

ANNUAL REPORT

DRIVING LICENCE
CARD ACCOUNT

2020 | 2021



transport

Department:
Transport
REPUBLIC OF SOUTH AFRICA

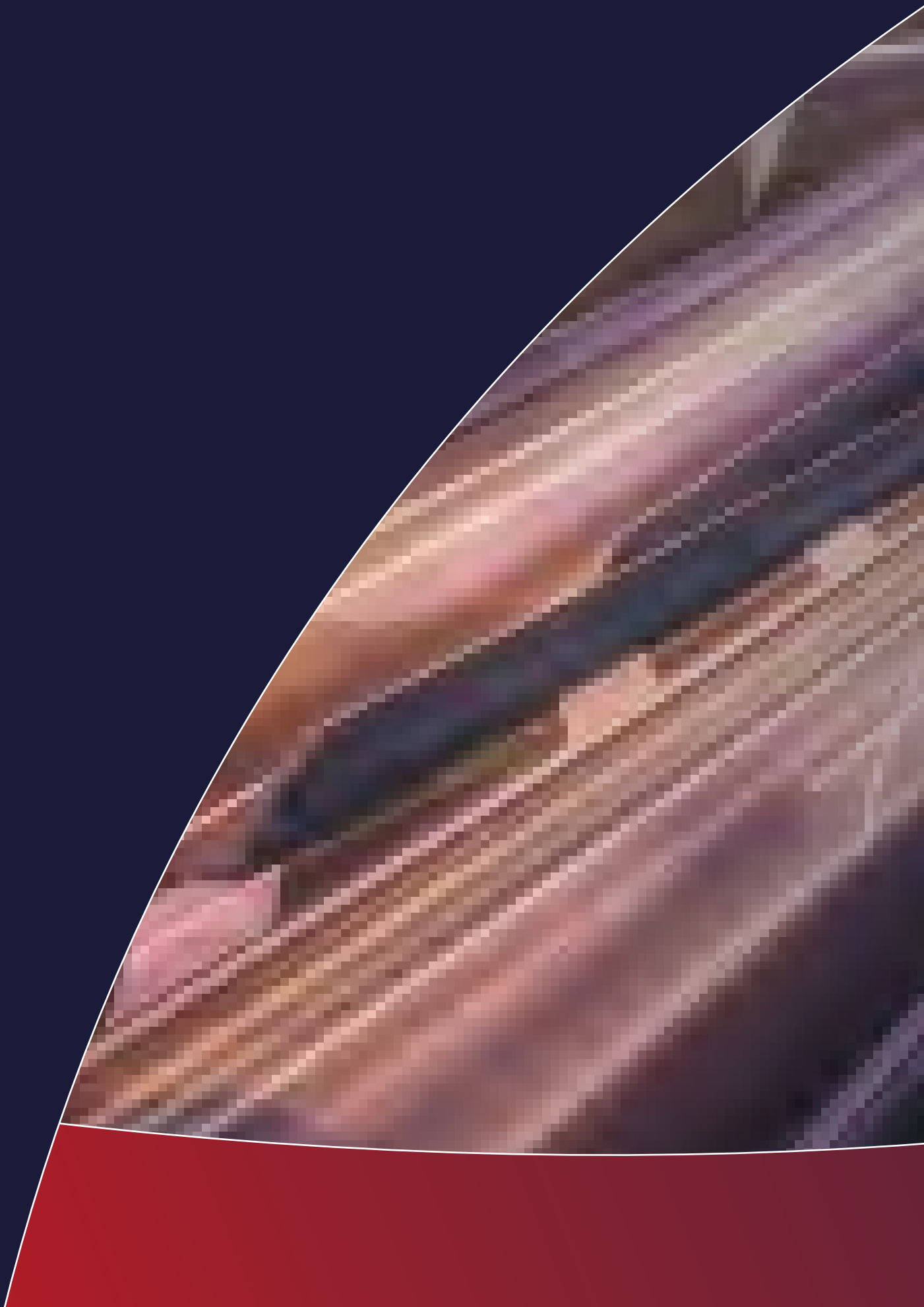


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A



GENERAL INFORMATION

GENERAL INFORMATION

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Postal Address:	PO Box 25223 Monument Park 0105
Telephone Number:	+27 12 347 2522
E-mail Address:	Lufuno.lifhiga@dlca.gov.za
External Auditors:	Auditor-General of South Africa (AGSA)
Bankers:	First National Bank and ABSA Bank

LIST OF ABBREVIATIONS

AO	Accounting Officer
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BBBEE	Broad-Based Black Economic Empowerment
CFO	Chief Financial Officer
DLCA	Driving Licence Card Account
DLTC	Driving Licence Testing Centre
DPSA	Department of Public Service and Administration
EU	European Union
HoD	Head of Department
LCU	Live Capture Unit
LEU	Live Enrolment Unit
MEC	Member of Executive Council
MOU	Memorandum of Understanding
MTEF	Medium-term Expenditure Framework
NDP	National Development Plan
PFMA	Public Finance Management Act
SCM	Supply Chain Management
SDIP	Service Delivery Improvement Plan
SLA	Services Level Agreement
SMS	Short Message System
SITA	State Information Technology Agency
SCOPA	Standing Committee on Public Accounts
GPW	Government Printing Works



Mr FA Mbalula, MP
Minister of Transport

FOREWORD BY THE MINISTER OF TRANSPORT

It gives me great pleasure to present the Driving Licence Card Account (DLCA) 2020/21 annual report, the first report of the sixth administration. The DLCA is a trading entity of the National Department of Transport and operates within the Department. This is one of the most consistent performing entity in the transport sector.

In her opinion, the Auditor General said *"I congratulate the Driving Licence Card Account (DLCA) in maintaining their clean audit, for the second year in a row. The financial statements achieved an unqualified opinion, with no findings on compliance, and no findings on the audit of predetermined objectives"*

There have been no findings on predetermined objectives over the last three years of the audit, and management is encouraged to maintain their processes for this outcome to be sustained going forward."

During the year under review, the DLCA was able to successfully achieve the following:

- Produce over 1.7 million cards;
- Maintain 96% of enrolment equipment;
- Resolve 100% of DTLC service requests within 7 working days;
- Version 1 of DLCA Stakeholder Framework approved;
- Complete project of service desk management system; and
- Mobile Bus piloted at agreed upon sites and cards successfully produced.

It is very heart-warming to see DLCA on the last phase of finalising the new driving licence card design that will embrace the South African heritage, is International Standards Organisation (ISO) compliant to ensure that it is internationally accepted and has improve security features in line with the latest technological security trends.

Further, the DLCA has significantly integrated its information systems with the RTMC to promote efficient customer service and reduce backlogs in the DLTCs. Outdated technology underpinning the architecture of the Live Environmental Units for capturing personal data at the DLTCs is gradually replaced by the new Smart Enrollment Units in line with the Digitisation Strategy of the DLCA. In this regard software release version 1.3.0 is completed and the upgrade of the bandwidth has ensured significant improvement in service delivery as a hybrid approach to bridge the gap towards full implementation of smart technology and a world-class service to the people of South Africa.

Mr. FA Mbalula, MP
Minister of Transport
Date:



Mr. Alec Moemi
Director General

FOREWORD BY THE DIRECTOR GENERAL

The 2020/21 financial year was a challenging one for the Driving Licence Card Account (DLCA) and the world as a whole due to Corona virus outbreak. The DLCA has a fundamental role to play in producing and delivering driving licence cards to the people of the Republic of South Africa.

It is an honour to present the DLCA 2020/21 Annual report in the year at which the trading entity maintained a clean audit for the second year in a row without findings on pre-determine objectives over the last three years of the audit.

The DLCA developed the Covid19 risk management strategy in line with the national Covid19 regulations and directives. The entity only had 6 confirmed reported Covid19 positive cases in the year under review with no fatalities reported. Furthermore, the entity continues to implement and monitor covid19 controls and has successfully encouraged most of its officials and its stakeholders to follow all health and safety protocols.

The DLCA will be modernising its production facilities as part of its digital strategy in order to ensure that service delivery is expedited and align its operations to world class standards.

The DLCA managed to achieve most of its planned targets despite the Covid19 disruptions and related shut downs.

I would like to thank the Trading Entity officials for their dedication and hard work as well as the Ministry of Transport for its continued support and guidance. As the African proverbs goes "*When deeds speak, words are nothing*".

Mr. Alec Moemi
Director General
Department of Transport
Date:



Dr. Nkosinathi Sishi
Acting Head of Entity

OVERVIEW OF THE ACTING HEAD OF ENTITY

Overview of the Driving Licence Card Account operations

Manufacturing of the driving licence and maintenance of card layout

This service includes the provision of all the required material for the manufacturing, image capturing, personalisation, safekeeping, administration, management, quality control, transportation and distribution of driving licence cards to the DLTCs, as well as the printing and distribution of notice to collect forms. It also includes the supply, delivery, installation, commissioning, training and maintenance of equipment and facilities for the duration of the production period. Since the DLCA took over the card production facility in May 2016, it has managed to produce over 11 million cards with a staff complement of just under 50 employees.

Provision of live enrolment units

In the 2015/16 financial year, the Entity embarked on a process to replace the ailing live capture units which were last upgraded in 2008 with new live enrolment units (LEUs). A contract was awarded to Muhlbauer ID Services GhmB, and was finalised in January 2016.

The project for replacing the live capturing units with new live enrolment units was completed in the 2019/20 financial year, however the DLCA is obligated to install the LEU whenever there is new site opened. The table below show the total number of LEU installed in different provinces in the year under review.

Province	LEUs installed 2020/21
Eastern Cape	-
Free State	-
Gauteng	5
Kwa-Zulu Natal	1
Limpopo	-
Mpumalanga	1
North West	-
Northern Cape	-
Western Cape	-
Total	7

Query answering service on maintenance of enrolment units

This encompasses the provision of responses to enquiries logged on National Traffic Information System (NaTIS) in respect of driving licence authorisation, card production and live enrolment units repairs and maintenance.

