	244	244	100%
Q4	**754**	**754**	**754**	**100%**
Annual	**884**	**884**	**884**	**100%**

Enrolment equipment is used to capture the facial, fingerprint and signature images that appear on the driving licence card.

Table 6: Percentage of LEUs maintained

Month	No. of LEUs due for maintenance	No. of LEUs maintained	Percentage Maintained
Apr-22	21	21	100%
May-22	31	26	84%
Jun-22	5	5	100%
Q1	**57**	**52**	**91%**
Jul-22	0	0	0%
Aug-22	167	162	97%
Sep-22	121	118	98%
Q2	**288**	**280**	**97%**
Oct-22	42	42	100%
Nov-22	256	256	100%
Dec-22	83	83	100%
Q3	**381**	**381**	**100%**
Jan-23	39	39	100%
Feb-23	101	101	100%

Month	No. of LEUs due for maintenance	No. of LEUs maintained	Percentage Maintained
Mar-23	80	80	100%
Q4	220	220	100%
Total	1672	1646	98%

LEUs calls were logged due to network instability and DLCA server interruptions. SMMEE's have been appointed by DLCA to attend to all calls logged nationally.

Table 7: Percentage of LEU calls logged and resolved within 7 days

Month	Number of calls logged	Number of calls Resolved	Number of calls resolved in 7 days	% of Calls resolved within 7 Days
Apr-22	213	195	150	70%
May-22	245	204	210	86%
Jun-22	229	201	200	87%
Total Q1	687	600	560	82%
Month	Number of calls logged	Number of calls Resolved	Number of calls resolved in 7 days	% of Calls resolved within 7 Days
Jul-22	309	270	266	86%
Aug-22	408	371	368	90%
Sep-22	344	304	302	88%
Total Q2	1061	945	936	88%
Month	Number of calls logged	Number of calls Resolved	Number of calls resolved in 7 days	% of Calls resolved within 7 Days
Oct-22	219	161	155	71%
Nov-22	319	246	245	77%
Dec-22	194	95	90	46%
Total Q3	732	502	490	67%
Month	Number of calls logged	Number of calls Resolved	Number of calls resolved in 7 days	% of Calls resolved within 7 Days
Jan-23	319	280	233	73%
Feb-23	302	248	233	77%
Mar-23	309	173	123	40%
Total Q4	930	701	589	63%
Annual	1748	1545	1496	86%

Smart Enrolment solution

As part of the IT Digital Transformation Strategy, DLCA will be introducing the concept of smart enrolment. Historically, the collection of enrolment data has generally depended on the devices used, i.e. Live Scanner Unit (LSU), Live Capture Unit (LCU) and then Live Enrolment Unit (LEU).

With the adoption of digital technology, the objective of smart enrolment is to:

- introduce alternative channels to collect enrolment data that is not dependent on equipment;
- reduce the traffic at the DLTCs;
- provide integration to other transport or state entities.

Smart enrolment options include the following:

- **Self-service (online solution)** – this involves most of the enrolment process being performed online.
- **Assisted self-service** – this involves a process whereby the user starts the process on line and can be assisted by the DLTCs to complete the enrolment process.
- **Traditional service** – this is when the full enrolment process is performed at the DLTCs.

	Traditional	Assisted Self - Service (Hybrid)	Self-service
Online	Create profile Book	Create profile Complete application form Upload eye-test results	Create profile Complete application form Capture image Capture signature Upload eye-test result Book appointment Process payment
DLIC	Update personal information Capture image Capture signature Capture finger prints	Capture outstanding enrolment data Verify enrolment details	Verify enrolment details Capture

Figure 3: Smart enrolment solution

Organisational Environment

DoT is currently reviewing and streamlining all its road traffic agencies' mandates. The need to rationalise the number of entities by consolidating some functions within one entity or transferring some of the functions within the department responsible for providing policy, strategic and technical assistance with those functions. This process of rationalisation has led to organisational challenges. For example, the performance of the entity has dropped compared to the previous financial year and four key personnel have been lost, i.e.:

- Resignation of key personnel: Acting Chief Financial Officer (CFO)
- Transfer of key personnel to another public service department: Senior Manager – Risk and Governance
- Retirement: Two production personnel – Driving Licence Card Quality Controller and Driving Licence Card Material Supervisor

No appointments or restructuring was done in the financial year under review.

Key Policy developments and legislative changes

There were no major changes to relevant policies and legislation during the year under review.

Progress Towards Achievement of Institutional Impacts and Outcomes

DLCA is a trading entity of National DoT that contributes to achieving the National Development Plan (NDP) 2030. The DLCA impact statement is: "Production of a highly secure, durable and internationally accepted driving licence card that supports participation in social and economic undertakings". In the year under review, DLCA made progress towards the production of a highly secure and durable driving licence card by producing 3,4 million driving licence cards, as well as great progress in procuring a new driving licence card production machine. The design of the driving licence card design was approved by Cabinet in August 2022 and the procurement process for a new machine is under way. The DLCA performance outcomes, as per the strategic plan, also required improved competitiveness to be evidenced through the adoption of new technology, and the smart enrolment solution is a key activity to ensure the realisation of this outcome.

DLCA further seeks to improve transport safety and security, and is doing this with the production of 3,4 million driving licence cards in the financial year reported on. This exceeds the five-year target of 3 million cards produced annually. The DLCA delivered 97% of driving licence cards within seven working days.

Improved competitiveness through the adoption of new technology - 99% of enrolment server's uptime availability. It is crucial for DLCA to monitor the enrolment server uptime, because if it is down the DLTCs will not be able to process driving licence cards. Therefore, this is a tool to ensure that service delivery to the population is not interrupted, as DLCA seeks to improve operational effectiveness and customer service in line with the Batho Pele principles.

One hundred percent of DLTC incidents were attended to within five working days. This outcome refers mainly to DLCA's direct customers, i.e. the provinces. Due to change driven by changing customer needs and utilization of technology this impacts and ensures that customer needs are listened to and managed successfully. DLCA has a stakeholder framework that promotes stakeholder engagement, customer satisfaction and service level agreements with provinces.

The table below indicates the entity's performance against the planned deliverables and progress made towards achieving the DLCA's desired impact and outcomes.

PERFORMANCE INFORMATION FOR DLCA TRADING ENTITY

ADMINISTRATION

Purpose: To provide effective leadership, strategic management and corporate support to the entity.

SUB-PROGRAMME 1: CORPORATE SERVICES

NDP Priority 2 – Economic transformation and job creation

NDP Priority 3 – Education, skills and health

NDP Priority 4 – Consolidating the social wage through reliable and quality basic services

Performance Outcome	Output indicator	Audited actual performance 2020/21	Audited actual Performance 2021/22	Planned Target 2022/23	Actual Performance 2022/23	Variance / deviation between target & actual achievement	Reason for deviation
Improved sector skills and capacity	Percentage of vacant positions filled	56% vacancies filled	52% vacancy rate (13/25) 13 – number of vacant positions as per the current approved structure 25 – Total number of positions as per the current approved structure	Fill 4% of vacant positions as per approved organizational structure	No vacancies were filled as per the approved organizational structure	4% variance on positions filled	The DLCA is in the process of rationalization, whereas the DLCA will transfer to the RTMC
	Percentage of employees trained	N/A	N/A	50% of employees trained	0% of employees trained	50% of employees	The DLCA is in the process of rationalization, whereas the DLCA will transfer to the RTMC

SUB-PROGRAMME 2: RISK & GOVERNANCE

NDP Priority 1: Building a capable, ethical and developmental state

Performance Outcome	Output indicator	Audited actual performance 2020/21	Audited actual Performance 2021/22	Planned Target 2022/23	Actual Performance 2022/23	Variance between target & actual achievement	Reason for deviation
Improved governance and strengthened control environment.	Annual performance plan approved by executive authority	Approved 2020/21 annual performance plan	Approved 2022/23 Annual Performance Plan	Approved 2023/24 Annual Performance Plan	The DLCA's targets have been incorporated in the Department of Transport's Annual Performance Plan	No approved DLCA Annual Performance Plan	The DLCA is in the process of rationalization, whereas the DLCA will transfer to the RTMC
	Surveillance audit conducted by SABS	Annual audit of compliance to ISO 9001 was performed by SABS	SABS has conducted the annual audit for compliance to ISO 9001	Annual audit of the compliance to ISO 9001	Annual audit of the compliance to ISO 9001 not complete report outstanding.	No ISO audit report was distributed to the DLCA	ISO audit report was not distributed to the DLCA due to capacity constraints

SUB–PROGRAMME 3: OFFICE OF THE CHIEF FINANCIAL OFFICER

NDP Priority 1: Building a capable, ethical and developmental state

Performance Outcome	Output indicator	Audited actual performance 2020/21	Audited actual Performance 2021/22	Planned Target 2022/23	Actual Performance 2022/23	Variance between target & actual achievement	Reason for deviation
Improved governance and strengthened control environment.	Unqualified audit opinion	DLCA received unqualified audit opinion from findings from AGSA for the financial year 2019/20	N/A	Unqualified audit opinion with no material findings	An unqualified audit opinion with material findings on non-compliance.	Material non-compliance to: - Treasury Regulation on thirty day payment of invoices - PFMA in terms of material adjustments to the AFS	The entity was understaffed, as a result payments were not effected on time to suppliers due to delays in processing. A disclosure for contingent liability was omitted, which resulted to material adjustment on AFS. This was for the funds to be surrendered to the National Treasury.
	Percentage reduction of cases of fruitless and wasteful expenditure		N/A	25 % reduction of cases of fruitless and wasteful expenditure	No reduction in cases of fruitless and wasteful expenditure.	25% variance between target and actual achievement	Goods and services were acquired in vain
	Percentage reduction of cases of irregular expenditure		N/A	25% reduction of cases of irregular expenditure	No reduction in cases of irregular expenditure	25% variance between target and actual achievement	Goods and services were acquired irregularly
	Percentage requirement to 30-day payment requirement		N/A	100% compliance	98% of all invoices paid within 30 days	2 % variance between target and actual achievement	This is due TO an oversight

PRODUCTION

Purpose: To produce and deliver a highly secure, quality and durable driving licence.

NDP Priority 1: Building a capable, ethical and developmental state

NDP Priority 6: Social cohesion and community safety

Performance Outcome	Output indicator	Audited actual performance 2020/21	Actual Achievement 2021/22	Planned target 2022/23	Actual Performance 2022/23	Variance between target & actual achievement	Reason for deviation
Improved transport safety and security	Number of average working days taken to produce driving licence cards	19 working days	29 working days Formula=network days between date order received & date posted excluding public holidays (work out the average)	Produce driving licence cards within an average of 14 working days	Driving licence cards were produced within an average of 23 working days Formula=network days between date order received & date posted excluding public holidays (work out the average)	The variance is 9 days	The reason for deviation is due to the breakdown of the Production machine

Performance Outcome	Output indicator	Audited actual performance 2020/21	Actual Achievement 2021/22	Planned target 2022/23	Actual Performance 2022/23	Variance between target & actual achievement	Reason for deviation
	Number of driving licence cards produced annually	1 783 814	2 275 870 cards produced annually	2 000 000 cards produced annually	3 423 977cards produced annually: Reason for Deviation: 70,4% Increase demand in DL cards.	1423 977 driving licence cards	The driving licence card production is demand - driven.
Improved competitiveness through adoption of new technology	Electronic driving licence rolled out	-	-	-	-	-	There was no annual target in the previous or financial year under review for the output indicator
Improved operational efficiency in the delivery of driving licence cards	Percentage of driving licence cards delivered within a number of working days	N/A	95% of cards delivered within 7 working days. Formula =network days between date posted & date delivered excluding public holidays (all cards delivered in 7 days and less / total number of cards delivered) x100	95% of cards delivered within an average of 7 working days	98% of cards delivered within an average of 7 working days. Formula =network days between date posted & date delivered excluding public holidays (all cards delivered in 7 days and less / total number of cards delivered) x100	3% variation between target and actual achievement	Excellent performance by the service provider/ courier

INFORMATION TECHNOLOGY MANAGEMENT

Purpose: To provide effective and efficient ICT infrastructure.