Tariff Policy

Treasury Regulation 19.5.2 and 19.5.3 requires the Trading Entity to determine the user charges with the aim to recover the full cost of providing the driving licence card, unless the relevant treasury approves lower charges and rates for user charges must be reviewed at least annually before the budget, any tariff increases

are subject to approval by the relevant treasury. However, the tariff has not increased since 2014

Accounting officer's responsibilities

The Accounting Officer of the Trading Entity adequately fulfilled his responsibilities embodied in the Public Finance Management Act Section 38 and 40. The Head of the Trading Entity was appointed on an acting basis, and reporting framework for the Head of Entity, was approved by the Accounting Officer.

Internal audit

Driving Licence Card Account Trading Entity utilises the services of the Department of Transport Internal Audit Unit, and an outsourced Service Provider (Rakoma Inc) with the projects being funded by the Entity. The DLCA contracted Rakoma Inc from February 2018 to perform the Internal Audit functions under the supervision of the Chief Audit Executive of the Department of Transport. The contract with service provider (Rakoma Inc) expired on 31 January 2021 and was succeeded by Nexia-SAB&T for the period of 3 years from 01 April 2021 to 31 March 2024. Internal Audit reports functionally to the Audit Committee and administratively to the Head of Entity. The Trading Entity has an Audit Committee comprising of independent non-executive persons.

Risk and fraud management

Risk Management is integrated into the strategic plan, day-to-day operations of the trading Entity and quarterly reporting processes. The Management Executive Committee is responsible for the management of the Entity's risks. Continuous reviews of the strategic risks, risk mitigations and risk assessment are conducted to ensure effective management of risks. The Risk Management Committee sits on a quarterly basis to review the risks, mitigations and reports on implementation of controls. In the year under review, the Entity's Risk Management processes and oversight was improved.

The day-to-day operations of the Entity, relating to fraud/corruption and risk management, are guided by the risk management policy, risk strategy, risk framework, implementation plan, whistle blowing policy, anti-corruption and fraud prevention policy.

Overview of the financial results

The Entity generates its revenue from the sale of driving licence cards. Revenue decreased by 34% compared to the prior year. The decrease in revenue is as a result of an decrease in the number of cards produced and delivered in 2020/21. The revenue was recognized in line with GRAP, which stipulates that revenue can only be recognised after the risks and rewards has been transferred

Table 1: Revenue

Sources of revenue	2020/21			2019/20		
	Budget	Actual amount collected	Over/(under) collection	Budget	Actual amount collected	Over/(under) collection
	R'000	R'000	R'000	R'000	R'000	R'000
Sale of Cards	178 152	139 974	(38 178)	222 456	200 828	(21 628)
Administration Fees	53	22	(31)	-	34	34
Interest received	24 036	9 025	(15 011)	32 385	26 919	(5 466)
Gains on foreign exchange	-	531	531	-	-	-
Total	202 241	149 552	(53 751)	254 841	227 781	(27 060)

Collection of entity revenue

Table 2: Debtor's age Analysis

Year	120+ days	90+ days	60+ days	0-30 days	Current	Total	120+ days
	R'000	R'000	R'000	R'000	R'000	R'000	% of total debt
2021	1 460	1 251	1 095	5 179	16 156	25 142	6%
2020	1 282	482	522	3 405	15 705	21 396	6%

A significant amount of long outstanding debt, at 120+ days, reported at the beginning of the year was recovered during the year. This is a reflection that the significant amount of long outstanding debt at 120+ days was only accumulated in the current year. The total debt book increased from R 21 million in prior year to R25 million in 2020/21. The reported increase is due to delays from DLTCs in following payment process as a result not operating on full capacity.

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

Table 3: Expenditure

Description	2020/21			2019/20		
	Budget	Actual	(over) under	Budget	Actual	(over) under
	R'000	R'000	R'000	R'000	R'000	R'000
Cost of Sales	54 180	49 498	4 682	67 642	64 606	3 036
Contract Services	2 598	1 196	1 402	1 402	1 215	50 615
Repairs and maintenance	23 202	23 532	(330)	23 001	21 311	1 690
Depreciation	49 906	31 644	18 262	37 339	34 444	2 895
Employee Benefits	24 042	17 534	6 508	20 130	19 661	469
Other Expenses	40 264	9 454	30 810	38 296	13 520	24 776
Lease payments	7 068	2 737	4 331	6 727	3 041	3 686
Debt impairment	81	-	81	76	73	3
Loss on foreign exchange	-	-	-	-	1 879	1 879
Total	201 341	135 595	65 746	245 041	159 750	89 049

The budget for the year was under spent by R 65 746 due to the cost control, reduction in use of consultants and using of transversal contracts

Delegation of duties and responsibilities

During the 2015/16 financial year, the Accounting Officer delegated his powers 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 Accounting Officer for a department, Trading Entity or Constitutional Institution

may, in writing, delegate any powers entrusted or delegated to the Accounting Officer in terms of this Act, to an Official in that department, Trading Entity or Constitutional Institution; and Section 44(1) (b) of the PFMA states that The Accounting Officer for 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 Accounting Officer in terms of this Act.

The duties and responsibilities were delegated by the Accounting Officer, in writing, however the Auditor-General of South Africa (AGSA) did not recognise the delegation of the powers. In 2016/17 financial year the AGSA requested the DLCA to disclose all transactions above R 2 million that were approved by the Head of the Entity, as irregular expenditure, with the view that both parties will seek legal opinion on the matter in the

2016/17 financial year. The DLCA obtained the legal opinion, in the 2016/17 financial year from Senior Counsel who advised that DLCA was well within the legal prescripts on this matter.

The AGSA sought National Treasury's opinion on the matter to which the National Treasury advised that the framework delegating the powers of the Accounting Officer to the Head of Entity is valid.

During the year under review the DLCA was under the leadership of Mr Sandiso Thutshini who served as the acting Head until the 30 September 2020 and was succeeded by Dr. Nkosinathi Sishi on 01 October 2020

Progress

DLCA extended the DL sms enquiry functionality to PrDP sms enquiry, where applicants could check the status of their PrDP application by smsing their ID number to 44220

In the year under review, DLCA has working together with Department of Public Service and Administration (DPSA) to review and update DLCA organisational structure. The Director General of National Department of Transport has recommended the DLCA updated organisational structure for approval and awaiting approval by the minister.

In the year 2018/19, DLCA manage to get 5 provinces to sign SLAs. The SLA is an agreement between the DLCA and the Province in relation to the Service Delivery Standards. In the year 2019/20 DLCA manage to get all 4 outstanding provinces to sign SLAs.

In the year under review DLCA manage develop and approve version 1 of stakeholder management framework.

In the year under review DLCA has embark on the project of designing new Driving Licence Card. DLCA is in the final phase of finalising the new driving licence card design.

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 Regulations 16A.6.4 to procure goods and services. The majority being due to the nature of the raw material used in the card production process and maintenance of production machine. These deviations were reported and noted by the National Treasury as required by the practice notes.

Approval

The Annual Financial Statements set out on pages 49 to 90 have been approved by the Accounting Officer.

Dr. Nkosinathi Sishi

Acting Head: DLCA

Date:

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed 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 the Annual Report, as issued by National Treasury. The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Account Practice (GRAP), and the relevant frameworks and guidelines issued by the National Treasury.

The Accounting Officer is responsible for the preparation of the Annual Financial Statements, and for the judgments made in this information. The Accounting Officer is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human 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 2021.

Yours faithfully,

Dr. Nkosinathi Sishi

Acting Head: DLCA

Date:

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

DLCA Values

Value	Principle
People centered	We are here to serve you our customers. Our people are our enduring advantage. Their calibre, passion 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 to our work, our behaviour, our ethics and our actions. We aim to deliver.
Integrity	We maintain 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 enthusiasm of every employee.

The Entity strives to put people first, render affordable services, 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 to 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 the driver's licence and the 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 Driving Licence Card Account Trading Entity as well as that the Accounting Officer for the Department of Transport must be the Accounting Officer for the trading entity.

Treasury Regulations Paragraph 19.3.2 states that the head of the trading entity is accountable to the accounting officer of the

department operating that trading entity and must forward all reports or approvals required in the Act via the accounting officer 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 approved rates by Treasury are gazetted by the Minister of Transport through 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).

Protection of Personal Information Act No. 4 of 2013.

DLCA ORGANISATIONAL STRUCTURE



Mr. FA Mbalula, MP
Minister of Transport



Ms. Sindisiwe Chikunga, MP
Deputy Minister of Transport



Mr. Alec Moemi
Director General



Dr. Nkosinathi Sishi
Acting Head of Entity



Mr. Lufuno Lifhiga
Senior Manager Risk & Governance



Ms. Mpolokeng Mokone
Senior Manager Production

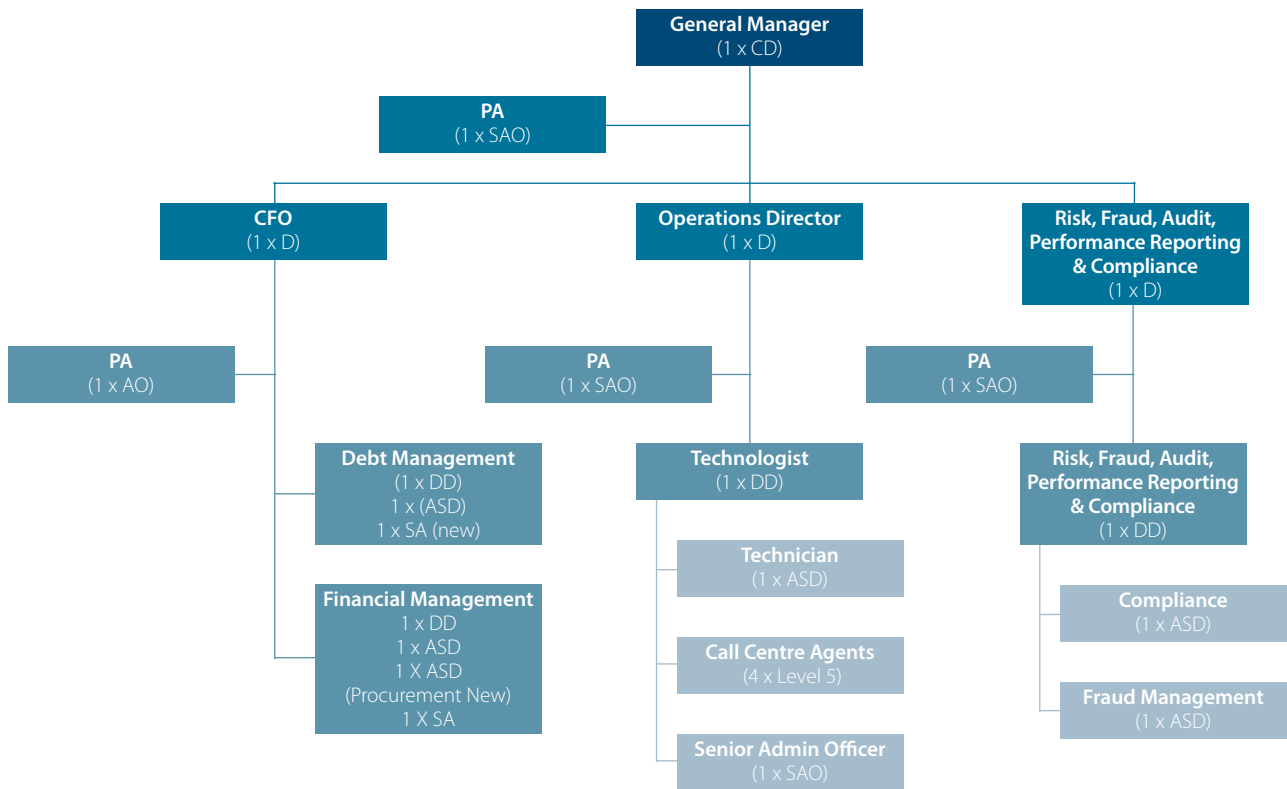


Mr. Lehasa Moloi
Acting Chief Financial Officer



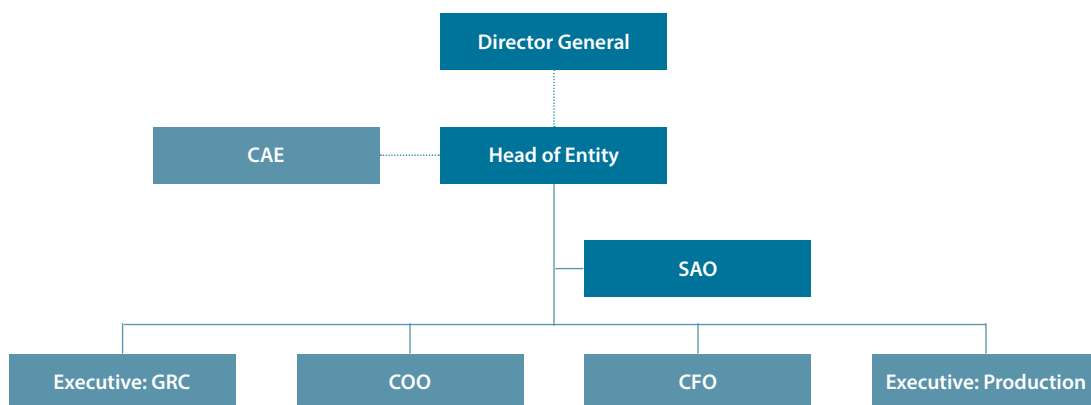
Mr. Khomotso Mohlahlo
Acting Senior Manager Corporate Services

Approved operational structure



The above organogram depicts the current approved Organisational structure that was approved in 2009 by Minister Dipuo Peters. The DLCA has put forward the proposed structure for consideration as depicted below.

High-level proposed structure



B

Google

PERFORMANCE INFORMATION

AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

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

OVERVIEW OF THE TRADING ENTITY'S PERFORMANCE

Service delivery environment

During the period under review 100% of the driving licence card related queries/request were attended and resolved within 7 days.

Driving Licence Web Enquiry

As part of the DLCA 2020/21 APP KPIs and service delivery improvement initiative; the DLCA extended the DL sms enquiry functionality to PrDP sms enquiry, where applicants could check the status of their PrDP application by smsing their ID number to 44220.

Mobile bus Project

In order to address the challenges identified during various stakeholder engagements, DLCA then included in its annual performance plan (APP), the acquisition of bus that was converted to be used as mobile bus for service delivery programmes and initiatives with the intention of taking service delivery to citizens at their local communities.

Mobile bus overview

In order for DLCA to achieve the strategic intent of taking its service delivery to the people at their local communities, the DLCA included in its annual performance plan (APP), the acquisition of a mobile bus for service delivery programmes. The mobile bus is equipped with live enrolment units and be used for service delivery initiatives.

DLCA participated in contract for the lease and maintenance of mobile buses issued by Gauteng Department of Economic Development on the 21 February 2018. Initially the DLCA had the intention to purchase five (5) mobile buses, however based on the discussion with the stakeholders, it was deemed prudent for DLCA to start with 1 unit in order to pilot it and determine utilisation patterns.

The mobile bus solution was tested in the North West Province, where the test results were satisfactory and a total of 31 driving licence cards transactions were processed successfully during testing.

The mobile bus was equipped with the following:

- 4 x live enrolment units for the enrolment of application
- 1 x cashier station for the processing of payments. Only card transactions are allowed
- 1 x outdoor screen for screening of marketing material
- 1 x ablution facility and a kitchenette



Piloting of the Mobile bus

Once the testing of the mobile bus was completed, the piloting process was initiated. Piloting took place at Midrand (GP) from 19 November 2019 till 16 March 2020 and Libangeni DLTC (MP) DLTC from 15 June – 31 August 2020.

Table 4: Piloting Result

Period	DLTC Name	Order Received	Produced & Delivered	Rejected
19 November 2019 – 26 March 2020	Midrand	2 594	2 532	62
15 – 30 June 2020	Libangeni	410	407	3
01 July – 31 August 2020	Libangeni	2 992	2 948	44

Operational impact of mobile bus

The DLCA anticipated to deploy the bus to areas such as

- a. Taxi ranks and Malls
- b. Private companies e.g. Discovery, insurance companies

The bus was going to be used in places where there is infrastructure shortage due to natural / unnatural causes or an increase in influx of applicants. The benefits would be the increase of revenue for centres and as well as decreasing traffic / congestion.

Lessons learned

Even though the testing and piloting process of the mobile bus solution was successful, it proved to be not cost effective for the DLCA to continue incur the cost of the monthly lease payment of the bus. The DLCA was paying R193 000.00 monthly irrespective of the bus being used or not.

It was proved that the mobile bus is not a solution other than being a stopgap measure. The long waiting periods at the DLTCs are mostly related to the functionality of LEUs. From the last days of the LCU to the current LEU, the equipment is proving to be the point of the bottleneck. This is what needed to be addressed. The annual payment of the mobile bus amounted to R2.3 million.

Subsequent events

Although the project was terminated, the results were fruitful. The City of Johannesburg acquired a bus of its own to be implemented in November 2019. The Gauteng Department of Roads & Transport announced on 17 December 2020 that it will be implementing 4 mobile buses to improve services delivery. All these initiatives are based on the pilot conducted by DLCA.

Closing remarks of the project

The testing and the piloting of the solution was completed and the results were satisfactory. However the DLCA needed the support from all the Provinces for the full utilisation of the mobile bus while ensuring an improved, effective and efficient service delivery for our community in the driving licencing environment. At various engagements held with Provinces to fully identify the need of the bus and whether the DLCA is acting within its mandate on providing such services, it was agreed that the provision of enrolment units through the mobile bus is within the mandate of the DLCA.

Administration

Provision of strategic leadership of the Trading Entity is undertaken through the Head of the Trading Entity as delegated by the Accounting Officer (DG). The senior management is responsible for organising, managing and administering daily operations of the Trading Entity.

Manufacturing of the credit card format driving licence and maintenance layout

In its sixth year and the helm of card production, the DLCA has successfully produced and delivered 1.7 million cards. The following table outlines the production and delivery of cards per province.

Table 5: Number of cards produced and delivered

Province	Produced	Delivered	Orders received	Spoiled/cancelled orders
Eastern Cape	114 938	117 994	127 927	2 890
Free state	74 273	77 187	87 309	2 175
Gauteng	587 190	577 142	619 997	12 683
Kwa-Zulu-Natal	264 834	273 065	308 256	4 859
Limpopo	165 766	166 275	170 942	4 103
Mpumalanga	186 142	180 930	193 463	5 160
North West	88 728	87 028	94 577	1 208
Northern Cape	33 816	33 148	37 582	904
Western Cape	268 127	259 421	278 700	3 594
Totals	1 783 814	1 772 190	1 918 753	37 576

From 1 April 2020 to 31 March 2021 the DLCA received 1 918 753 driver's license cards orders for production. From those orders received, successfully produced 1 783 814 cards, and delivered 1 772 190 cards. The difference is due to the spoiled cards, and those orders that were received in the last week of the financial year. As at 31st March 2021 there were no card held back due to accounts in arrears.

Provision of enrolment equipment

Enrolment equipment is used to capture the facial, fingerprint and signature images that appear on the driving licence card. In January 2016, the DLCA signed a contract with Mulbhauer ID Services GmbH – a Germany company to replace the 911 old live

capture units (LCUs) procured in 2008 with 1000 live enrolment units (LEUs). The contract was valid for a period of 5 years from 26 January 2015 – 25 January 2021 with an option to extend for a period of 2 years.

The DLCA has taken a decision to extend this contract for a period of six (6) months. The scope of the contract extension only covers the support and maintenance.

Features of the new LEUs include:

- The ability to capture, store and securely transmit personal information;

- Have facial recognition capability, so that the photos taken comply with International Civil Aviation Organisation (ICAO) standards;
- The fingerprint device that can read all ten fingerprints even at an epidermal level;
- Be able to detect poor picture and fingerprint quality, and reject it at the source (i.e. DLTCs); and
- Equipment is industrial-grade, thereby durable.

Table 6: Live Enrolment Units per New DLTCs

Province	New DLTCs	LEUs installed 2020/21
Gauteng	Thembisa	3
	Diepsloot	2
Kwa-Zulu Natal	Nkandla	1
Mpumalanga	Hluvikani	1
Total		7

In the year under review, total number of 07 LEUs were installed at the new sites.