NDP Priority 2: Economic Transformation and Job creation

Performance Outcome	Output indicator	Audited actual achievement for 2020/21	Audited actual Achievement 2021/22	Planned target 2022/23	Actual Performance 2022/23	Variance between target & actual achievement	Reason for deviation
Improved competitiveness through adoption of new technology	Percentage LEU server's uptime	N/A	99,25% of ICT servers uptime availability [measuring uptime of the server hosting business systems]	95% of enrolment servers uptime	99% enrolment server's uptime	4% variance between target and actual achievement	Constant and continuous monitoring of enrolment server uptime
	Percentage of disaster recovery plan project milestones implemented	N/A	N/A	100% implementation of disaster recovery plan	The disaster recovery plan is still in draft and not yet implemented	The variance between the target and actual achievement is the non- implementation of the disaster recovery plan	Lack of human resource capacity in the ICT business unit and the DLCA ICT will be migrated to RTMC due to the imminent rationalisation

Performance Outcome	Output indicator	Audited actual achievement for 2020/21	Audited actual Achievement 2021/22	Planned target 2022/23	Actual Performance 2022/23	Variance between target & actual achievement	Reason for deviation
Improved competitiveness through adoption of new technology	Percentage of electronic signatures project milestones implemented	N/A	N/A	100% implementation of electronic signatures	Not implemented	100% variation between target and actual performance	Lack of human resource capaci in the ICT business unit and DLCA ICT will be migrated to RTMC due to the imminent rationalisation
	Administration environment migrated to cloud environment	N/A	N/A	Implementation of one milestone of cloud migration plan	Non implementation of one milestone of cloud migration plan	The implementation of one milestone of the of cloud migration plan	Lack of human resource capaci in the ICT business unit and DLCA ICT will be migrated to RTMC due to the imminent rationalisation

SERVICE DELIVERY

Purpose: To improve operational effectiveness and customer service in line with Batho-Pele Principles.

Priority 1: Building a Capable, ethical and Developmental state

Performance Outcome	Output indicator	Audited actual performance 2020/21	Actual Achievement 2021/22	Planned target 2022/23	Actual Performance 2022/23	Variance between target & actual achievement	Reason for deviation
Improved governance and strengthened control environment	Percentage of DLTC incidents attended to within a number of working days	N/A	100% of DLTC incidents attended to within 7 working days. (303 calls logged / 303 calls resolved in 7 working days) x100	95% of DLTC incidents attended to within an average of 5 working days.	100% of DLTC incidents attended to within an average of 5 working days. 884/884 incidents attended to within 7 working days) x100	5% variance between target and actual achievement	Consistent follow up and monitoring of calls/incidents reported.
	Percentage of the external LEU calls logged and resolved within a number of working days	N/A	N/A	95% of all LEU calls logged resolved within an average of 7 working days	74% of all LEU calls logged resolved within an average of 7 working days	21% variance between target and actual achievement	DLCA need to capacitate the service delivery unit to be able to deal with the load of LEU calls logged.

Performance Outcome	Output indicator	Audited actual performance 2020/21	Actual Achievement 2021/22	Planned target 2022/23	Actual Performance 2022/23	Variance between target & actual achievement	Reason for deviation
	Percentage of enrolment equipment maintained	N/A	96% of enrolment equipment maintained. (824 enrolment units maintained / 855 total enrolment units scheduled for maintenance) x100	95% of enrolment equipment maintained	98% of enrolment equipment maintained.	3% variance between target and actual achievement	Prior arrangements with DLTCs that have units that were due for maintenance
Improved governance and strengthened control environment	Stakeholder Framework implemented	N/A	Monitor and evaluate stakeholder framework through quarterly stakeholder engagement sessions conducted	Monitor and evaluate stakeholder Framework	The stakeholder framework was monitored and evaluated by performing the following activities: Quarterly stakeholder engagement sessions have been attended. Customer satisfaction survey has been conducted with provinces. SLA has been signed with two provinces	The SLA was to be signed by three provinces	The SLA could not be signed timely due the internal vetting process of the SLA

Linking the performance of the entity to the approved budget

Cost of sales increased from R69 million in the prior year to R96 million in the current year. This can be attributed to the increase in production of finished goods sold during the year. Likewise, operational costs increased by R13 million to support the increase in card sales of almost R86 million from the prior year.

Repairs and maintenance increased by R6,2 million compared to the prior year, partly due to the increased use of the card production machine to produce license cards sold during the year, but also because this operational asset is ageing. Plans are in place to replace the card manufacturing machine.

Table 8: Budget vs actual expenditure

	2022/23			2021/22		
	Budget	Actual	(over) under	Budget	Actual	(Over) under
Description	R'000	R'000	R'000	R'000	R'000	R'000
Cost of Sales	43 378	95 944	- 52 566	67 962	68 965	(1 003)
Contract Services	6 641	1 062	5 579	5 180	2 649	2 531
Repairs and maintenance	19 510	25 002	- 5 492	28 771	18 871	9 900
Depreciation	56 182	31 261	24 921	41 759	32 386	9 373
Employee Benefits	39 682	22 758	16 924	38 278	18 693	19 585
Other Expenses	37 094	14 011	23 083	30 271	10 635	19 636
Lease payments	5 399	2 762	2 637	11 807	2 442	9 365

	2022/23			2021/22		
	Budget	Actual	(over) under	Budget	Actual	(Over) under
Description	R'000	R'000	R'000	R'000	R'000	R'000
Loss on disposal of assets	67	9 183	- 9 116	-	-	-
Debt impairment	51	675	- 624	65	231	(166)
Loss on foreign exchange	782	358	424	-	-	-
Total	**208 786**	**203 016**	**5 770**	**224 093**	**154 872**	**69 221**

Physical Asset Verification

In order to ensure a proper control system for assets and that all preventative mechanisms are in place to eliminate theft, loss, wastage and misuse, and to ensure that stock levels are at an optimum and economical level, DLCA performs annual physical asset verification to confirm the existence and valuation of these assets.

Maintenance of LCUs and Live Enrolment Units (LEU)

most of the LCUs had reached the end of their useful life and were replaced with LEUs. However, some DLTCs are still using the LCUs due to the network point and security issues that do not allow for installation of LEUs. DLCA has appointed a service provider to provide support and maintenance of the LCUs and LEUs. In an attempt to address issues with both LCU and LEU, the entity has embarked on procurement for Smart Enrolment Units. Expenditure incurred to maintain LCUs and LEUs will thus be reduced.

Strategy to overcome areas of under performance

Table 9: Underperformance strategy

Performance Outcome	Output Indicator	Strategy
Improved sector skills and capacity	Percentage of vacant positions filled	Liaise with the Executive Authority possible effects of the imminent rationalisation of the Road Entities.
	Percentage of employees trained	Liaise with the Executive Authority possible effects of the imminent rationalisation of the Road Entities.
Improved governance and strengthened control environment.	Annual performance plan approved by executive authority	The DLCA's targets have been incorporated in the DoT's Annual Performance Plan due to the rationalisation of Road entities
	Surveillance audit conducted by SABS	The permanent appointment of Senior Management within the entity
	Percentage reduction of cases of fruitless and wasteful expenditure	The permanent appointment of Senior Management within the entity
	Percentage reduction of cases of irregular expenditure Percentage requirement to 30-day payment requirement	Constant evaluation and external assurance by internal auditors on Supply Chain Management processes consequence management
Improved transport safety and security	Number of average working days taken to produce driving licence cards	The procurement of the new production machine implementation of the card project
	Percentage of electronic signatures project milestones implemented	Integration of ICT Infrastructure with the RTMC
	Administration environment migrated to cloud environment	Integration of ICT Infrastructure with the RTMC


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PART C

GOVERNANCE

INTRODUCTION

Corporate governance embodies processes and systems by which trading entities are directed, controlled and held to account. Commitment by the entity to maintain the highest standards of governance is fundamental to the management of public finances and resources. Users want assurance that the entity has good governance structures in place to effectively, efficiently and economically utilise state resources. The entity had an Audit and Risk Committee, but the contracts of the members came to an end on 31 May 2023. An advert to appoint new members was issued and the process to appoint new members is under way.

RISK MANAGEMENT

The AO of the DoT takes responsibility for implementing Enterprise Risk Management in accordance with the DLCA Risk Management Strategic Framework, which is informed by the National Treasury Public Sector Risk Management Framework. This responsibility was delegated to the Head of Entity in terms of section 44 of PFMA. To further embed risk management within the entity, the Risk Management Policy, which sets out the entity's overall intention with regard to Risk Management, was adopted. During the period under review, DLCA assessed its risks relative to its Strategic and APP. Risk management is a standing agenda item at the Executive Committee and Audit Committee, where risk management related matters are discussed. Strategic and operational risk assessments are conducted on a quarterly basis, in order to review and update the existing risks and identify emerging risks.

The Risk Management Committee meets on a quarterly basis and provides guidance and direction on the entire system of risk management, and furnishes the Head of Entity with reports on the performance of the risk management function. The Risk Management Committee ratifies, prioritises and further recommends to the Audit Committee which significant risks are mitigated with an appropriate risk response/treatment, in order to meet the entity's strategic objectives.

The Audit Committee provides independent oversight of the entity's system of risk management. The Audit Committee is furnished with quarterly risk management progress reports and an updated risk profile and register, in order for it to execute its independent oversight role. The Audit Committee's evaluation of the risk management process is in relation to progress made with implementing the entity's annual risk management implementation plan, significant/strategic risks faced by the entity, and the relevant risk response/treatment strategies. This process is conducted quarterly and feeds into the evaluation of the performance environment of the entity during quarterly performance reviews.

The entity's management team is committed to maintaining the highest standards of governance, as this is fundamental to the management of public finances and resources. In assessing adherence to the governance principles, a compliance function is in place and the level of compliance with applicable legislation is monitored at regular intervals.

The entity embraces the four values underpinning good governance: fairness, accountability, transparency and responsibility.

FRAUD AND CORRUPTION

Whistle-blowing is encouraged through the whistle-blowing policy, which requires officials to report incidents of actual or suspected fraud or corruption to the national anti-corruption hotline, the presidency hotline and the DoT anti-fraud hotline. The forensic and investigation section within the DoT deals with cases reported to the national anti-corruption hotline, and is responsible for the implementation of the Anti-corruption and Fraud Prevention Policy. The entity is currently implementing its own Anti-Fraud and Corruption Prevention Plan.

MINIMISING CONFLICT OF INTEREST

The entity is currently using the Supply Chain Management processes and policies as implemented by the DoT. It requires the disclosure of a conflict of interest by all those involved during the procurement process.

CODE OF CONDUCT

The trading entity is adhering to the Public Service Code of Conduct as enforced and monitored by the DoT. The Code acts as a guide to employees of DLCA and its stakeholders as to what is expected of them from an ethical viewpoint - both in their individual capacity and in their relationship with others.

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The trading entity is adhering to the Health, Safety and Environmental Standards enforced and monitored by the Health and Safety Committee.

PORTFOLIO COMMITTEES

The entity is accountable to the Portfolio Committee of the DoT.

SCOPA RESOLUTIONS

None

PRIOR MODIFICATIONS TO AUDIT REPORTS

None

INTERNAL CONTROL

To enable DLCA to meet its responsibility to provide reliable financial information, the entity maintains accounting systems and practices that are adequately supported by a system of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority and that the assets are adequately safeguarded. The Internal Audit function was outsourced to Nexia-SAB&T for a period of three years, i.e. 1 April 2021 to 31 March 2024. Internal Audit monitors the effectiveness and efficiency of the internal control systems, reports their findings, make recommendations to management and the Audit Committee, and monitors whether corrective action has been taken. These controls focus on critical risk areas, in line with the principles of the cost of control versus the benefit thereof.

INTERNAL AUDIT

The mission of Internal Audit is to provide an independent, objective assurance and consulting service that is designed to add value and improve DLCA's operations, and to help accomplish objectives by ensuring a systematic, disciplined approach to evaluating and improving the effectiveness of the risk management, control and governance processes.

The Internal Audit unit's formal scope of work is to determine whether the organisation's network of risk management, control and governance processes designed and represented by management, is adequate and functioning in a manner that ensures the achievement of its objectives. Internal Audit evaluates and improves the overall adequacy and effectiveness of:

The Internal Audit unit's activity assesses and makes appropriate recommendations for improving the governance process, in pursuing the following objectives:

- Promoting appropriate ethics and values within the organisation.
- Ensuring effective organisation performance management and accountability.
- Communicating risk and control information to appropriate areas of the organisation.
- Coordinating the activities of and communicating information to the executive authority, internal and external auditors and management.

Internal Audit activity evaluates the effectiveness of risk management processes, and contributes to ongoing improvement. Determining whether risk management processes are effective is a judgment resulting from the Internal Auditor's assessment that:

- Organisational objectives support and align with the organisation's mission.
- Significant risks are identified and assessed.
- Appropriate risk responses are selected that align risks with the organisation's risk appetite.
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff and management to carry out their responsibilities.