Maintenance of enrolment units

For 2020/21, the maintenance of enrolment unit only includes the live enrolment units (LEUs). For the LCUs that are still installed and operational in Gauteng and Kwazulu-Natal, their support and maintenance was catered for by their respective Provinces. LEU support and maintenance was performed by Mulhbauer ID Services as part of the LEU contract.

To log call related to LEUs, DLTCs log calls to the Provincial Helpdesks who in turn log calls via phone, email or online to the LEU Service Desk. The Service Desk would then try to resolve the call remotely or send a technician if required. The table below the total number of LEU calls logged per province.

Table 7: Call-answering service on maintenance of Live Enrolment Units

Province	Number of LEU calls logged 2019/20	Number of LEU calls logged 2020/21
Eastern Cape	231	196
Free State	157	68
Kwa-Zulu Natal	233	146
Gauteng	767	560
Limpopo	212	116
Mpumalanga	253	113
North West	154	67
Northern Cape	154	114
Western Cape	549	434
Total	2 710	1 814

In the year under review, the LEU calls logged has decreased as compared to the year 2019/20 due to the National Lockdown.

Organisational environment

The temporary appointment of staff has an impact on employee morale. Finalisation of the organisational structure will ensure stability for the employees, thus improving morale. Employees continue to work extraordinary hours to ensure efficient service delivery. The Entity is fast-tracking the appointment of permanent executives, as well as expanding the current structure to ensure that all functions are performed effectively by officials – with the right skills and expertise, in order to deliver an excellent service to the public.

Key policy developments and legislative changes

DLCA comply with the Treasury Regulations as amended, however the DLCA has developed its internal policies to inform and strengthen the internal control.

Progress towards achievement of driving licence card account trading entity impacts and outcomes

Driving Licence Card Account (DLCA) as a Trading Entity of National Department of Transport contributes towards achieving National Development Plan (NDP) 2030 through the department of Transport. 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”. DLCA in the year under review, made progress towards production of highly secure and durable driving licences by producing 1.7 million cards and made huge progress towards internationally accepted driving licence card that supports participation in social and economic undertaking by embarking on the project of designing the new driving licence card that will be internationally accepted. The tables below indicates the Entity’s performance against the planned deliverables and progress made towards achieving DLCA impact and outcomes.

PROGRAMME PERFORMANCE INFORMATION FOR DRIVING LICENCE CARD ACCOUNT TRADING ENTITY

Production



Service Delivery



Infrastructure Management



PROGRAMME PERFORMANCE INFORMATION FOR DRIVING LICENCE CARD ACCOUNT TRADING ENTITY

Administration

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

Performance Outcome	Output indicator	Actual Achievement 2019/20	Planned Target 2020/21	Actual Performance 2020/21 until re-tabling (Quarter 1)	Actual Performance 2020/21 after re-tabling	Deviation from Planned target to actual achievement	Reason for deviation	Reasons for revisions to the Outputs/ Output indicators/ Annual Targets
Skill development								
Improved sector skills and capacity	Organisational Structure approved	-	Updated organisational structure approved	Service delivery module drafted and submitted to DPSA	Memo requesting approval has been sent to the office of the Director General (DG)	Not Achieved	The office of the DG has directed that amends be made before approval	N/A
	Percentage of vacant positions filled	25% vacancy rate	Vacancy rate not more than 10% of the approved organizational structure	N/A	56% vacancy rate (15/27)	Not Achieved	DLCA resolved to only fill vacant positions after the approval of the reviewed structure	N/A
	Percentage of training plans implemented	8% (7÷83x100) of training conducted	50% of the training plan implemented	No progress	8% of the training plan implemented (6/78)	Not Achieved	Covid19 lockdown disruptions Capacity constrained	Covid19 lockdown disruptions
Fighting Corruption and Promoting Integrity								
Improved governance and strengthened control environment	Unqualified audit opinion	-	Unqualified audit opinion with findings	Internal and External Audit implementation tracking register and Management accounts prepared and tabled at Exco and AC	DLCA received unqualified audit opinion with findings form AGSA for the financial year 2019/20	Achieved	N/A	N/A

PROGRAMME PERFORMANCE INFORMATION FOR DRIVING LICENCE CARD ACCOUNT TRADING ENTITY

Administration (continued)

Performance Outcome	Output indicator	Actual Achievement 2019/20	Planned Target 2020/21	Actual Performance 2020/21 until re-tabling (Quarter 1)	Actual Performance 2020/21 after re-tabling	Deviation from Planned target to actual achievement	Reason for deviation	Reasons for revisions to the Outputs/ Output indicators/ Annual Targets
Compliance to Legislation								
Improved governance and strengthened control environment	Annual Performance Plan approved by executive authority	Approved 2020/21 Annual Performance Plan	Approved 2021/22 Annual Performance Plan	N/A	Approved 2021/22 Annual Performance Plan	Achieved	N/A	N/A
Improved governance and strengthened control environment	Annual surveillance audit conducted by SABS	Annual Audit of the compliance to ISO 9001 was conducted by the SABS	Annual audit of the compliance to ISO 9001	No progress	Annual audit of the compliance to ISO 9001 was performed by SABS	Achieved	N/A	N/A

Production

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

Performance Outcome	Output indicator	Actual Achievement 2019/20	Planned target 2020/21	Actual Performance 2020/21 until re-tabling (Quarter 1)	Actual Performance 2020/21 after re-tabling	Deviation from Planned target to actual achievement	Reason for deviation	Reasons for revisions to the Outputs/ Output indicators/ Annual Targets
Safer Transport System								
Improved transport safety and security	Procurement of a new production machine	-	Procurement of a new production machine	Project Team has been composed	The capturing of the current baseline architecture has been completed. The development of specifications are in progress.	Not Achieved	The impact of Covid-19 led to the delay in the finalization of the card design	Covid19 lockdown disruptions

PROGRAMME PERFORMANCE INFORMATION FOR DRIVING LICENCE CARD ACCOUNT TRADING ENTITY

Production (continued)

Performance Outcome	Output indicator	Actual Achievement 2019/20	Planned target 2020/21	Actual Performance 2020/21 until re-tabling (Quarter 1)	Actual Performance 2020/21 after re-tabling	Deviation from Planned target to actual achievement	Reason for deviation	Reasons for revisions to the Outputs/ Output indicators/ Annual Targets
Improved transport safety and security	New ISO 18013-compliant driving licence card rolled out	-	Approved card design	Technical reference group appointed verification completed by SABS.	<p>a. SEIAS certificate has been issued from the Presidency.</p> <p>b. Part 1 of the ISO 18013 verification completed by SABS.</p>	Not Achieved	As a result of the Covid-19, delay in the finalisation of card design. As a result of the Covid-19, there was delay in the finalisation of card design which had a cascading effect on the subsequent stages required for approval.	N/A
	Number of cards produced annually	2 534 701	1,200,000 cards produced annually	205 102	1 783 814	Achieved	Additional cards produced as a result of increased demand.	Covid19 lockdown disruptions
Innovation								
Improved operational efficiency in the delivery of driving licence cards	Number of days taken to produce and distribute driving licence cards	-	14 working days	24 days Date delivered – Date posted (work out the average)	19 Working days	Not achieved	More production days lost due to the numerous machine brake down which resulted to more corrective maintenance scheduled and Covid19 lockdown disruptions.	N/A

PROGRAMME PERFORMANCE INFORMATION FOR DRIVING LICENCE CARD ACCOUNT TRADING ENTITY

Infrastructure Management

Purpose: To provide effective and efficient ICT infrastructure

Performance Outcome	Output indicator	Actual Achievement 2019/20	Planned target 2020/21	Actual Performance 2020/21 until re-tabling (Quarter 1)	Actual Performance 2020/21 after re-tabling	Deviation from Planned target to actual achievement	Reason for deviation	Reasons for revisions to the Outputs/ Output indicators/ Annual Targets
Effectiveness and efficiency of the ICT								
Improved competitiveness through adoption of new technology	Percentage of the external calls logged and resolved within a number of working days	95% (2367÷2481×100) of all calls logged resolved within 7 working days	95% of all calls logged resolved within 7 working days	97% of all calls logged resolved within 7 working days. 167/173 = 97%	95% of all calls logged resolved within 7 working days (1786/1882)	Achieved	Percentage of the external calls logged and resolved within a number of working days	N/A
	Percentage of enrolment equipment maintained	100% (826÷830×100) of enrolment equipment maintained	90% of enrolment equipment maintained	100% of enrolment equipment maintained. 136/136 = 100%	96% of enrolment equipment maintained (927/964)	Achieved	Maintenance was conducted as per schedule	N/A

PROGRAMME PERFORMANCE INFORMATION FOR DRIVING LICENCE CARD ACCOUNT TRADING ENTITY

Service Delivery

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

Performance Outcome	Output indicator	Actual Achievement 2019/20	Planned target 2020/21	Actual Performance 2020/21 until re-tabling (Quarter 1)	Actual Performance 2020/21 after re-tabling	Deviation from Planned target to actual achievement	Reason for deviation	Reasons for revisions to the Outputs/ Output indicators/ Annual Targets
Customer services								
Improved governance and strengthened control environment	95% of DLTC incidents attended to within 7 working days	100% (491 ÷ 491 × 100) of DLTC incidents attended to within 7 working days	95% of DLTC incidents attended to within 7 working days	100% of DLTC incidents attended to within 7 working days. 7/7 = 100%	100% of DLTC incidents attended to within 7 working days (251/251)	Achieved	Performance is due to dedicated monitoring of calls	N/A
	Full implementation of the initiatives identified in the SDIP	Self-service Channels: The initiative was piloted in the Western Cape and Gauteng.	Implement 2 SDIP initiatives, namely: 1. Services desk management system 2. Mobile bus pilot	Request for quotation for the procurement of the service desk management was submitted to SCM in March 2020 but due to lockdown, the process could not be completed on time. Mobile bus piloted at Libangeni DLTC	1. Service Desk Management System – project documentation completed and infrastructure has been ordered. 2. Mobile Bus – bus piloted at agreed upon sites and cards successfully produced.	Achieved	1. Service Desk Management System – tight management of the scope to take into account the impact of COVID-19 2. Mobile Bus – delivery of project based on the plan and improved ended 31 August 2020	N/A
Batho-Pele Principles								
Improved governance and strengthened control environment	Stakeholder Framework implemented	-	Version 1 of DLCA Stakeholder Framework approved	Final identification of stakeholders was only completed in July 2020	Stakeholder engagement framework approved by the Acting Head	Achieved	N/A	N/A

Strategy to overcome area of under performance

Performance Outcome	Output Indicator	Strategy
To provide effective leadership, strategic management and corporate support to the entity	Updated organisational structure approved	Liaise with the DPSA regarding the improvement in the amended structure and approval thereof
	Vacancy rate not more than 10% in line with approved structure	Vacant position in the current approved structure to be advertised
	50% of the training plan implemented	Developing the training plan that will be realistic, achievable and time bound.
Improved transport safety and security	Procurement of a new production machine	The target has been included in the 2021/22 APP. The Expression of Interest has been issued and the development of the specification is underway.
	New ISO 18013-compliant driving licence card rolled out	The target has been included in the 2021/22 APP.

Driving Licence Card Account Covid-19 pandemic response

Intervention	Budget spent
Purchase sanitizer	R 5 930
Disinfecting the building	R 30 030
Procuring mask for staff	R 5 000
Thermometer	R 3 690
Total	R 44 650

In the year under review, DLCA has recorded six cases of Covid19, fortunately all recorded cases recovered.

Linking performance with budgets

During the 2020/21 financial year, the expenditure for the Entity was R135 million, which represents a decrease as compared to the 2019/20 financial year where the entity recorded expenditure of R159 million.

Costs of sales decreased from R64 million to R49 million compared to 2019/20 financial year. This is due to the low demand of driving licence cards by public and extension of expired driving licences.

The general expenditure costs also decreased from 13 million to 9 million compared to 2019/20 financial year. This is due to reduction in courier services costs and internal catering cost was stopped.

Table 8. Budget vs. Actual Expenditure

Description	2020/21			2019/20		
	Budget	Actual	(over) under	Budget	Actual	(Over) under
	R'000	R'000	R'000	R'000	R'000	R'000
Cost of Sales	54 180	49 498	4 682	67 642	64 606	3 036
Contract Services	2 598	1 196	1 402	1 402	1 215	50 615
Repairs and maintenance	23 202	23 532	(330)	23 001	21 311	1 690
Depreciation	49 906	31 644	18 262	37 339	34 444	2 895
Employee Benefits	24 042	17 534	6 508	20 130	19 661	469
Other Expenses	40 264	9 454	30 810	38 296	13 520	24 776
Lease payments	7 068	2 737	4 331	6 727	3 041	3 686
Debt impairment	81	-	81	76	73	3
Loss on foreign exchange	-	-	-	-	1 879	1 879
Total	201 341	135 595	65 746	245 041	159 750	89 049

Future outlook

- An estimated 30% increase in performance is expected in the 2nd quarter 2021/22 financial year due to high demand for renewal of driving Licences.
- The Entity applied for retention of current year surplus to finance its future capital projects.

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

To enhance service delivery, the Entity acquired new Live Enrolment Units (LEU), which have been piloted to Driving Licence Testing Centers (DLTCs) during the 2017/18 financial year. The LEUs are fully rolled out during the 2019/20 financial year.

PHYSICAL ASSET VERIFICATION

In order to ensure that proper control systems exist for assets and that all preventative mechanisms are in place to eliminate theft, losses, wastage and misuse, and the stock levels are at an optimum and economical level, the Driving Licence Card Account performs annual physical asset verification to confirm the existence and valuation of these assets.

MAINTENANCE OF LIVE CAPTURE UNITS (LCU) AND LIVE ENROLMENT UNITS (LEU)

Most of the LCUs had reached the end of their useful lives and they were replaced by the LEU. However some DLTCs are still using the LCUs due to the network point and security issues that could not allow the installation of LEUs. The DLCA has appointed a service provider for annual maintenance of the both units.



GOVERNANCE



INTRODUCTION

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 the state resources.

Risk management

The Accounting Officer of the Department of Transport takes responsibility for implementing Enterprise Risk Management in accordance with the DLCA Risk Management Strategic Framework, as 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 was adopted, which sets out the Entity's overall intention with regard to Risk Management. During the period under review, DLCA assessed its risks relative to its Strategic and Annual Performance Plan. Risk management is a standing

agenda item at operations Committee, 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 over the entire system of risk management, and furnishes the Head of Entity with the reports in respect of performance of risk management. The Risk Management Committee ratifies, prioritises and further recommends to the Accounting Officer which significant risks are mitigated with an appropriate risk response/treatment, in order to meet the Entity's strategic objectives.

The Audit Committee provides an independent oversight of the Entity's system of risk management. The Audit Committee is furnished with quarterly risk management progress reports and risk profiles, and registers to execute their independent oversight role. The Audit Committee's evaluation of the risk management process is in relation to the progress of implementation of the

Entity's annual risk management implementation plan and significant/strategic risks faced by the Entity – and their 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 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 whereby the level of compliance with applicable legislations 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, presidency hotline and DOT anti-fraud hotline. The forensic and investigation section within the Department of Transport 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 Plans.

Minimising conflict of interest

The Entity is currently using the Supply Chain Management Processes and Policies as implemented by the Department of Transport. The process requires the disclosure of conflict of interest from 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 Department of Transport.

The Code act as a guide to employees of the DLCA and its stakeholders as what is expected of them from ethical point of view, 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 as enforced and monitored by the Health and Safety Committee.

Portfolio committees

The entity is accountable to Portfolio committee of the Department of Transport

SCOPA resolutions

None

Prior modifications to audit reports

None

Internal control

To enable the DLCA to meet its responsibility to provide reliable financial information, the DLCA maintains accounting systems and practices, 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, which they were outsourced to Rakoma inc during the year under review, their contract expired on the 31 January 2021 and was succeeded by Nexia-SAB&T for the period of 3 years from 01 April 2021 to 31 March 2024. Internal Audit monitor the effectiveness and efficiency of the internal control systems, report their findings and make recommendations to management and the Audit Committee of the Entity, 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 – designed to add value and improve the DLCA's operations, and to help accomplish objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of 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 as designed and represented by management, is adequate and functioning in a manner to ensure the achievement of its objectives. Internal Audit evaluates and improves the overall adequacy and effectiveness.

Governance

The Internal Audit's activity assesses and makes appropriate recommendations for improving the governance process in its accomplishment of 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; and
- Coordinating the activities of and communicating information among the executive authority, internal and external auditors and management.

Risk management

The Internal Audit activity evaluates the effectiveness, and contributes to the improvement of risk management processes. 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; and organisation, enabling staff and management to carry out their responsibilities.

Controls

The Internal Audit's activity evaluates the adequacy and effectiveness of the internal controls and recommendations for improvement, which should encompass the following:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets;
- Compliance with laws, regulations and contracts;
- Key activities and objectives of internal audit;
- Driving Licence Production Process;
- Contract Management;
- Asset Management;
- Business Planning;
- Debtors Management;
- Follow-up Audits; and
- Year-end Reporting.

AUDIT COMMITTEES REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2021.

with this Charter as well as discharged all its responsibilities as contained therein.

Audit committee responsibilities

The Audit Committee reports that it has complied with its responsibilities arising from Sections 51(1) (a) (ii), 76 (4) (d) and 77 of the Public Finance Management Act (PFMA) as well as Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter and has regulated its affairs in compliance

Membership and attendance

In terms of membership, the Audit Committee is currently comprised of four external independent members. For the financial year, the Audit Committee convened six times. A list of the members and their respective qualifications as well as a record of their attendance is provided below:

Table 9. Audit Committee Members

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
Adv. Thato Mohapi	LLM, LLB and (Corporate Law).	Legal, Compliance, Governance and Human Resource Management.	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	6 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

The 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 has 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; and
- Compliance monitoring.

In-year management and monthly and quarterly reports

The Entity has reported quarterly to the National Treasury as is required by the PFMA. Furthermore, the Audit Committee as well as assurance providers provided management with recommendations to improve the quality of financial and performance information during the year under review. The Audit Committee was satisfied with the content and quality of the monthly and quarterly reports formulated during the year under review.

Evaluation of financial statements

The Audit Committee has reviewed the:

- Unaudited financial statements with due consideration of 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;

- Basis for the going concern assumption, including any financial sustainability risks and issues;
- Unaudited information on predetermined objectives with due consideration of the independent assurance provided by IA as well as the assurance provided by Management;
- Auditor-General South Africa's (AGSA) audit and management reports, with due consideration of the responses provided by Management; and
- Audited financial statements as well as the information on predetermined objectives to be included in the annual report for any significant adjustments resulting from the audit.

Auditor-General of South Africa report

The Audit Committee concurs and accepts the conclusions of the Auditor General South Africa (AGSA) on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the AGSA.

We would like to express our appreciation to the Acting Head of the Entity for his leadership and support as well as all other assurance providers and most importantly the management team for achieving the "clean" audit outcome (unqualified with no material findings).

P. Dala

Dr. P Dala

Chairperson of the Audit Committee

Date: 9 September 2021

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HUMAN RESOURCES



INTRODUCTION

The approved Entity structure does not take into account the positions in production as it was approved before the take-over of production facility. Since the take-over of the production facility, there was a need to create the Corporate Services, Supply Chain Management, Production and Service Delivery functions to ensure the effective operations of the Entity. Some Officials from the Department of Transport were seconded, and other officials were appointed on a contract basis to perform the functions whilst the Entity was in the process of developing the structure, which will include the functions on the establishment. The Entity contracted 20 staff members from Prodiba to work in

registration, production, quality control and stores. In the year under review, DLCA review and update organisational structure that will cater for new direction and new driving card processes. The newly proposed structure is expected to be finalized and implemented in the 2021/22 financial year.

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

HUMAN RESOURCES OVERSIGHT STATISTICS

Personnel related expenditure

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

- Amount spent on personnel
- Amount spent on salaries, overtime, homeowner's allowances and medical aid.