AUDIT COMMITTEE REPORT

The Audit Committee was appointed for the year under review, and their term ended on 31 May 2023. The below is a summary of their undertakings for the year.

As at 31 July 2023, a new Audit Committee had not been appointed.

AUDIT COMMITTEE RESPONSIBILITIES

The Audit Committee complied with its responsibilities arising from Sections 51(1) (a) (ii), 76 (4) (d) and 77 of the PFMA as well as Treasury Regulation 27.1. The Committee provided independent and objective oversight of various matters, including: financial and sustainability reporting; financial management; risk management; internal controls; internal audit function; external audit; combined assurance; integrated annual reporting. The Audit Committee adopted a formal terms of reference. The Committee met at least four times a year to consider financial management reports, internal audit reports, risk management reports, organisational performance management and IT governance reports, and to review and discuss audited and unaudited annual financial statements that are to be included in the annual report. It also reviewed changes in accounting policies or practices, the entity's compliance with legal provisions, and reviewed the information on predetermined objectives, external audit strategy and other statutory requirements.

MEMBERSHIP AND ATTENDANCE

In terms of membership, the Audit Committee comprised three external independent members. In the financial year under review, the Audit Committee convened six times. A list of the members, their respective qualifications and their record of attendance of meetings is provided below.

Table 10: Audit Committee membership and attendance

Name	Qualifications	Areas of Expertise	Date Appointed	Contract Expiry	Number of Meetings Attended
Dr. Prittish Dala (Chairperson)	PhD (IT), M.IT, BSc Hons (Computer Science), B.IT, CISA, CISM, CISSP, CRISC, CGEIT, CEH, CHFI, CDPSE and LA27001.	Internal and External Audit, Risk Management, Governance, Compliance, ICT, Cyber Security, Forensics and Privacy.	June 2020	May 2023	6 out 6
Mr. Xolile Sikhakhane	Post Graduate Diploma (Internal Auditing), BCom (Internal Auditing), BTech (Taxation) and NDip (Cost and Management Accounting).	Internal and External Audit, Risk Management, Governance, Financial Management and Reporting.	June 2020	May 2023	5 out 6
Ms. Miseria Nyathi	Bcom, Bcom Hons and MBA (Corporate Governance).	Internal and External Audit, Risk Management, Governance, Financial Management and Reporting, Human Resource Management, Strategy and Performance Information.	June 2020	May 2023	6 out 6

EFFECTIVENESS OF INTERNAL CONTROL

The Internal Audit function is outsourced and continues to provide assurance in terms of control, governance and risk management, as per the approved risk-based audit plan. The Audit Committee considered reports from the internal and external auditors, which revealed that the control environment is generally adequate and effective. However, the Audit Committee identified the following key areas of concern that should be addressed to further improve the overall adequacy and effectiveness of the control environment:

- policies and procedures;
- compliance monitoring.

IN-YEAR MANAGEMENT AND MONTHLY AND QUARTERLY REPORTS

The entity reported quarterly to National Treasury, as required by the PFMA. Furthermore, the Audit Committee and assurance providers provided management with recommendations to improve the quality of financial and performance information during the year under review.

EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee reviewed the following:

- The unaudited financial statements, with due consideration given to the independent assurance provided by Internal Audit as well as the assurance provided by management.
- Changes in accounting policies and practices.
- Compliance with legal and regulatory provisions.
- The basis for the going concern assumption, including any financial sustainability risks and issues.
- Unaudited information on predetermined objectives, with due consideration given to the independent assurance provided by IA as well as the assurance provided by management.
- AGSA audit and management reports for the prior audit cycle, with due consideration given to the responses provided by management.
- Audited financial statements as well as the information on predetermined objectives to be included in the 2021/22 annual report, for any significant adjustments resulting from the audit.

B-BBEE Compliance Performance Information

The trading entity did not perform its periodic review of compliance in terms of B-BBEE. This will be done after the audit has been finalised in the new year.


CITY OF
TSHWANE
IGNITING EXCELLENCE
WALTLOO LICENSING SERVICE CENTRE
312 Petroleum Street, Waltloo
OPERATING HOURS
Werksure
Dinako tša mošomo
Mon - Fri
08:00 – 15:00
Tel
012 358 9999
BLOCK 1
Learner's and driver's licences
Renewal and replacement of driver's licences
Professional driving permits and renewal
Learner's licence testing
Vehicle registration and licensing
BLOCK 2
Collection of driver's licence cards
Practical driver's licence testing
Public toilets
BLOCK 3
Weigh bridge
Testing of motor vehicles/ roadworthiness
South African Police Service clearance for motor vehicles
Capturing of motor vehicles on eNaTIS


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PART D

HUMAN RESOURCE MANAGEMENT

Introduction

The Human Resource Management section of the annual report provides in-depth information on all human resources-related activities for the year under review.

Overview

After the takeover of the production facility, there was a need to create the Corporate Services, SCM, Risk and Governance, Production and Service Delivery functions to ensure effective operations of the entity. Two officials from the DoT and two officials from the RTMC were seconded to assist in the Corporate Services and SCM functions. DLCA reviewed and updated the organisational structure that will cater for a new direction and production of the new driving licence card.

Contract positions were created to ensure business continuity. These employees could not be appointed permanently, as their positions are not included in the approved structure, even though their services are vital in the production and delivery of driving licence cards.

Employee Performance Management Framework

In pursuit of a performance-driven culture, the entity has put in place a performance management and development system. All employees were required to sign a performance agreement and performance reviews were conducted.

Employee Wellness Programmes

In the year under review, DLCA appointed the Centre for Occupational and Wellness Services (Health1st) to implement a holistic employee wellness programme for its employees and their immediate family members over a period of two years.

Every month, employees and their immediate family members contact Health1st for counselling and advisory services on various aspects of their health and wellbeing.

On 26 May 2023, DLCA held a wellness day, with officials providing advisory services on educational plans, retirement plans, funeral policies, life insurance, investment and health risk assessments.

Human Resources Oversight Statistics

Personnel-related expenditure

The tables below summarise the final audited personnel-related expenditure by programme and by salary band. In particular, it provides an indication of the following:

- Amount spent on personnel
- Amount spent on salaries, overtime, homeowner's allowance (HOA) and medical aid

Personnel Cost by Salary Band

Table 11: Salaries, overtime, homeowner's allowance and medical aid by salary band for the period 1 April 2022 to 31 March 2023

Salary band	Personnel expenditure	% of total personnel costs	No. of employees	Average personnel cost per employee
	R'000			R'000
Senior and Top management (Levels 13-16)	3 738	21%	5	748
Highly skilled supervision (Levels 9-12)	3 494	20%	7	499
Highly skilled production (Levels 1-8)	10 228	59%	36	284
Total	**17 460**	**100%**	**48**	**1531**

	Basic salary		Overtime		Home owners allowance		Medical aid	
	Amount	% of total personnel costs	Amount	Overtime as a % of total personnel costs	Amount	HOA as a % of total personnel costs	Amount	Medical aid % of total personnel
Salary band	R'000		R'000		R'000		R'000	
Senior and Top management (Levels 13-16)	3 738	21,%	-	-	-	-	-	-
Highly skilled supervision (Levels 9-12)	3 494	20%	785	28%	87	70%	131	85,6%
Highly skilled production (Levels 1-8)	10 228	59%	1 993	72%	37	30%	22	14,57%
Total	**17 460**	**100%**	**2778**	**100%**	**124**	**100%**	**153**	**99,97%**

Employment and Vacancies

The entity has identified critical occupations that need to be monitored. In terms of current regulations, it is possible to create a post on the establishment that can be occupied by more than one employee. Therefore, the vacancy rate reflects the percentage of posts that are not filled.

Table 12: Employment and vacancies by salary band as at 31 March 2023

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Senior and Top management (Levels 13-16)	4	0	100%	2
Highly skilled supervision (Levels 9-12)	10	4	60%	0
Highly skilled production (Levels 1-8)	11	6	45%	27
Total	**25**	**10**	**60%**	**29**

At the end of the 2022/23 financial year, DLCA had 10 filled posts, 15 vacant posts and 29 employees working on contract. The majority of DLCA's staff are on contract.

Table 13: SMS post information as at 31 March 2023

SMS level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Salary Level 14	1	0	0%	1	100%
Salary Level 13	3	0	0%	3	100%
Total	**4**	**0**	**0%**	**4**	**100%**

Reasons for Vacancies not Filled Within Six Months

There was a need to revise the organizational structure after the take-over of the production facility, to include functions and positions that which are currently not included in the structure. However, the Minister of Transport announced the transfer of DLCA to RTMC as part of the process of rationalizing the roads entities; therefore DLCA was not required to proceed with implementing the proposed structure.

Table 14: Annual turnover rate by salary band for the period 1 April 2022 to 31 March 2023

Salary Band	Number of employees at beginning of period -1 April 2022	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Management				
(Levels 13-14)	3	-	-	-
(Levels 1-12)	40	0	4	-
Total	**43**	**0**	**4**	**-**

Table 15: Reasons why staff left the entity during the period 1 April 2022 to 31 March 2023

Termination type	Number	% of Total Resignations
Death	-	-
Resignation	1	-
Expiry of contract	-	-
Dismissal – operational changes	-	-
Dismissal – misconduct	-	-
Dismissal – inefficiency	-	-
Discharged due to ill-health	-	-
Retirement	2	-

Transfer to other Public Service Departments	1	-
Other	-	-
Total	4	-

EMPLOYMENT EQUITY

Table 16: Number of employees (including employees with a disability) per occupational category as at 31 March 2023

Occupational Category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and Managers	3	-	-	-	1	-	-	-	4
Professionals	-	-	-		2	-	-	-	2
Technicians and associate professionals	8	4	-	3	17	1	1	0	34

The DLCA staff complement comprises: 55% females and 45% males; 78% Black, 13% Coloured, 2% Indian and 7% white.

Table 17: Number of employees (including employees with a disability) per occupational band as at 31 March 2023

Occupational band	Male	Female	Total
Top Management	1	0	1
Senior Management	0	1	1
Professionally qualified and experienced specialists and mid-management	2	0	2
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	0	2	2
Semi-skilled and discretionary decision-making	14	18	32
Unskilled and defined decision making	1	1	2
Total	**18**	**22**	**40**

Table 18: Recruitment during the period 1 April 2022 to 31 March 2023

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	-	-	-	-	-	-	-	-	-
Senior Management	-	-	-	-	-	-	-	-	-
Professionally qualified and experienced specialists and mid-management	-	-	-	-	-	-	-	-	-
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	-	-	-	-	-	-	-	-	-
Semi-skilled and discretionary decision-making	-	-	-	-	-	-	-	-	-
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

There were no promotions during the period 1 April 2022 to 31 March 2023.

There were 4 terminations during the period 1 April 2022 to 31 March 2023.

Table 19: Performance agreements signed by SMS members as at 31 March 2023

SMS Level	Total number of funded SMS posts	Total number of SMS Members	Total number of signed performance agreements	Signed performance agreements as a % of total number of SMS members
Salary level 13	3	2	2	100%
Total	**3**	**2**	**2**	**100%**

Table 20: Annual leave for the period 1 January 2022 to 31 December 2022

Salary band	Total days taken	Number of employees using annual leave	Average per employee
Lower skilled (Levels 1-2)	44	2	22
Skilled (Levels 3-5)	230	10	23
Highly skilled production (Levels 6-8)	475	22	22
Highly skilled supervision (Levels 9-12)	60	4	15
Senior management (Levels 13-16)	42	2	21
Total	**851**	**40**	**103**

Table 21: Sick leave for the period 1 January 2022 to 31 December 2023

Salary band	Total days taken	Number of employees using sick leave	Average per employee
Lower skilled (Levels 1-2)	7	1	7
Skilled (Levels 3-5)	46	7	6.57
Highly skilled production (Levels 6-8)	109	17	6.41
Highly skilled supervision (Levels 9-12)	31	2	15.5
Senior management (Levels 13-16)	15	2	7.5
Total	**208**	**29**	**42.98**

In the year under review, DLCA recorded no instances of Covid19.