Table 10: Personnel costs by salary band for the period 1 April 2020 to 31 March 2021

Salary band	Personnel expenditure R'000	% of total personnel costs	No. of employees	Average personnel cost per employee R'000
Senior and Top management (Levels 13-16)	2 155	12%	2	1 077
Highly skilled supervision (Levels 9-12)	4 077	24%	8	510
Highly skilled production (Levels 1-8)	11 093	64%	31	358
Total	17 325	100%	41	1 945

Table 11: Salaries, Overtime, Homeowner's Allowance and Medical Aid by salary band for the period 1 April 2020 to 31 March 2021

Salary band	Basic salary		Overtime		Home owners allowance		Medical aid	
	Amount R'000	% of total personnel costs	Amount R'000	Overtime as a % of total personnel costs	Amount R'000	HOA as a % of total personnel costs	Amount R'000	Medical aid % of total personnel
Senior and Top management (Levels 13-16)	2 155	12.44%	-	-	-	-	-	-
Highly skilled supervision (Levels 9-12)	4 077	23.53%	-	-	-	-	-	-
Highly skilled production (Levels 1-8)	10 842	62.58%	65	0.38%	69	0.40%	117	0.67%
Total	17 074	98.55%	65	0.38%	69	0.40%	117	0.67%

Level 13 – 16: Senior Managers and above

Highly skilled Supervision: Officials on salary level 9 – 12

Highly skilled Production: Officials on salary level 1 – 8

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 2021

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	1	75%	2
Highly skilled supervision (Levels 9-12)	11	5	55%	0
Highly skilled production (Levels 1-8)	12	6	58%	31
Total	27	12	56%	33

The Driving Licence Card Account (DLCA) at the end of 2019/20 financial year has 12 filled posts, 15 vacant posts and 33 employees that are in contract. The majority of the DLCA staff are in contract.

Filling of SMS Posts

Table 13: SMS post information as at 31 March 2021

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	-	-	1	100%
Salary Level 13	3	1	33%	2	67%
Total	4	1	25%	3	75%

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, which are currently not on the structure. The revised organizational structure is awaiting for approval by the Minister.

Employment change

Table 14: Annual turnover rates by salary band for the period 1 April 2020 to 31 March 2021

Salary Band	Number of employees at beginning of period - 1 April 2019	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Management (Levels 13-14)	3	-	-	-
(Levels 1-12)	42	5	-	-
Total	45	5	-	-

Table 15: Reasons why staff left the Entity for the period 1 April 2020 to 31 March 2021

Termination type	Number	% of Total Resignations
Death	-	-
Resignation	-	-
Expiry of contract	-	-
Dismissal – operational changes	-	-
Dismissal – misconduct	-	-
Dismissal – inefficiency	-	-
Discharged due to ill-health	-	-
Retirement	-	-
Transfer to other Public Service Departments	-	-
Other	-	-
Total	-	-

Employment equity

Table 16: Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2021

Occupational Category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and Managers	5	-	-	-	1	-	-	-	6
Professionals	-	-	-	-	2	-	-	-	2
Technicians and associate professionals	9	4	-	4	17	1	1	1	37

The DLCA constitute of 51% Females and 49% Males; and 76% Black, 11% Coloured, 2% Indian and 11% white.

Table 17: Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2021

Occupational band	Male	Female	Total
Top Management	1	-	1
Senior Management	1	1	2
Professionally qualified and experienced specialists and mid-management	3	-	3
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	0	2	2
Semi-skilled and discretionary decision-making	16	19	35
Unskilled and defined decision making	1	1	2
Total	22	23	45

Table 18: Recruitment for the period 1 April 2020 to 31 March 2021

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	2	-	-	-	1	-	-	-	3
Semi-skilled and discretionary decision-making	-	-	-	-	-	-	-	-	-
Unskilled and defined decision making	1	-	-	-	1	-	-	-	2
Total	3	-	-	-	2	-	-	-	5

There were no promotions of any occupations band for the period 1 April 2020 to 31 March 2021.

There were no terminations of any occupation band for the period 1 April 2020 to 31 March 2021.

Signing of performance agreements by SMS members

All members of the SMS must conclude and sign performance agreements within specific timeframes. Information regarding the signing of performance agreements by SMS members, the reasons for not complying within the prescribed timeframes and disciplinary steps taken is presented here:

Table 19: Signing of Performance Agreements by SMS members as at 31 March 2020

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 2020 to 31 December 2020

Salary band	Total days taken	Number of employees using annual leave	Average per employee
Lower skilled (Levels 1-2)	-	-	-
Skilled (Levels 3-5)	141	12	11.75
Highly skilled production (Levels 6-8)	345	25	13.8
Highly skilled supervision (Levels 9-12)	97	5	19,5
Senior management (Levels 13-16)	45	2	22.5
Total	628	44	14.27

Table 21: Sick Leave for the period 1 January 2020 to 31 December 2020

Salary band	Total days taken	Number of employees using sick leave	Average per employee
Lower skilled (Levels 1-2)	-	-	-
Skilled (Levels 3-5)	5	4	1.25
Highly skilled production (Levels 6-8)	33	11	3
Highly skilled supervision (Levels 9-12)	14	4	3.5
Senior management (Levels 13-16)	9	2	4,5
Total	61	21	2.90

Utilisation of consultants

The following tables relate to information on the utilisation of consultants in the Entity. In terms of the Public Service Regulations “consultant” means a natural or juristic person or a partnership, who or which provides in terms of a specific contract on an ad hoc basis any of the following professional services to an Entity against remuneration received from any source:

- (a) The rendering of expert advice.
- (b) The drafting of proposals for the execution of specific tasks.
- (c) The execution of 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 2020 to 31 March 2021

Name of the consultant	Duration (work days)	Services Rendered	Contract value in Rand
VIP Payroll	01 April 2020 – 31 March 2021	Payroll administration	3 823.75
Rakoma and associates Inc	01 Feb 2020 – January 2021	Internal Audit	693 312.38
All Quality System	01 April 2020 – March 2021	International Standard Organisation (ISO)	13 656.25
Total			710 792.38

RE



FINANCIAL PERFORMANCE



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 external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The Accounting officer has reviewed the entity's cash flow forecast for the year to 31 March 2022 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the Accounting Officer is primarily responsible for the financial affairs of the entity, he is supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 45 to 48.

The annual financial statements set out on pages 49 to 90, which have been prepared on the going concern basis, were approved by the Acting Head on 31 July 2021.

Dr. Nkosinathi Sishi
Acting Head: DLCA

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 ... to ..., which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information 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 2021, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act, 1999 (Act no. 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 auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the trading entity in accordance with the International Ethics Standards Board for Accountants' 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 34 to the financial statements, the corresponding figures for 2019-20 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 2020-21.

Responsibilities of the accounting officer for the financial statements

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

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

10. 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.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE DRIVING LICENCE CARD ACCOUNT (CONTINUED)

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the trading entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the trading entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the trading entity's annual performance report for the year ended 31 March 2021:

Programme	Pages in annual performance report
Programme 2 - Production	22 – 23

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:

- Production

Other matters

17. I draw attention to the matters below.

Achievement of planned targets

18. Refer to the annual performance report on pages 21 to 25 for information on the achievement of planned targets for the year and management's explanations provided for the under and over achievement of targets.

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Production. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the trading entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

Other information

22. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes forewords by the Executive Authority and the Accounting Officer, and an overview from the Acting Head of Entity, and a report from the Audit and Risk Committee. The other information does not include the

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE DRIVING LICENCE CARD ACCOUNT (CONTINUED)

financial statements, the auditor's report and the selected programme presented in the annual performance report that have been specifically reported in this auditor's report.

23. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
24. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
25. I did not receive the other information prior to the date of this report. When I do receive and read this information, 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 the auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

Other reports

27. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the trading entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
28. During the prior year, the Internal Audit unit of the Department of Transport performed an internal forensic investigation, into allegations of payroll fraud. The outcome was referred to the Department of Transport's legal services. The outcome found that no fraud was committed, and corrective action is in the process of being implemented.

Auditor-General



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Pretoria
18 August 2021

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programme and on the trading entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trading entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained,

whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Driving Licence Card Account 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

3. 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.
4. 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.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2021

Figures in Rand thousand

	Note(s)	2021	2020 Restated*
Assets			
Current Assets Inventories	3	48 821	16 236
Receivables from exchange transactions	4	11 248	21 396
Receivables from non-exchange transactions	5	133	107
Prepayments	6	1	1
Cash and cash equivalents	7	300 263	262 313
		360 466	300 053
Non-Current Assets			
Property, plant and equipment	8	82 660	108 808
Intangible assets	9	1 386	2 401
		84 046	111 209
Total Assets		444 512	411 262
Liabilities			
Current Liabilities			
Trade and other Payables from exchange transactions	10	35 052	16 177
Trade and other payables from non-exchange transactions	11	356	-
		35 408	16 177
Total Liabilities			
Net Assets		409 104	395 085
Accumulated surplus		409 104	395 085

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand

	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	12	139 974	200 828
Recoveries	12	62	-
Interest received	13	9 025	26 919
Gain on foreign exchange	12	531	-
Total revenue from exchange transactions		149 592	227 747
Revenue from non-exchange transactions			
Taxation revenue			
Administration fees	12	22	34
Total revenue	12	149 614	227 781
Expenditure			
Contracted services	14	(1 196)	(1 215)
Cost of sales	15	(49 498)	(64 606)
Debt Impairment	16	-	(73)
Depreciation, amortisation and impairment	17	(31 644)	(34 444)
Employee related costs	18	(17 534)	(19 661)
General Expenses	19	(9 454)	(13 520)
Lease rentals on operating lease	20	(2 737)	(3 435)
Loss on foreign exchange	21	-	(1 879)
Repairs and maintenance	22	(23 532)	(21 311)
Total expenditure		(135 595)	(160 144)
Surplus for the year		14 019	67 637

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand

	Accumulated surplus	Total net assets
Adjustments		
Opening balance as previously reported	327 925	327 925
Correction of errors	(477)	(477)
Balance at 01 April 2019	327 448	327 448
Changes in net assets		
Surplus for the year	67 637	67 637
Total changes	67 637	67 637
Opening balance as previously reported	395 956	395 956
Adjustments		
Correction of errors	(871)	(871)
Restated* Balance at 01 April 2020 as restated*	395 085	395 085
Changes in net assets		
Surplus for the year	14 019	14 019
Total changes	14 019	14 019
Balance at 31 March 2021	409 104	409 104

*see note 4

CASH FLOW STATEMENT

Figures in Rand thousand

	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		150 096	205 324
Interest income		9 025	26 919
Other Income		84	34
		<u>159 205</u>	<u>232 277</u>
Payments			
Employee costs		(17 255)	(19 502)
Suppliers		(100 687)	(113 231)
Other payments		-	(272 898)
		<u>(117 942)</u>	<u>(405 631)</u>
Net cash flows from operating activities	23	41 263	(173 354)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(3 313)	(24 825)
Purchase of other intangible assets	9	-	(27)
Net cash flows from investing activities		(3 313)	(24 852)
Net increase/(decrease) in cash and cash equivalents		37 950	(198 206)
Cash and cash equivalents at the beginning of the year		262 313	460 519
Cash and cash equivalents at the end of the year	7	300 263	262 313

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	233 748	(55 596)	178 152	139 974	(38 178)	27.1
Recoveries	-	-	-	62	62	
Interest received - investment	34 036	(10 000)	24 036	9 025	(15 011)	27.2
Gains on foreign exchange	-	-	-	531	531	
Total revenue from exchange transactions	267 784	(65 596)	202 188	149 592	(52 596)	

Revenue from non-exchange transactions

Taxation revenue

Administration fees	53	-	53	22	(31)	
Total revenue	267 837	(65 596)	202 241	149 614	(52 627)	

Expenditure

Employee related costs	(38 783)	14 741	(24 042)	(17 534)	6 508	27.3
Depreciation, impairment and amortisation	(49 906)	-	(49 906)	(31 644)	18 262	27.4
Repairs and maintenance	(23 202)	-	(23 202)	(23 532)	(330)	27.6
Lease rentals on operating lease	(7 068)	-	(7 068)	(2 737)	4 331	27.9
Debt Impairment	(81)	-	(81)	-	81	
Contracted Services	(2 598)	-	(2 598)	(1 196)	1 402	27.5
Cost of sales	(71 091)	16 911	(54 180)	(49 498)	4 682	27.8
General Expenses	(37 445)	(2 819)	(40 264)	(9 454)	30 810	27.7
Total expenditure	(230 174)	28 833	(201 341)	(135 595)	65 746	

Surplus before taxation

	37 663	(36 763)	900	14 019	13 119	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	37 663	(36 763)	900	14 019	13 119	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

Statement of Financial Position

Assets

Current Assets

Inventories	19 189	-	19 189	48 821	29 632
Receivables from exchange transactions	28 854	-	28 854	11 248	(17 606)
Receivables from non-exchange transactions	-	-	-	133	133
Prepayments	-	-	-	1	1
Cash and cash equivalents	284 829	(237 506)	47 323	300 263	252 940
	332 872	(237 506)	95 366	360 466	265 100

Non-Current Assets

Property, plant and equipment	242 410	9 243	251 653	82 660	(168 993)
Intangible assets	-	44 192	44 192	1 386	(42 806)
	242 410	53 435	295 845	84 046	(211 799)

Total Assets

	575 282	(184 071)	391 211	444 512	53 301
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Liabilities

Current Liabilities

Other financial liabilities	252	(252)	-	-	-
Payables from exchange transactions	216 748	(204 748)	12 000	35 052	23 052
Taxes and transfers payable (non-exchange)	-	-	-	356	356
	217 000	(205 000)	12 000	35 408	23 408

Total Liabilities

	217 000	(205 000)	12 000	35 408	23 408
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Net Assets

	358 282	20 929	379 211	409 104	29 893
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	358 282	20 929	379 211	409 104	29 893
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	233 578	(55 614)	177 964	150 096	(27 868)
Interest income	33 894	(10 000)	23 894	9 025	(14 869)
Other receipts	-	-	-	84	84
	267 472	(65 614)	201 858	159 205	(42 653)

Payments

Employee costs	(31 430)	7 536	(23 894)	(17 255)	6 639
Suppliers	(125 013)	(55 400)	(180 413)	(100 687)	79 726
	(156 443)	(47 864)	(204 307)	(117 942)	86 365

Net cash flows from operating activities

	111 029	(113 478)	(2 449)	41 263	43 712
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Cash flows from investing activities

Purchase of property, plant and equipment	(156 421)	(18 879)	(175 300)	(3 313)	171 987
Purchase of other intangible assets	(526)	(25 124)	(25 650)	-	25 650

Net cash flows from investing activities

	(156 947)	(44 003)	(200 950)	(3 313)	197 637
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Cash flows from financing activities

Repayment of other financial liabilities	626	(626)	-	-	-
Net increase/(decrease) in cash and cash equivalents	(45 292)	(158 107)	(203 399)	37 950	241 349
Cash and cash equivalents at the beginning of the year	-	-	-	262 313	262 313

Cash and cash equivalents at the end of the year

	(45 292)	(158 107)	(203 399)	300 263	503 662
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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).

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP. A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 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:

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.

ACCOUNTING POLICIES (CONTINUED)

1.4 Significant judgements and sources of estimation uncertainty (continued)

Contingent liabilities

Management considers the existence of possible obligations which may arise from legal action as well as the possible noncompliance 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 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.

ACCOUNTING POLICIES (CONTINUED)

1.5 Intangible assets (continued)

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

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

Internally generated goodwill 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	Straight line	4

Derecognition

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 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.

ACCOUNTING POLICIES (CONTINUED)

1.6 Inventories (continued)

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.

1.7 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.

1.8 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 a 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.

ACCOUNTING POLICIES (CONTINUED)

1.8 Receivables from exchange and non-exchange transactions (continued)

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.

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, may be 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.

ACCOUNTING POLICIES (CONTINUED)

1.9 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.

1.10 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.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for this benefit. The entity recognises termination benefits when the employment of employee has been terminated.

1.11 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 arriving 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.

ACCOUNTING POLICIES (CONTINUED)

1.11 Property, plant and equipment (continued)

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	Straight line	25 years
Furniture and fixtures	Straight line	10 years
Office equipment	Straight line	3-10 years
IT equipment	Straight line	4-5 years
UPS	Straight line	6 years
Other property, plant and equipment	Straight line	4 years
LEU	Straight line	6 years
LCU	Straight line	6 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.

1.12 Impairment of cash-generating assets

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimates unless expectations differ from the previous estimate.

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

ACCOUNTING POLICIES (CONTINUED)

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified. The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

ACCOUNTING POLICIES (CONTINUED)

1.13 Impairment of non-cash-generating assets

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimates unless expectations differ from the previous estimate.

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

ACCOUNTING POLICIES (CONTINUED)

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 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.

1.15 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.

1.16 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.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

ACCOUNTING POLICIES (CONTINUED)

1.16 Financial instruments (continued)

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables from exchange	Financial liability measured at amortised cost
Trade and other payables from non-exchange	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at 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.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial

ACCOUNTING POLICIES (CONTINUED)

1.16 Financial instruments (continued)

instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

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

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

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.

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.

ACCOUNTING POLICIES (CONTINUED)

1.16 Financial instruments (continued)

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.

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.

1.17 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.

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

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

1.18 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.

ACCOUNTING POLICIES (CONTINUED)

1.18 Revenue from non-exchange transactions (continued)

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

Measurement

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

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.19 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.

1.20 Taxation

The entity has been exempted from income tax in terms of the provisions of section 10(1)(cA)(l) of the Income Tax Act 58 of 1962.

1.21 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 by a specific standard of GRAP.

1.22 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.

ACCOUNTING POLICIES (CONTINUED)

1.22 Translation of foreign currencies Foreign currency transactions (continued)

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 loss is 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.

1.23 Comparative figures

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

1.24 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.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Irregular expenditure

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

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

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

ACCOUNTING POLICIES (CONTINUED)

1.26 Irregular expenditure (continued)

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

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

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

1.27 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 01 Apr 2020 to 31 Mar 2021.

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.

1.28 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2021

2020
Restated*

2. New standards and interpretations

2.1 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 01 April 2020 or later periods:

	Expected impact:
GRAP 104: Financial Instrument	No material impacts
GRAP 25: Employee Benefits	No material impacts

3. Inventories

Raw materials, components	48 360	15 972
Finished goods	461	264
	48 821	16 236

Inventory pledged as security

No Inventory was pledged as security

4. Receivables from exchange transactions

Trade debtors	23 401	23 771
Cards produced but not yet delivered	(11 487)	(1 647)
Trade and other receivables impairments	(666)	(728)
	11 248	21 396

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 120 days.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

4. Receivables from exchange transactions (continued)

Other receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2021, balances were R11 248 (March 2020: R21 396) net of impairment.

It is uneconomical to initiate legal action or to continue legal pursuit on defaulting debtors as at 31 March 2021. The ageing of amounts past due but not impaired is as follows:

March 2021	Not impaired Current	Not impaired 30 days	Impaired 60 days	Impaired 90 days	Impaired 120 days	Total
<i>Figures in Rand thousand</i>						
Outstanding balance in R	19 922	1 893	239	394	953	23 401
Impaired	(666)	-	-	-	-	(666)
Unearned income	(11 487)	-	-	-	-	(11 487)
	7 769	1 893	239	394	953	11 248
Outstanding balance in %	69 %	17 %	2 %	4 %	8 %	100 %

March 2020	Not impaired Current	Not impaired 30 days	Impaired 60 days	Impaired 90 days	Impaired 120 days	Total
<i>Figures in Rand thousand</i>						
Outstanding balance in R	18 080	3 405	522	482	1 282	23 771
Impaired	(728)	-	-	-	-	(728)
Unearned income	(1 647)	-	-	-	-	(1 647)
	15 705	3 405	522	482	1 282	21 396
Outstanding balance in %	74 %	16 %	2 %	2 %	6 %	100 %

Figures in Rand thousand

2021

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Restated*

Other receivables from exchange transactions

The amount of the provision was R666 as of 31 March 2021 (31 March 2020: R728).

The ageing of these receivables is as follows:

Impairment of trade and other receivables from exchange transactions

Opening Balance	(728)	(656)
Movement during the period	62	(72)
	(666)	(728)

5. Receivables from non-exchange transactions

Other receivables from non-exchange transactions

133

107

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Figures in Rand thousand

2021	2020 Restated*
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6. Prepayments

Live Enrolment Unit	1	1
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7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1	6
Bank balances	90 924	60 232
Short-term deposits	209 338	202 075
	300 263	262 313

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.