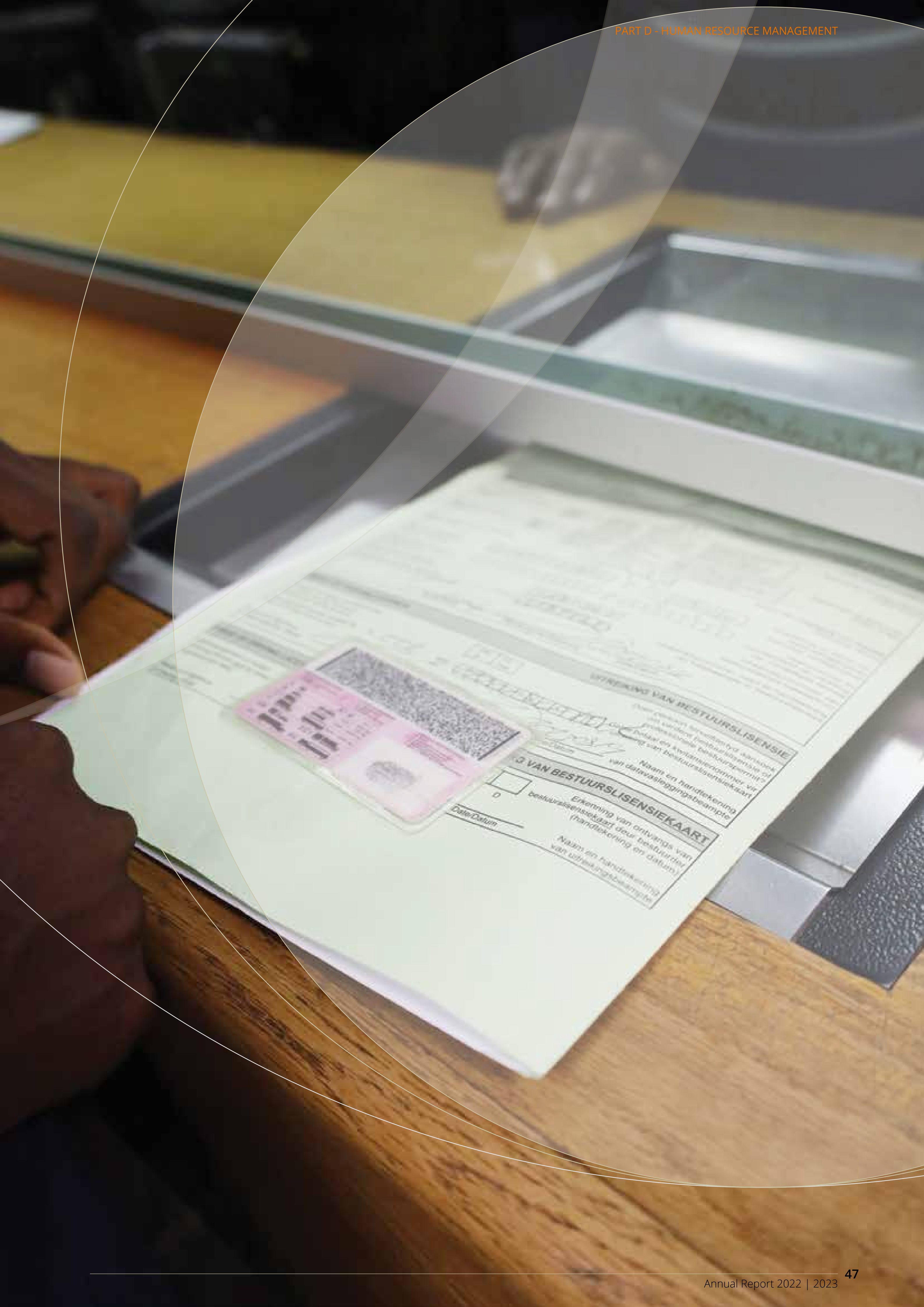
UTILISATION OF CONSULTANTS

The following tables provide information on the use of consultants by the entity. In terms of public service regulations, 'consultant' means a natural or juristic person or a partnership, which provides any of the following professional services to an entity in terms of a specific contract and on an ad hoc basis, against remuneration received from any source:

a. Rendering expert advice.
b. Drafting proposals for the execution of specific tasks.
c. Executing a specific task, which is of a technical or intellectual nature, but excludes an employee of a department.

Table 22: Report on consultant appointments using appropriated funds for the period 1 April 2022 to 31 March 2023

Name of the consultant	Duration (work days)	Services Rendered	Contract value in Rand
Columbus Consulting	01 April 2022 to 31 March 2023	Job evaluation	11 132,26
Total			**11 132,26**


UITREIKING VAN BESTUURSLISENSIE
Date/Datum

PART E

PFMA COMPLIANCE

Irregular expenditure

a. Reconciliation of irregular expenditure

	2022/2023	2021/2022
Description	R'000	R'000
Opening balance	303 330	292 238
Add: Irregular expenditure confirmed	41 115	11 092
Less: Irregular expenditure condoned	0	0
Less: Irregular expenditure not condoned and removed	0	0
Less: Irregular expenditure recoverable	0	0
Less: Irregular expenditure not recovered and written off	0	0
Closing balance	**344 445**	**303 330**

Irregular expenditure relating to eye test equipment procurement

During the current year, management identified an irregular contract (with a variation agreement) which was entered into with a service provider in the prior year. Upon inquiry with National Treasury, they advised that the contract amount was computed wrongly. The variation was also not in accordance with the National Treasury instruction notes, and as a result, any spending on the contract was identified as irregular. Total spent on this contract up to 31 March 2023 is R40 767 281.

Irregular expenditure relating to delivery of drivers' licence cards services

During the current financial year, a supplier issued litigations against the entity for unpaid invoices. Upon investigations, it was discovered that proper supply chain management processes were not adhered with during the appointment process. The entity is currently implementing consequence management against the affected officials. An amount of R90 000 was paid to the supplier.

Irregular expenditure relating to National Treasury Contract

This irregular expenditure was identified by the Auditor General during the 2022/23 Audit. They noted that the National Treasury contract the entity participated on has expired on 30 September 2021, however, the entity continued to spend on the contract after it has expired. The entity will investigate the course of this irregular expenditure and implement the necessary consequence management where necessary.

Irregular expenditure relating to a network contract

This irregular expenditure was identified by the Auditor General during the 2022/23 Audit. AGSA noted that the contract has expired in 2017, however, the entity continued to spend on the contract. The entity will investigate the course of this irregular expenditure and implement the necessary consequence management where necessary.

Reconciling notes

	2022/2023	2021/2022
Description	R'000	R'000
Irregular expenditure that was under assessment in 2022/2023	302 612	0
Irregular expenditure that relates to 2021/2022 and identified in 2022/2023	210	0
Irregular expenditure for the current year	41 623	10 882
Total	**344 445**	**10 882**

b. Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

	2022/2023	2021/2022
Description	R'000	R'000
Irregular expenditure under assessment	302 612	10 882
Irregular expenditure under determination	40 857	0
Irregular expenditure under investigation	975	717
Total	**344 445**	**11 600**

c. Details of current and previous year irregular expenditure condoned.

	2022/2023	2021/2022
Description	R'000	R'000
Irregular expenditure condoned	0	0
Total	**0**	**0**

d. Details of current and previous year irregular expenditure removed - (not condoned)

	2022/2023	2021/2022
Description	R'000	R'000
Irregular expenditure NOT condoned and removed		
Total	**0**	**0**

e. Details of current and previous year irregular expenditure recovered

	2022/2023	2021/2022
Description	R'000	R'000
Irregular expenditure recovered	0	0
Total	**0**	**0**

f. Details of current and previous year irregular expenditure written off (irrecoverable)

	2022/2023	2021/2022
Description	R'000	R'000
Irregular expenditure written off	0	0
Total	**0**	**0**

Fruitless and wasteful expenditure

a. Reconciliation of fruitless and wasteful expenditure

	2022/2023	2021/2022
Description	R'000	R'000
Opening balance	0	0
Add: Fruitless and wasteful expenditure confirmed	76	0
Less: Fruitless and wasteful expenditure condoned	0	0
Less: Fruitless and wasteful expenditure not condoned and removed	0	0
Less: Fruitless and wasteful expenditure recoverable	0	0
Less: Fruitless and wasteful expenditure not recovered and written off	0	0
Closing balance	**76**	**0**

Reconciling notes

	2022/2023	2021/2022
Description	R'000	R'000
Fruitless and wasteful expenditure the was under assessment in 2022/2023	0	0
Fruitless and wasteful expenditure that relates to 2021/2022 and identified in 2022/2023	0	0
Fruitless and wasteful expenditure for the current year	76	0
Total	**76**	**0**

b. Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

	2022/2023	2021/2022
Description	R'000	R'000
Fruitless and wasteful expenditure under assessment	0	0
Fruitless and wasteful expenditure under determination	0	0
Fruitless and wasteful expenditure under investigation	76	0
Total	**76**	**0**

Interest on late filing and payment of PAYE

During the current financial year ended 31 March 2023, a penalty was imposed due to the failure to submit EMP501 yearly assessments on the SARS eFiling portal. DLCA could not submit on time due to the organisations profile linked to the previous manager who resigned during the period.

c. Details of current and previous year fruitless and wasteful expenditure recovered.

	2022/2023	2021/2022
Description	R'000	R'000
Fruitless and wasteful expenditure recovered	0	0
Total	**0**	**0**

	2022/2023	2021/2022
Description	R'000	R'000
Fruitless and wasteful expenditure written off	0	0
Total	**0**	**0**

d. Details of current and previous year fruitless and wasteful expenditure not recovered and written off

e. Details of current and previous year disciplinary or criminal steps taken because of fruitless and wasteful expenditure

Disciplinary steps taken
A new E-Filing profile was created for the entity, and it was added to the Payroll Officer's eFiling account, who then file returns on time and payment is actioned subsequently before it is overdue.

Information on Late and / non-payment of suppliers

	Number of invoices	Consolidated Value
Description		R'000
Valid invoices received	326	182 386
Invoices paid within 30 days or agreed period	322	180 761
Invoices paid after 30 days or agreed period	13	2 886
Invoices older than 30 days or agreed period (unpaid and without dispute)	0	0
Invoices older than 30 days or agreed period (unpaid and in dispute)	0	0

Information on Supply Chain Management

Procurement by other means

PFMA SCM Instruction Note No. 03 of 2021/22 on Enhancing Compliance, Transparency and Accountability in Supply Chain Management requires that Accounting Authorities (AA)/ Accounting Officers (AO) must ensure that all procurement by "other means" is reported in the annual report of an institution.

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract
				R'000
Raw material acquisition for the production of driving license cards	AGFA	Sole provider or raw material to produce driving license card	N/A	R78 765
Total:				**R78 765**

Contract variations and expansions

PFMA SCM Instruction Note No. 03 of 2021/22 on Enhancing Compliance, Transparency and Accountability in Supply Chain Management requires that, Accounting Authorities (AA) / Accounting Officers (AO) must ensure that all variations or expansions above the thresholds prescribed in terms of the instruction on Enhancing Compliance, Transparency and Accountability in Supply Chain Management are reported in the annual report of an institution in the format prescribed.

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original Contract Value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Physical Security and Guarding Services	Fidelity Security Services (PTY) LTD	Variation	DLCA/2019/01	R2 976	R0	R288
Notice-To-Collect Document Forms (NCD)	Ren-Form Litho CC	Variation	DLCA/2021/06	R2 964	R0	R445


CASH
CORONAVIRUS
CORONAVIRUS PREVENTION
PUBLIC NOTICE
DEBIT OR
CREDIT CARDS
ONLY
NO CASH
Closed

PART F

FINANCIAL INFORMATION

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

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended.

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

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

The Accounting Officer acknowledges that he is 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 Accounting Officer to meet these responsibilities, the PFMA sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying,assessing,managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Trading Entity will however cease to exist due to the function being transferred to the Road Traffic Management Corporation in terms of Section 42 of the Act and in line with the Transport Entities rationalisation process, at a date to be determined in future. The Annual Financial Statements are currently prepared on the going concern basis.

Although the Accounting Officer is primarily responsible for the financial affairs of the entity, he is supported by the management team as well support review by the internal audit function.

The annual financial statements set out on pages 63 – 93, which have been prepared on a going concern basis, were approved by the Acting Head of the Entity on 31 July 2023.

Mr Tsholofelo Lejaka

Head of Entity: Driving Licence Card Account
Date:

Report of the auditor-general to Parliament on the Driving Licence Card Account

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Driving Licence Card Account set out on pages 63 to 93, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets,statement of cash flow and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion,the financial statements present fairly,in all material respects,the financial position of the Driving Licence Card Account as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor general for the audit of the financial statements section of my report.
4. I am independent of the trading entity in accordance with the International Ethics Standards Board for Accountants' *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 matter

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

Restatement of corresponding figures

7. As disclosed in note 22 to the financial statements, the corresponding figures were restated because of errors in the financial statements of the trading entity at,and for the year ended, 31 March 2023.

Other matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

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

9. 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 on3 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 24 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 the Driving Licence Card Account. 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 expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement,whether due to fraud or error.
11. In preparing the financial statements, the accounting officer is responsible for assessing the trading entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the trading entity or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
15. I selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programmes that measure the trading entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Production	26 – 27	To produce and deliver a highly secure, quality and durable driving licence
Information Technology Management	27– 28	To provide effective and efficient ICT infrastructure
Service Delivery	28 – 29	To improve operational effectiveness and customer service in line with Batho-Pele Principles

16. I evaluated the reported performance information for the selected programmes 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 trading entity's planning and delivery on its mandate and objectives.
17. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the trading entity's mandate and the achievement of its planned objectives
    - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be 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 are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

18. I performed the procedures for the purpose of reporting material findings only;and not to express an assurance opinion.
19. I did not identify any material findings on the reported performance information for the selected programmes.

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievements.
22. The trading entity plays a key role in delivering services to South Africans. The annual performance report includes the following service delivery achievements against planned targets:

Key service delivery indicators not achieved	Planned target	Reported achievement
Production		
Targets achieved: 66.7%		
Budget spent: 141.3%		
Produce driving licence cards within an average of 14 working days	14 working days	21working days
Service delivery		
Targets achieved: 50.0%		
Budget spent: 100.0%		
95% of all LEU calls logged resolved with in an average of 7 working days	95%	74%

Reasons for the underachievement of targets are included in the annual performance report on pages 25 to 29.

Material misstatements

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

Report on compliance with legislation

24. 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 officer is responsible for the trading entity's compliance with legislation.
25. 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.
26. 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 trading 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.
27. The material finding on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements,performance and annual report

28. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 40(1)(a) of the PFMA.
29. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were corrected,resulting in the financial statements receiving an unqualified opinion.

Expenditure management

30. Payments were not made within 30 days or an agreed period after receipt of an invoice, as required by treasury regulation 8.2.3.

Other information in the annual report

31. The accounting officer 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 programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
32. 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.
33. 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 programmes presented in the annual performance report,or my knowledge obtained in the audit,or other wise appears to be materially misstated.
34. The other information I obtained prior to the date of this auditor's report is the irregular and fruitless and wasteful expenditure note and the final irregular and fruitless and wasteful expenditure note, governance, human resource management, and PFMA compliance report,is expected to be made available to us after 31 July 2023.
35. If,based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.
36. When I do receive and read the final irregular and fruitless and wasteful expenditure note, governance, human resource management, PFMA compliance report,if I conclude that there is a material misstatement therein,I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

37. 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.
38. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation.
39. Management did not review invoices to ensure they monitor compliance with regulations, ensuring that they are paid within 30 days.
40. Management did not perform an adequate review of the financial statements to ensure that Standards of GRAP were complied with,and that amounts in the Statement of Cash Flows were accurately disclosed.

Auditor-General.

Pretoria
31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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 auditing accordance with the ISAs,I exercise professional judgement and maintain professional scepticism through out my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the trading 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 trading 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 trading 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 a trading 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 officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer 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:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Sections 38(1)(a)(iv); 38(1){b); 38(1)(c); 38(1)(c)(i); 38(1)(c)(ii); 38(1){d); 38(1){h){iii); 39(1)(a); 39(2)(a); 40(1)(a); 40(1){b); 40(1)(c)(i)43(4):44;44(1); 44(2); 45(b):50(3):50(3)(a)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities(TR)	Treasury Regulations 4.1.1; 4.1.3; 5.1.1; 5.2.1; 5.2.3(a); 5.2.3{d); 5.3.1; 7.2.1; 8.1.1; 8.2.1; 8.2.2; 8.2.3; 8.4.1; 9.1.1; 9.1.4; 10.1.1(a); 10.1.2; 11.4.1; 11.4.2; 11.5.1; 12.5.1; 15.10.1.2(c); 16A3.1; 16A 3.2; 16A3.2(a); 16A6.1; 16A6.2(a)&(b)&(e); 16A6.3(a)&(d); 16A 6.3(a)(i); 16A6.3{b); 16A6.3(c); 16A6.3(e); 16A 6.4; 16A 6.5; 16A6.6; 16A8.3; 16A8.2(1)and(2); 16A8.3(d); 16A 8.4; 16A9; 16A9.1; 16A9.1(c); 16A9.1(b){ii); 16A9.1{d); 16A9.1(e); -16A9.1(f); 16A9.2(a)(ii)&(iii); 17.1.1; 18.2; 19.6.1; 19.8.4
Public Service Act	Section 30(1)
Public service regulation	Public service regulations 13(c);18; 18(1) and (2);
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Sections 29;34(1)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	Sections 1(i);2.1(a); 2.1{b); 2.1(f)
Preferential Procurement Regulations 2017	Regulations 4.1;4.2; 5.1;5.3; 5.6;5.7; 6.1;6.2; 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; 8.2; 8.5; 9.1; 9.2; 10.1; 10.2;11.1;11.2; 12.1 and 12.2
Preferential Procurement Regulations 2022	Regulations 3.1; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
PFMASCM Instruction no.09 of 2022/2023	Paragraphs 3.1; 3.3(b); 3.3(c); 3.3(e); 3.6
National Treasury Instruction No.1 of 2015/16	Pa;agraphs 3.1; 4.1; 4.2
NTSCM Instruction Note 03 2021/22	Paragraphs 4.1; 4.2{b); 4.3; 4.4(a)-(d); 4.6; 5.4; 7.2; 7.6
NT SCM Instruction 4A of 2016/17	Paragraph 6
NTSCM Instruction Note 03 2019/20	Paragraphs 5.5.1(vi); 5.5.1(x);
NTSCM Instruction Note 112020/21	Paragraphs 3.1;3.4(a) and (b); 3.9; 6.1; 6.2; 6.7
NTSCM Instruction Note2of202'1i22	Paragraphs 3.2.1; 3.2.2;3.2.4(a) and (b); 3.3.1; 3.2.2;4.-1
PFMASCM Instruction 04 of 2022/23	Paragraphs 4(1); 4(2); 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
PFMASCM instruction 08 of 2022/23	Paragraphs 3.2; 4.3.2; 4.3.3
NT instruction note 4 of 2015/16	Paragraph 3.4
NT instruction 3 of 2019/20 - Annexure A	Sections 5.5.1(iv) and (x)
Second amendment of NTI05 of 2020/21	Paragraphs 4.8; 4.9; 5.1; 5.3
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph2
Practice note 7 of 2009/10	Paragraph 4.1.2
Practice note 11 of 2008/9	Paragraphs 3.1; 3.1(b)
NT instruction note 1 of 2021/22	Paragraph 4.1

Statement of Financial Position
as at 31 March 2023

Figures in Rands	Note(s)	2023	2022
			Restated*
Assets			
Current Assets			
Inventories	2	24,937,841	8,380,155
Receivables from exchange transactions	3	23,873,534	3,878,760
Receivables from non-exchange transactions	4	340,461	107,434
Cash and cash equivalents	5	272,297,709	400,906,525
		321,449,545	**413,272,874**
Non-Current Assets			
Property,plant and equipment	6	66,659,386	65,810,155
Intangible assets	7	76,289	462,854
		66,735,675	**66,273,009**
Total Assets		**388,185,220**	**479,545,883**
Liabilities			
Current Liabilities			
Operating lease liability	8	370,319	134,557
Trade and other payables from exchange transactions	9	27,624,856	25,050,782
Provisions	10	502,543	772,803
		28,497,718	**25,958,142**
Total Liabilities		**28,497,718**	**25,958,142**
Net Assets		**359,687,502**	**453,587,741**
Accumulated surplus		**359,687,502**	**453,587,741**

Statement of Financial Performance

for the year ended 31 March 2023

Figures in Rands	Note(s)	2023	2022
			Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		266,950,559	182,283,968
Gain on foreign exchange		-	387,030
Interest revenue		17,850,579	10,266,443
Total revenue from exchange transactions		**284,801,138**	**192,937,441**
Revenue from non-exchange transactions			
Administration fees		-	15,130
Other income		231,000	-
Total revenue from non-exchange transactions		**231,000**	**15,130**
Total revenue	11	**285,032,138**	**192,952,571**
Expenditure			
Contracted services		(1,157,269)	(2,648,569)
Cost of sales	12	(95,274,678)	(68,964,689)
Debt Impairment	13	(674,768)	(231,245)
Depreciation, amortisation and impairment	14	(31,261,262)	(32,386,102)
Employee related costs	15	(22,757,991)	(18,692,688)
Operating expenses	16	(13,915,388)	(10,635,301)
Lease rentals on operating lease	17	(2,762,454)	(2,441,899)
Loss on disposal of assets	6	(9,183,064)	-
Loss on foreign exchange		(1,506,991)	-
Repairs and maintenance	18	(25,001,506)	(18,871,085)
Total expenditure		**(203,495,371)**	**(154,871,578)**
Surplus for the year		**81,536,767**	**38,080,993**

Statement of Changes in Net Assets
for the year ended 31 March 2023

Figures in Rands	Accumulated surplus/deficit	Total net assets
Opening balance as previously reported	409,476,853	409,476,853
Adjustments		
Prior year adjustments (refer to note 23)	6,029,895	6,029,895
Balance at 01 April 2021 as restated*	**415,506,748**	**415,506,748**
Changes in net assets		
Surplus for the year	38,080,993	38,080,993
Total changes	**38,080,993**	**38,080,993**
Restated* Balance at April 1, 2022	**453,587,735**	**453,587,735**
Changes in net assets		
Surrender of funds to National Revenue Fund	**(175,437,000)**	**(175,437,000)**
Net income (losses) recognised directly in net assets	(175,437,000)	(175,437,000)
Surplus for the year	81,536,767	81,536,767
Total recognised income and expenses for the year	**(93,900,233)**	**(93,900,233)**
Total changes	**(93,900,233)**	**(93,900,233)**
Balance at March 31,2023	**359,687,502**	**359,687,502**
Note(s)		

Statement of Cash Flow
for the year ended 31 March 2023

Figures in Rands	Note(s)	2023	2022
			Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		246,649,690	190,295,000
Interest income		17,850,579	10,266,443
Other Income		-	15,129
		264,500,269	**200,576,572**
Payments			
Employee costs		(21,460,710)	(18,709,000)
Suppliers		(155,304,382)	(71,924,475)
Surrender of funds to National Revenue Fund		(175,437,000)	-
		(352,202,092)	**(90,633,475)**
Net cash flows from operating activities	**19**	**(87,701,823)**	**109,943,097**
Cash flows from investing activities			
Purchase of property,plant and equipment	6	(40,906,993)	(9,299,000)
Net cash flows from investing activities		**(40,906,993)**	**(9,299,015)**
Net increase/(decrease) in cash and cash equivalents		**(128,608,816)**	**100,644,082**
Cash and cash equivalents at the beginning of the year		400,906,525	300,262,443
Cash and cash equivalents at the end of the year	**5**	**272,297,709**	**400,906,525**

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2023

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	213,390,000	-	**213,390,000**	266,950,559	**53,560,559**	25a
Interest revenue	12,280,000	-	**12,280,000**	17,850,579	**5,570,579**	25b
Total revenue from exchange transactions	**225,670,000**	**-**	**225,670,000**	**284,801,138**	**59,131,138**	
Revenue from non-exchange transactions						
Other income	-	-	**-**	231,000	**231,000**	
Total revenue	**225,670,000**	**-**	**225,670,000**	**285,032,138**	**59,362,138**	
Expenditure		**-**	**(39,682,000)**	**(22,757,991)**	**16,924,009**	25c
Employee related costs	(39,682,000)					
Depreciation, impairment and amortisation	(56,182,000)	-	**(56,182,000)**	(31,261,262)	**24,920,738**	25d
Repairs and maintenance	(19,510,000)	-	**(19,510,000)**	(25,001,506)	**(5,491,506)**	25e
Lease rentals on operating lease	(5,399,000)	-	**(5,399,000)**	(2,762,454)	**2,636,546**	25f
Debt Impairment	50,594	-	**50,594**	(674,768)	**(725,362)**	25g
Contracted Services	(6,640,654)	-	**(6,640,654)**	(1,157,269)	**5,483,385**	25h
Cost of sales	(43,377,585)	-	**(43,377,585)**	(95,274,678)	**(51,897,093)**	25i
Operating expenses	(37,093,630)	-	**(37,093,630)**	(13,915,388)	**23,178,242**	25j
Total expenditure	**(207,834,275)**		**(207,834,275)**	**(192,805,316)**	**15,028,959**	
Operating surplus	**17,835,725**	**-**	**17,835,725**	**92,226,822**	**74,391,097**	
Loss on disposal of assets and liabilities	(67,000)	-	**(67,000)**	(9,183,064)	**(9,116,064)**	25k
		-	**(781,725)**	(1,506,991)	**(725,266)**	
Loss on foreign exchange	(781,725)	-	**(67,000)**	(9,183,064)	**(9,116,064)**	25k
			(781,725)	(1,506,991)	**(725,266)**	
	(848,725)	**-**	**(848,725)**	**(10,690,055)**	**(9,841,330)**	
Surplus before capital expenditure	**16,987,000**	**-**	**16,987,000**	**81,536,767**	**64,549,767**	
Capital expenditure	(334,786,000)	-	(334,786,000)	(40,906,993)	293,879,007	25l
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(317,799,000)**	**-**	**(317,799,000)**	**40,629,774**	**358,428,774**	

The accounting policies on pages 68 – 79 and the notes on pages 80 – 93 form an integral part of the annual financial statements.

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

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

The Entiy's financial statements are prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of obligations in the normal course of business, however, effective from 31 October 2022 there are plans in place to transfer the Entity's functions to the Road Traffic Management Corporation (RTMC) and that it will then cease to exist. The date on which this will happen is yet to be confirmed. The Financial Statements are presented in South African Rands.

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 annual financial statements, are disclosed below.

1.1. Presentation currency

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

1.2. Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months. The Trading Entity will however cease to exist due to the function being transferred to the Road Traffic Management Corporation in terms of Section 42 of the Act and in line with the Transport Entities rationalisation process, at a date to be determined in future. The Annual Financial Statements are currently prepared on the going concern basis.

1.3. Materiality

Misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4. Significant judgements and sources of estimation uncertainty

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

The assets of the DLCA are designated as non-cash generating assets as they are not used with the objective of generating commercial return but for use in delivering its mandate of overseeing and enforcing road safety performance by operators.

Receivables from exchange transactions and non-exchange transactions.

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. Provision for impairment is done at amortised cost.

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Contingent liabilities

Management considers the existence of possible obligations which may arise from legal action as well as the possible non compliance of the requirements of completion of guarantees. The estimation of the amounts disclosed is based on the expected possible outflows of economic benefits should there be a present obligation.

Effective interest rate and deferred settlement terms

The entity used the effective interest rate as determined by National Treasury to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives and residual values

The entity re-assesses the useful lives and residual values of property, plant and equipment and intangible assets on an annual basis and in doing so considers the condition in use of the individual assets to determine the remaining period over which the asset will be used.

Property, plant and equipment and Intangible assets

The carrying amounts of property, plant and equipment and intangible assets are affected with the annual review of useful lives, current residual values and depreciation and amortisation methods. Property, plant and equipment and intangible assets are also affected with the determination of the fair value of certain assets on initial recognition.

Non-financial assets

The entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss.

1.5. 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.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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. Trade discounts and rebate are deducted in arising at the cost.

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 are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Machinery	Straightline	25-26 years
Office equipment and furniture	Straightline	3-10 years
Computer equipment	Straightline	4-6 years
Communication devices	Straightline	2-4 years

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

1.6. 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.

Initial recognition

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.

Intangible assets are initially recognised at cost

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. Subsequent measurement

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

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

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

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

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

Internally generated good will is not recognised as an intangible asset.

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

Item	Depreciation method	Useful life
Computer software-acquired Derecognition	Straightline	4 - 6 yrs

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 (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7. Inventories

Initial recognition

Inventory is recognised as an asset when:

- it is controlled by the entity;
- as a result of a past event (acquisition or production thereof);
- from which it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost (or fair value) of the inventory can be measured reliably.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale.

Net realisable value is reviewed on the annual basis. Initial measurement

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

Subsequent measurement

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8. Financial instruments

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

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

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.

Financial instruments include; Cash and cash equivalents, Trade and other receivables from non exchange transactions and trade and other payables from non exchange transactions.

Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

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

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

ACCOUNTING POLICIES

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset,the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

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

Presentation

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Offsetting

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

Cash and cash equivalents

Cash and cash equivalents are measured at cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Receivables from exchange and non-exchange transactions

Identification

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

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

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

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

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

Recognition

The entity recognises receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures receivables at their transaction amount.

Subsequent measurement

The entity measures receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the entity levies interest on the outstanding balance of receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

ACCOUNTING POLICIES

Impairment losses

The entity assesses at each reporting date whether there is any indication that a receivable, or a group of receivables, may be impaired.

In assessing whether there is any indication that a receivable, or group of receivables, maybe impaired, the entity considers, as a minimum, the following indicators:

Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a receivable, or a group of receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the receivable, or group of receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the receivable, or group of receivables, for which the future cash flow estimates have not been adjusted.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The entity derecognises a receivable, or a part thereof, when:

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

The carrying amounts of any receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

Trade and other payables from exchange and non-exchange transactions

Trade and other payables from exchange and non-exchange transactions are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

1.9. Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, such as salaries, bonuses, and other contributions are recognised in the period in which the service is rendered and are not discounted.

1.10. Related parties

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

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

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

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

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

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

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

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

1.11. Leases

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.

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.

1.12. Revenue from exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Interest

Revenue arising from the use by others of entity assets yielding interest, is recognised when:

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

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

1.13. 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.

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

Recognition

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

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

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

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

1.14. Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.15. Commitments

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

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required bya specific standard of GRAP.

1.16. Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or lossis recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18. Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.19. Fruitless and wasteful expenditure

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

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

ACCOUNTING POLICIES

1.20. Irregular expenditure

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

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

National treasury Instruction No.4 of 2022/23 which was issued in terms of section 76(1)(b),(e) and (f), (2)(e) and (4)(a) and (c) of the PFMA, requires the following:

Irregular expenditure emanating from non-compliance with the delegations of authority for departments, constitutional institutions, trading entities and public entities must be considered for condonation in terms of the definition of relevant authority as contained in Annexure to the instruction.

Irregular expenditure emanating from non-compliance with the budget of a Schedules 3A and 3C public entity must be considered for condonation in terms of the definition of relevant authority as contained in Annexure to the instruction.

Inter-institutional arrangements as prescribed in paragraph 3.12 and 3.13 of Annexure to the instruction must be dealt with as follows -

Irregular expenditure previously disclosed in the annual financial statements of the budget holder and not addressed must remain in the register and recorded in the annual report of the budget holder and addressed in terms of Annexure to the instruction.

Irregular expenditure previously disclosed in the annual financial statements of the mandated institution and not addressed must remain in the register and annual report of the mandated institution and addressed in terms of Annexure to the instruction.

Irregular expenditure disclosed in the annual financial statements of the budget holder or mandated institution in the previous financial year must be disclosed as a comparative amount in the annual financial statements.

Irregular expenditure when incurred and confirmed is recorded in the annual financial statements disclosure. This relates to irregular expenditure incurred in the current financial year, with a one financial year comparative analysis. Irregular expenditure for the previous financial year (comparative amounts) must be recognised in the period in which they occurred as follows:

a. irregular expenditure incurred and confirmed in the previous financial year;
b. irregular expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
c. irregular expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.
d. irregular expenditure payments relating to multi-year contracts that was not condoned or removed.

1.21. Budget information

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

The approved budget covers the fiscal period from 4/1/2022 to 3/31/2023.

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

Comparative information is not required.

1.22. 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.

1.23. Transfer of functions between entities under common control

Definitions

Transfers of functions between entities under common control are accounted for by the transferor by derecognising assets and liabilities at their carrying amounts at the date of transfer. Any difference between the assets and liabilities derecognised and consideration paid, if any, is recognised in accumulated surplus or deficit.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

Assets acquired [transferred] and liabilities assumed [relinquished]

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement rather than the result of separate transactions.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the entity derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the entity continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the entity measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Inventories

Figures in Rands	2023	2022
Raw materials, components	24,126,291	8,363,412
Finished goods	811,550	16,743
	24,937,841	**8,380,155**

Inventory pledged as security

None of the above inventory have been pledged as security/surety for liabilities.

3. Receivables from exchange transactions

Figures in Rands	2023	2022
Trade debtors	24,220,966	4,776,108
Prepayments	115,808	-
	24,336,774	**4,776,108**

Reconciliation of provision for impairment of trade and other receivables

Figures in Rands	2023	2022
Opening balance	(897,347)	(666,102)
Provision for impairment	(190,644)	(231,245)
Amounts written off as uncollectible	624,751	-
	(463,240)	**(897,347)**

Receivables from exchange transactions after impairment

Figures in Rands	2023	2022
Trade debtors	23,757,726	3,878,760
Prepayments	115,808	-
	23,873,534	**3,878,760**

No receivables from exchange transactions were pledged as security.

The fair value of trade and other receivables is equal to the invoice amounts related to these receivables.

The impairment of trade receivables has been determined with reference to past default experience and the current economic environment. Interest was charged on overdue accounts over 30 days

4. Receivables from non-exchange transactions

Figures in Rands	2023	2022
Other receivables from non-exchange transactions	340,461	107,434

No receivables from non-exchange transactions were pledged as security.

5. Cash and cash equivalents

Figures in Rands	2023	2022
Cash and cash equivalents consist of:		
Cash on hand	4,483	629
Bank balances	42,738,855	184,146,341
Short-term deposits	229,554,371	216,759,555
	272,297,709	**400,906,525**

None of the cash and cash equivalents are considered to be impaired and consequently no provision was raised for the irrecoverability of these financial assets. No restrictions have been placed on the use of cash and cash equivalents for the operating of the entity.

6. Property, plant and equipment

	31 March 2023			31 March 2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer equipment	215,069,014	(151,250,529)	63,818,485	275,389,454	(215,604,935)	59,784,519
Furniture & equipment	5,022,343	(2,824,532)	2,197,811	18,602,259	(13,409,959)	5,192,300
Plant and machinery	19,152,176	(18,769,205)	382,971	19,152,176	(18,396,583)	755,593
Communication devices	339,528	(79,409)	260,119	79,933	(2,190)	77,743
Total	**239,583,061**	**(172,923,675)**	**66,659,386**	**313,223,822**	**(247,413,667)**	**65,810,155**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Computer equipment	59,784,519	40,647,407	(6,689,408)	(29,924,033)	63,818,485
Furniture&equipment	5,192,300	-	(2,493,655)	(500,834)	2,197,811
Plant and machinery	755,592	-	-	(372,621)	382,971
Communication devices	77,743	259,586	-	(77,210)	260,119
	65,810,154	**40,906,993**	**(9,183,063)**	**(30,874,698)**	**66,659,386**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Total
Computer equipment	80,529,070	8,999,125	(29,743,676)	59,784,519
Furniture & equipment	5,821,735	279,055	(908,490)	5,192,300
Plant and machinery	1,521,680	-	(766,087)	755,593
Communication devices	-	79,933	(2,190)	77,743
	87,872,485	**9,358,113**	**(31,420,443)**	**65,810,155**

Pledged as security

None of the above assets have been pledged as security / surety.

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to maintain property plant and equipment has been disclosed under note 18 to the financial statements

7. Intangible assets

	31 March 2023			31 March 2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software-acquired	1,286,300	(1,210,011)	76,289	11,997,504	(11,534,650)	462,854

Reconciliation of intangible assets-2023

	Opening balance	Amortisation	Total
Computer software-acquired	462,854	(386,565)	76,289

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software-acquired	1,428,513	(965,659)	462,854

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Pledged as security

No intangible assets were pledged as security.

8. Operating lease asset (accrual)

Figures in Rands	2023	2022
Current liabilities	(370,319)	(134,557)

The operating lease liability is as a result of the lease smoothing in line with the lease agreement of the main office and factory building situated in Erasmuskloof. For further details of future periods refer to note 22.

9. Payables from exchange transactions

Figures in Rands	2023	2022
Trade payables	-	1,784,950
Income received in advanced	838,918	14,129,548
Accrued expense	25,073,747	8,681,277
Department of Transport	1,712,191	455,007
	27,624,856	**25,050,782**

10. Provisions

Reconciliation of provisions - 2023

	Opening balance	Utilised year	Total
Provision for leave	772,803	(270,260)	502,543

Reconciliation of provisions - 2022

	Opening Balance	Utilised during the year	Total
Provision for leave	789,500	(16,697)	772,803

Leave provision

Employees' entitlement to annual leave is recognised when it accrues from 1 January to 31 December and will be forfeited on 30 June the following year. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up to the amount of the obligation.

11. Revenue

Figures in Rands	2023	2022
Sale of goods	266,950,559	182,283,968
Interest received (11.1)	17,850,579	10,266,443
Administration fees	-	15,130
Other income	231,000	-
	285,032,138	**192,565,541**

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

Figures in Rands	2023	2022
Sale of goods	266,950,559	182,283,968
Interest received (11.1)	17,850,579	10,266,443
	284,801,138	**192,550,411**

11.1. Interest revenue

Figures in Rands	2023	2022
Bank	17,774,674	10,205,431
Interest charged on trade and other receivables	75,905	61,012
	17,850,579	**10,266,443**

Interest income from trade and other receivables is calculated based on the standard interest rates gazetted on the National Treasury's website. The following interest rates were applied during the year:

Dates	Interest rates
01April2022-30April2022	7.50%
01 May 2022 - 30 June 2022	7.75%
01July2022-31August2022	8.25%
01September2022-31October2022	9.00%
01November2022-31December2022	9.75%
01 January 2023 - 28 February 2023	10.50%
01 March 2023 - 31 March 2023	10.75%

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

Figures in Rands	2023	2022
Administration fees	-	15,130
Other income	231,000	-
	231,000	**15,130**

12. Cost of sales

Figures in Rands	2023	2022
Raw materials consumed	96,072,082	68,520,396
Movement in finished goods	(797,404)	444,293
	95,274,678	**68,964,689**

13. Debt impairment

Figures in Rands	2023	2022
Contributions to debt impairment provision	190,644	231,245
Bad debts written off	484,124	-
	674,768	**231,245**

14. Depreciation and amortisation

Figures in Rands	2023	2022
Property, plant and equipment	30,874,697	31,420,443
Intangible assets	386,565	965,659
	31,261,262	**32,386,102**

15. Employee related costs

Figures in Rands	2023	2022
Basic	18,795,033	15,639,154
Non - executive emoluments	106,103	208,093
Bonus - Department of Transport Employees	117,947	114,005
Medical aid - company contributions	161,584	123,824
UIF	79,222	104,810
SDL	162,757	161,046
Leave pay provision charge	(99,040)	(2,764)
Travel, motor car, accommodation, subsistence and other allowances	77,280	34,204
Overtime payments	2,000,417	888,126
13th Cheques	110,037	188,188
Acting allowances	229,117	274,684
Housing benefits and allowances	89,945	70,329
Other allowance	46,312	31,925
Bargaining council	553	438
Pension Fund	226,444	177,978
Non-pensionable allowance	654,280	678,648
	22,757,991	**18,692,688**

Employee related cost includes:

- Audit committee members emoluments which are disclosed in detail under the note 21 (Related Parties).
- Contract employees (asset verification) are utilised on an adhoc basis when needed.

Staff complement

Figures in Rands	2023	2022
Permanent employees	10	12
Contract employees	29	32
Seconded employees	5	-
	44	**44**

Two contract employees retired in the month of December 2022.

16. Operating expenses

Figures in Rands	2023	2022
Advertising	253,040	28,112
Auditors remuneration	3,487,438	3,364,781
Bank charges	382,219	328,150
Bursaries	106,544	40,884
Cleaning	218,343	102,921
Computer expenses	993,066	1,775,495
Postage and courier	5,041,655	2,358,140
Printing and stationery	182,415	272,000
Security	1,088,895	1,004,130
Staff welfare	76,008	68,235
Storage	405,042	187,405
Subscriptions and membership fees	130,500	88,954
Telephone and fax	518,014	383,400
Training	15,000	29,250
Travel - local	1,017,209	511,969
Venue	-	91,475
	13,915,388	**10,635,301**

17. Lease rentals on operating lease

Figures in Rands	2023	2022
Office and factory building		
Contractual amounts	2,586,845	2,352,589
Equipment		
Contractual amounts	175,609	89,310
	2,762,454	**2,441,899**

18. Repairs and Maintenance

Figures in Rands	2023	2022
Live Capturing Unit support	449,788	5,384,286
Other repairs and maintenance	7,929,091	6,241,439
Live Enrolment Unit post realisation	16,622,627	7,245,360
	25,001,506	**18,871,085**

19. Cash (used in) generated from operations

Figures in Rands	2023	2022
Surplus	81,536,767	38,080,993
Adjustments for:		
Depreciation and amortisation	31,261,262	32,386,102
Loss on sale of assets and liabilities	9,183,064	-
Debt impairment	674,768	231,245
Movements in operating lease assets and accruals	235,762	134,557
Movements in provisions	(270,260)	(16,697)
Surrender of funds to National Revenue Fund	(175,437,000)	-
Changes in working capital:		
Inventories	(16,557,686)	40,441,392
Receivables from exchange transactions	(19,994,774)	7,370,153
Reversal of debt impairment	(674,768)	(231,245)
Other receivables from non-exchange transactions	(233,027)	25,718
Payables from exchange transactions	2,574,069	(8,123,342)
Taxes and transfers payable (non-exchange)	-	(355,779)
	(87,701,823)	**109,943,097**

20. Commitments

a) Authorised capital expenditure

Figures in Rands	2023	2022
Already contracted for but not provided for		
• Property, plant and equipment	60,937,850	-
Total capital commitments		
• Already contracted for but not provided for	60,937,850	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

b) Authorised operational expenditure

Figures in Rands	2023	2022
Already contracted for but not provided for		
• Cost of sales	115,646	67,336,000
• Contracted services	3,326,654	3,257,000
• General expenditure	801,560	2,191,000
• Repairs and maintenance	478,564	7,372,000
• Lease	3,036,396	-
• Operational expenditure	185,821	-
	7,944,641	**80,156,000**
Total operational commitments		
Already contracted for but not provided for	**7,944,641**	**80,156,000**
Total commitments		
Total commitments		
Authorised capital expenditure	60,937,850	-
Authorised capital expenditure longer than 12months	7,944,641	80,156
	68,882,491	**80,156**

c) Commitments beyond 12 months

Figures in Rands	2023	2022
Contract commitments	**7,589,685**	**-**

The commitment relates to the transactions that will result in the out flow of resources.

The entity procured courier services from DSV Road (Pty) Ltd for delivery of cards. The courier commenced in December 2020 for a period of 36 months.

Rates

- Kilogram(0-5kg)isR65.49.
- Kilometrerate:UrbanareaisR1.58.
- Kilometrerate:RuralareaisR2.44.
- Kilometrerate:RemoteareaisR2.99.
- All rates above are quoted excluding VAT.
- The estimated increase for 2022 is 6.5%.

The Entity has a contract with Vodacom for the bulk SMS and cellphones. The billing for SMS is charged per SMS sent to the applicant. The billings are 0.15 cents per SMS and cellphone is charged per calls made per month. The cellphone contracts for qualifying employees as well as internet modems are also procured through Vodacom in participation on the National Treasury cellphone transversal contract.

The Entity has a contract with Maputunuka ICT for the LEU and LCU maintenance for the period for 3 years at the labour rate of R 450.00 per hour.

The Entity has a contract with Binda Communication for the LEU and LCU maintenance for the period for 3 years at the labour rate of R 450.00 per hour.

The Entity has a contract with Liquid Capital (formerly Neotel)for the internet and calls. The billing is charged per data and calls usage per month.

d) Operating leases - as lessee (expense)

Figures in Rands	2023	2022
Minimum lease payments due - Building		
- within one year	2,586,844	2,586,844
- in second to fifth year inclusive	6,682,681	9,269,525
	9,269,525	**11,856,369**

The Entity has a contract with State Information Technology Agency for the lease of building for the period of 5 years commencing from 01 November 2021 to 31 October 2026 with escalation clause of 6% every year in January.

Figures in Rands	2023	2022
Minimum lease payments due - Office Equipment		
- within one year	129,502	33,049
- in second to fifth year inclusive	35,420	130,965
	164,922	**164,014**

The lease relates to three printing machines commencing from 15 July 2020 to 31 May 2024 with no escalation clause.

21. Related parties

The Driving Licence Card Account is a trading entity that reports to the Department of Transport just as the Road Traffic Management Corporation (RTMC). During the financial period, the trading entity had numerous transactions with the Department and RTMC. Such transactions include payments to consultants and other service providers on behalf of the trading entity, and secondment agreements. The Department of Transport is controlled by the national government through the Minister of Transport, the Honourable Minister Lydia Sindisiwe Chikunga, appointed in March 2023. She replaced Minister Fikile Mbalula who served from 30 May 2019 to 06 March 2023.

Figures in Rands	2023	2022
Related party balances		
Amounts included in trade payables regarding related parties		
Department of Transport	1,712,191	455,007
Road Traffic Management Corporation	1,326,120	-
Related party transactions		
Payments made to related parties		
Department of Transport	1,692,784	2,938,000
Road Traffic Management Corporation	1,632,532	-
Secondment		
Road Traffic Management Corporation	2,687,310	-

Three RTMC employees were seconded to Driving Licence Card Account on behalf of the National Department of Transport.

Key management

Remuneration of nonexecutive member

Audit committee members

2023		
Name	Committee fees	Total
Figures in Rands	2023	2022
Dr, Prittish Dala - Chairperson	60,247	60,247
Mr. X Sikhakhane (employed by the provincial treasury)	-	-
Dr Miseria Nyathi	55,897	55,897
	116,144	**116,144**

2022		
Name	Committee fees	Total
Dr, Prittish Dala - Chairperson	80,329	80,329
Adv. Thato Mohapi (resigned in February 2022)	55,897	55,897
Mr. X Sikhakhane (employed by the provincial treasury)	-	-
Dr Miseria Nyathi	71,867	71,867
	208,093	**208,093**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Remuneration of executive members

2023

Name	Basic salary	Other employee benefits	Acting allowance	Total
Mr. Kagiso Kgosiemang (Acting Head) - from 18/07/2022	906,388	604,259	-	1,510,647
Mr. Lehasa Moloi (Acting CFO) - until 30/06/2022	181,857	-	99,000	280,857
Mr. Lufuno Lifhiga - until 30/09/2022	440,553	59,649	-	500,202
Ms. Mpolokeng Mokone	1,109,608	-	-	1,109,608
Mr. Nqoba Ngomane (Acting CFO) - from 28/09/2022	345,317	230,213	-	575,530
Mr.SandisoThutshini (Acting Head - DoT official) - until July 2022	-	-	-	-
	2,983,723	**894,121**	**99,000**	**3,976,844**

2022

Name	Basic salary	Other employee benefits	Acting allowance	Total
Mr. Sandiso Thutshini (Acting Head - DoT official) - from 15/11/2021	-	-	-	-
Mr. Lehasa Moloi (Acting Chief Financial Officer)	700,795	80,366	166,431	947,592
Mr. Lufuno Lifhiga	1,003,106	54,222	-	1,057,328
Ms. Mpolokeng Mokone	1,097,182	890	-	1,098,072
	2,801,083	**135,478**	**166,431**	**3,102,992**

22. Prior period errors

Figures in Rands		2023	2022
Statement of financial position			
Increase in inventory	(a)		9,386
Increase in property,plant and equipment	(b)		5,382,155
Increase in intangible assets	(b)		74,854
Increase in operating lease liability	(c)		(134,557)
Decrease in trade and other payables from exchange transactions	(d)		671,219
Increase in provision	(e)		(772,803)
Increase in opening accumulated surplus or deficit	(f)		(6,029,895)
			(799,641)
Statement of financial performance			
Increase in depreciation	(g)		650,102
Increase in operating lease expense	(h)		145,624
Decrease in operating expenditure	(i)		13,301
Decrease in movement in cost of sales	(j)		(9,386)
			799,641

a. Inventory

Cost price per unit was incorrectly calculated resulting in an understatement of finished goods on hand (R9386).

b. Property, plant and equipment and Intangible assets

Communication devices were errounously recorded as communication costs under operating expenditure (R79 933), accumulated depreciation was therefore not provided for (R2 190); In preparation for the transfer of the Driver Licence Card Account, the entity embarked on a physical verification of assets and compiled a new fixed asset register. The assets were therefore restated to reflect a more accurate figure for the cost and accumulated depreciation in the previous period (R5 379 266).

c. Operating lease liability

Operating lease liability for rental of building was erronously ommitted (R134 557), Accrual for printer rental for two months was erronously ommitted (R11 107).

d. Trade and other payables from exchange transactions

Leave provision was erronously classified as trade and other payables from exchanged (R772 803); Accrual for printer rental for two months was erronously ommitted (R11 107); Accrual for venue hire was erronously ommitted (R91 475).

e. Provision

Leave provision was erronously classified as trade and other payables from exchanged (R772 803).

f. Opening accumulated surplus

In preparation for the transfer of the Driver Licence Card Account, the entity embarked on a physical verification of assets and compiled a new fixed asset register. The assets were therefore restated to reflect a more accurate figure for the cost and accumulated depreciation in the previous period. Due to the changes the opening accumulated surplus was restated (R5 286 155).

g. Depreciation

Depreciation for communication devices was not calculated as they were errounously recorded as communication costs under operating expenditure (R2 190),In preparation for the transfer of the Driver Licence Card Account, the entity embarked on a physical verification of assets and compiled a new fixed asset register. The assets depreciation was therefore recalculated to reflect a more accurate figure in the previous period (R647 912).

h. Operating lease expense

Operating lease expense was incorrectly calculated due to ommission of lease smoothing of building (R134 557), Accrual for printer rental for two months was erronously ommitted (R11 107).

i. Operating expenditure

Communication devices were errounously recorded as communication costs as telephone costs (R79 933),Accrual for venue hire was erronously ommitted (R91 475).

j. Movement in cost of sales

Cost price per unit was incorrectly calculated resulting in an understatement of finished goods on hand (R9386).

23. Risk management

Foreign currency risk management

Foreign currency exposures arise from the purchase of material. When orders are placed, the risk is assessed to determine whether or not forward cover is required; however, due to the fact that the entity pays its creditors within 30 days, the risk of significant adverse flactuations in foreign currency between the invoice date and the payment date is perceived as low.

The risk is mitigated using forward exchange contracts for recognised risky transactions with invoices which could be paid after 30 days.

No forward exchange contracts were entered into during the financial years ended 31 March 2022 and 31 March 2023 as all foreign invoices were paid within 30 days.

Figures in Rands	2023	2022
Material	-	68,974

Interest rate risk management

The entity is exposed to interest rate risk as it places funds in the current account at floating interest rates. Interest rate risk is managed through effective cash management. The net interest income at 31 March 2023 was R17 767 589 (2022: R10 266 443)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The interest rate re-pricing profile at 31 March 2023 is summarised as follows:

Figures in Rands	2023	2022
Cash and cash equivalents	272,297,709	400,906,525
%of total bank statements	100	100

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The company manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities. The data for this analysis is determined from internal reports presented to key management personnel. It is based on information that is managed internally on the entity's financial management system.

The maturity profiles of the financial instruments are summarised as follows:

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2023	Within 1 Month	1-3 months	3-12 months	1-5 years	Impaired financial assets	Total
Receivables from non- exchanged transactions	340,461	-	-	-	-	340,461
Receivables from exchanged transactions	21,701,019	2,337,589	298,168	-	(463,241)	23,873,535
Cash and cash equivalents	272,297,709	-	-			
Subtotal	**294,339,189**	**2,337,589**	**298,168**	**-**	**-**	**272,297,709**
	294,339,189	**2,337,589**	**298,168**	**-**	**(463,241)**	**296,511,705**
Financial liabilities						
Trade and other payables from exchange transactions	27,624,856	-	-	-	-	27,624,856
Operating lease liability	370,319	-	-	-	-	370,319
Subtotal	**27,995,175**	**-**	**-**	**-**	**-**	**27,995,175**
	27,995,175	**-**	**-**	**-**	**-**	**27,995,175**

2022	Within 1 Month	1-3 months	3-12 months	1-5 years	Impaired financial assets	Total
Receivables from non- exchanged transactions	107,434	-	-	-	-	107,434
Receivables from exchanged transactions	-	2,995,000	1,781,108	-	(897,347)	3,878,761
Cash and cash equivalents	400,906,525	-	-	-	-	400,906,525
	401,013,959	**2,995,000**	**1,781,108**	**-**	**-**	**400,906,525**
	401,013,959	**2,995,000**	**1,781,108**	**-**	**(897,347)**	**404,892,720**
Financial liabilities						
Trade and other payables from exchange transactions	25,050,782	-	-	-	-	25,050,782
Operating lease liability	134,557	-	-			
	25,185,339	**-**	**-**	**-**	**-**	**134,557**
	25,185,339	**-**	**-**	**-**	**-**	**25,185,339**

Credit risk

Potential concentrations of credit risk consist mainly of cash and cash equivalents and trade receivables. The DLCA limits its counterparty exposures from its bank accounts by only dealing with well-established financial institutions of high quality credit standing.

Trade receivables comprise a large number of customers within the government sphere and spread throughout the country. Trade and other receivables are shown net of impairment.

At 31 March 2023, the DLCA did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The amount in the statement of financial position is the maximum exposure to credit risk.

Market risk

Foreign exchange risk

The entity does not hedge foreign exchange fluctuations.

Price risk

In the opinion of the entity management the book value of the financial instruments approximates their fair value. The following methods and assumptions were used by the Driving Licence Card Account in establishing fair values:

Financial instruments not traded in an active market at 31 March 2022 and 31 March 2023 the carrying amounts of cash and deposits, accounts receivable, accounts payable at cost and short-term borrowings approximated their fair values due to the short term maturities of these assets and liabilities.

The carrying amounts of related party debt approximate their fair values.

24. Irregular expenditure and fruitless & wasteful expenditure

Figures in Rands	2023	2022
Irregular expenditure - current year	41,114,807	11,091,739
Fruitless and wasteful expenditure	76,484	-
Closing balance	**41,191,291**	**11,091,739**

Details of irregular and fruitless & wasteful expenditure

During the current year, management identified an irregular contract (with a variation agreement) which was entered into with a service provider in the prior year. Upon inquiry with National Treasury, they advised that the contract amount was computed wrongly. The variation was also not in accordance with the National Treasury instruction notes, and as a result, any spending on the contract was identified as irregular. The total spending on this contract up to 31 March 2023 isR40767 281.

During the current financial year, a supplier issued litigations against the entity for unpaid invoices. Upon investigations, it was discovered that proper supply chain management processes were not adhered to during the appointment process. The entity is currently implementing consequence management.

Some of the irregular expenditure was identified by AGSA during the 2022/23 audit, and the details are as follows:

- A National Treasury contract that the entity participated on had expired on 30 September 2021, however, the entity continued to spend on the contract after it has expired. The entity will investigate the course of this irregular expenditure and implement the necessary consequence management where necessary.
- Expenditure was incurred on a contract that expired in 2017. The entity will investigate the course of this irregular expenditure and implement the necessary consequence management where necessary.

Penalty interest was imposed due to the failure to submit EMP501 Yearly assessments. DLCA could not submit due to the organisations profile linked to the previous manager who resigned.

25. Budget differences

Material differences between budget and actual amounts

The budget amounts presented on the statement of comparison of budget and actual amounts are from 01 April 2022 to 31 March 2023.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reasons for material variances between the Final Approved Budget and Actual Amounts on the various items disclosed in the Statement of Comparison of Budget and actual amounts are explained below:

a. Sales of goods

The malfunction of the production machine in the prior period resulted in the increased production and delivery of driver licence cards in the current financial year resulting in increased revenue from the sale of good.

b. Interest received

The Entity maintained a favourable financial status of which interest received is dependent on, hence the higher than budgeted revenue generation.

c. Employee related costs

The employee cost budget includes a provision for appointment of key positions which were not filled due to the structure that is still not approved.

d. Depreciation, amortisation and impairment

Depreciation and amortisation costs are below budget because the entity budgeted for depreciation of the new card production machine and smart enrolment which have not yet been brought to use in the current period.

e. Repairs and maintenance

The costs of repairs and maintenance has exceeded the budgeted amount due to increased volume of services required at the DLTC's for the repairs, mainly those of LEU's. There is also a contract in place for the maintenance of the production machine.

f. Lease rental on operating lease

The over budgetting is because: with the new card machine being procured, the entity budgeted to acquire a new lease for premises to house the new card production plant and office, however the new card machine was not acquired during the financial year.

g. Debt impairment

Debt impairment includes debt write off of all DTLC's which have been closed for operations which was not budgeted for.

h. Contracted services

Contract services are below budget due to a minimal use of consultants.

i. Cost of Sales

The cost of sales exceeded the budgeted amount due to increased volumes in production to catch up with the backlog. A review of the budget for cost of sales will be implemented with the final Estimates of National Expenditure submission.

j. Operating expenses

Other expenditures were below budget due to cost control on stationery, travel and accommodation, bursaries, legal costs, advertising, facilities management, foreign exchange loss and entertainment expenses.

k. Loss on disposal of assets and liabilities

The entity performed its first time disposal of assets, where it wrote off assets who are lost, stolen, broken, and/or unusable anymore.

l. Capital expenditure

The entity budgeted to procure a new card production machine and smart enrollment units. The machine has not been procured yet, while there is also no spending on the smart enrolment units yet.

26. Going concern

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

The Trading Entity will however cease to exist due to the function being transferred to the Road Traffic Management Corporation in terms of Section 42 of the Act and in line with the Transport Entities rationalisation process, at a date to be determined in future. The Annual Financial Statements are currently prepared on the going concern basis.

27. Transfer of functions between entities under common control

Transfer of functions between entities under common control occurring during the current reporting period

Entities involved in the transfer of functions were:

- National Department of Transport
- Road Traffic Management Corporation

The following functions were transferred:

- Driver License Card Account

The Trading Entity's function will be transferred to the Road Traffic Management Corporation in terms of Section 42 of the Public Finance Management Act at a date to be confirmed in line with the Transport Entities rationalisation process.

The transfer date is yet to be confirmed.

Figures in Rands	2023	2022
Value of assets		
Assets transferred	**1**	**-**
Property, plant and equipment Inventory	1	-
Receivables from exchange transactions	1	-
Intangible assets	1	-
	4	**-**
Liabilities relinquished		
Trade and other payables	4	-
Difference between the carrying amounts of the assets transferred, the liabilities relinquished and adjustments required to the basis of accounting	**-**	**-**

28. Change in accounting estimate

Figures in Rands	2023	2022
Impact of changes in accounting estimate		
Decrease in depreciation in property, plant and equipment	382,971	-
Decrease in amortisation in intangible assets	73,980	-
Increase in Net Surplus	(456,951)	-
Increase in net surplus	**-**	**-**

Included in depreciation for 2023 is a change in estimate which yielded a decrease in both depreciation and amortisation of a value of R382 971,65 and R73 980,24 respectively, arising from the remaining useful life of the assets that was changed during the year ended 31 March 2023, with effect from 1 April 2022. This change will result in an increase in depreciation and amortisation in future periods amounting to R382 971,65 and R73 980,24, respectively (GRAP3.38).

29. New standards and interpretations

29.1. 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 April 1, 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Guideline: Guideline on Accounting for Land fill Sites	Not yet determined	Unlikely there will be a material impact
GRAP 25 (as revised 2021): Employee Benefits	Not yet determined	Unlikely there will be a material impact
iGRAP 7 (as revised 2021): Limit on defined benefit asset, minimum funding requirements and their interaction	Not yet determined	Unlikely there will be a material impact
Guideline: Guideline on the Application of Materiality to Financial Statements	Not yet determined	Unlikely there will be a material impact
GRAP104 (amended): Financial Instruments	April1, 2025	Unlikely there will be a material impact
iGRAP 21: The Effect of Past Decisions on Materiality	April1, 2023	Unlikely there will be a material impact
GRAP 2020: Improvements to the standards of GRAP 2020	April1, 2023	Unlikely there will be a material impact
GRAP1 (amended): Presentation of Financial Statements	April1, 2023	Unlikely there will be a material impact

30. Contingent liabilities

Cash and Cash equivalents at the end of the year	272 297 710
Add: Receivables	24 214 171
Less: Current Liabilities	(28 497 718)
Surplus	**268 014 163**

In terms of section 53(3) of the PFMA, a public entity may not accummulate surpluses unless written approval of the National Treasury has been obtained.

The retention for the current financial year surplus of R268 516 531 has not been approved yet.

In the current financial year, the National Treasury instructed the entity to surrender R99,2 million which related to the 2021/22 financial year's surplus of R379.2 million, which was paid over as instructed. The entity was then allowed to retain R280 million for the new card production machine.

31. Events after the reporting date

There were no adjusting events after reporting date.

Notes

Notes

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