The entity had the following bank accounts:

Account number / description	Bank statement balances			Cash book balances		
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
ABSA Bank- Cheque Acc	86 552	58 893	108 855	86 552	58 893	108 855
FNB Bank- Cheque Acc	4 372	1 339	21 632	4 372	1 339	21 631
FNB Bank- Short Period	209 338	202 075	330 023	209 338	202 075	330 023
Petty Cash	1	6	10	1	6	10
Total	300 263	262 313	460 520	300 263	262 313	460 519

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

8. Property, plant and equipment

	31 March 2021			31 March 2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
<i>Figures in Rand thousand</i>						
Computer Equipment	10 820	(7 599)	3 221	8 212	(6 385)	1 827
Furniture	8 213	(4 195)	4 018	8 213	(3 646)	4 567
Live Capturing Unit	86 917	(86 917)	-	86 917	(86 857)	60
Office Furniture & equipment	2 773	(742)	2 031	900	(541)	359
Live Enrolment Unit	165 543	(93 670)	71 873	165 543	(65 831)	99 712
Uninterrupted Power Supply	7 490	(7 490)	-	7 490	(7 490)	-
Machinery	19 152	(17 635)	1 517	19 152	(16 869)	2 283
Total	300 908	(218 248)	82 660	296 427	(187 619)	108 808

Reconciliation of property, plant and equipment - March 2021

	Opening balance	Additions	Depreciation	Impairment loss	Total
Computer Equipment	1 827	2 608	(1 214)	-	3 221
Furniture	4 567	-	(549)	-	4 018
Live Capturing Units	60	-	(60)	-	-
Office Furniture & equipment	359	1 873	(201)	-	2 031
Live Enrolment Unit	99 712	-	(27 590)	(249)	71 873
Machinery	2 283	-	(766)	-	1 517
	108 808	4 481	(30 380)	(249)	82 660

Reconciliation of property, plant and equipment - March 2020

	Opening balance	Additions	Depreciation	Impairment loss	Total
Computer Equipment	3 563	78	(1 814)	-	1 827
Furniture	1 767	3 500	(700)	-	4 567
Live Capturing Units	340	-	(280)	-	60
Office Furniture & equipment	442	16	(99)	-	359
Live Enrolment Unit	127 544	-	(27 589)	(243)	99 712
Machinery	3 049	-	(766)	-	2 283
	136 705	3 594	(31 248)	(243)	108 808

Pledged as security

No property, plant and equipment assets were pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

9. Intangible assets

	31 March 2021			31 March 2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
<i>Figures in Rand thousand</i>						
Computer software purchased	11 998	(10 612)	1 386	11 998	(9 597)	2 401

Reconciliation of intangible assets - March 2021

	Opening balance	Amortisation	Total
Computer software purchased	2 401	(1 015)	1 386

Reconciliation of intangible assets - March 2020

	Opening balance	Additions	Amortisation	Total
	5 327	27	(2 953)	2 401

Pledged as security

No intangible assets were pledged as security.

Figures in Rand thousand

	2021	2020 Restated*
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10. Trade and other Payables from exchange transactions

Trade payables	27 003	43
Income received in advanced	1 058	1 586
Accrued leave pay	790	511
Accrued expense	5 206	13 751
SARS	-	1
DOT	995	285
	35 052	16 177

11. Trade and other payables from non-exchange transactions

Department of Public Service and Administration	356	-
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Figures in Rand thousand

	2021	2020 Restated*
12. Revenue		
Sale of goods	139 974	200 828
Recoveries	62	-
Interest received	9 025	26 919
Administration fees	22	34
	149 083	227 781

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

Sale of goods	139 974	200 828
Interest received	9 025	26 919
Recoveries	62	-
Gain on foreign exchange	531	-
	149 592	227 747

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

Taxation revenue		
Administration fees	22	34
Transfer revenue		

13. Interest received

Interest revenue

Bank	8 824	26 812
Interest charged on trade and other receivables	201	107
	9 025	26 919

14. Contracted services

Auditing fees - Internal	1 109	739
Consulting - Other	87	476
	1 196	1 215

15. Cost of sales

Sale of goods		
Material used	49 498	64 606

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Figures in Rand thousand

	2021	2020 Restated*
16. Debt impairment		
Contributions to debt impairment provision	-	73
17. Depreciation, amortisation and impairments		
Computer equipments	1 214	1 814
Computer software	1 014	2 953
Furniture	550	700
Live Capturing Unit	60	280
Live Enrolment Unit	27 839	27 832
Office, furniture and equipments	201	99
Machinery	766	766
	31 644	34 444
18. Employee related costs		
Basic	15 743	16 525
Non - executive emoluments	208	88
Bonus	260	560
Medical aid - company contributions	117	109
UIF	68	70
SDL	143	165
Leave pay provision charge	278	161
Travel, motor car, accommodation, subsistence and other allowances	20	43
Overtime payments	65	1 046
13th Cheques	94	343
Acting allowances	286	302
Housing benefits and allowances	69	66
Other allowance	7	9
Pension Fund	176	174
	17 534	19 661
Remuneration of Acting Chief Financial Officer: Mr. Lehasa Moloi		
Annual Remuneration	753	744
Acting Allowance	232	-
Performance Bonuses	19	-
Contributions to UIF, Medical and Pension Funds	12	11
Other	-	172
	1 016	927

Mr Moloi was appointed as an Acting CFO as at 19th October 2020.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

<i>Figures in Rand thousand</i>	2021	2020 Restated*
Remuneration of Senior Manager - Production and Infrastructure: Ms. Mpolokeng Mokone		
Annual Remuneration	1 097	1 093
Car Allowance	-	-
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	13	12
Other	1	2
	1 111	1 107
Remuneration of Risk, Governance and Compliance - Senior Manager: Mr. Lufuno Lifhiga		
Annual Remuneration	1 057	1 057
Car Allowance	-	-
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	12	12
Other	-	1
	1 069	1 070
Remuneration of Acting Head- Dr Nkosinathi Sishi		
Annual Remuneration	-	-
Car Allowance	-	-
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	-	-
	-	-

The Acting Head Dr Nkosinathi Sishi was appointed in October 2020 replacing Mr SandisoThutshini. No remuneration was paid as he is acting in a position that is lower than his current position.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Figures in Rand thousand

	2021	2020 Restated*
19. General expenses		
Advertising	56	27
Auditors remuneration	3 511	2 888
Bank charges	255	329
Bursaries	67	47
Cleaning	249	242
Computer expenses	12	508
Entertainment	45	1 479
Postage and courier	2 164	3 918
Printing and stationery	120	152
Security	924	835
Storage	215	213
Subscriptions and membership fees	184	170
Telephone and fax	401	590
Training	245	237
Travel - local	942	1 605
Venue	-	270
Others	64	10
	9 454	13 520

20. Lease rentals on operating lease

Premises - Contractual amounts	2 092	1 974
Equipment - Contractual amounts	81	109
Mobile Truck - Contractual amounts	564	1 352
	2 737	3 435

21. Loss on foreign exchange

Trade and other payables	-	1 879
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22. Repairs and Maintenance

Live Capturing Unit support	147	692
Other repairs and maintenance	6 995	5 133
Live Enrolment Unit - post realisation	16 390	15 486
	23 532	21 311

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Figures in Rand thousand

	2021	2020 Restated*
23. Cash generated from (used in) operations		
Surplus	14 019	67 637
Adjustments for:		
Depreciation, amortisation and impairment	31 644	34 444
(Gain)Loss on foreign exchange	(2 165)	147
Debt impairment	-	73
Changes in working capital:		
Inventories	(32 585)	1 223
Receivables from exchange transactions	10 148	4 494
Other receivables from non-exchange transactions	(26)	2
Trade and other payables from exchange transactions	19 872	(8 476)
Trade and other payable from non-exchange transactions	356	(272 898)
	41 263	(173 354)
24. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	-	80
Total capital commitments		
Already contracted for but not provided for	-	80
Authorised operational expenditure		
Already contracted for but not provided for		
• Cost of Sales	3 370	73 891
• Contracted Services	5 893	1 154
• General Expenditure	1 901	2 852
• Repairs and Maintenance	8 858	13 662
	20 022	91 559
Total operational commitments		
Already contracted for but not provided for	20 022	91 559

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Figures in Rand thousand

2021

2020
Restated*

24. Commitments (continued)

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) is R65.49
- Kilometre rate - Urban area is R1.58
- Kilometre rate - Rural area is R2.44
- Kilometre rate - Remote area is R2.99.
- 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 Liquid Capital (formerly Neotel) for the internet and calls. The billing is charged per data and calls usage per month.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 364	4 576
- in second to fifth year inclusive	138	6 407
	1 502	10 983

The Entity entered into a lease agreement for two printers. The lease terms are 36 months with an option of renewal. The monthly rentals are R2 249.64 and R4 220.50 with no escalation clause. The contract for the former machine commenced in July 2020 and is set to expire in June 2023. The latter commenced in January 2021 and will expire in December 2023.

The contract for the lease of premises was concluded with SITA. Therefore, the closing balance for 2019/20 financial year was incorrectly disclosed and was corrected in the current with the adjustment of R 2 092 493.64.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Figures in Rand thousand

2021	2020 Restated*
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25. Related parties

The Driving Licence Card Account is a trading entity that reports to and is controlled by the Department of Transport. Balances arise from transactions with Department of Transport due to payments made on behalf of the Driving Licence Card Account by the Department. These payments were made to consultants and other service providers.

Related party balances

Amounts included in trade payable regarding related parties

Department of Transport	995	285
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Related party transactions

Amount paid to related parties

Department of Transport	1 960	276 719
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26. Non-Executive Member's emoluments

No emoluments were paid to the member or any individuals holding a prescribed office during the year. A new audit committee was appointed during the Financial year, for a 3 year contract ending in 2023.

Non-executive member's

31 March 2021

	Committees fees	Total
Dr Prittish Dala (Chairperson)	80	80
Mrs Miseria Nyathi	64	64
Adv Thato Mohapi	64	64
Mr X Sikhakhane	-	-
	208	208

31 March 2020

	Committees fees	Travel claims	Total
Nomthandazo Mdanda (Chairperson)	27	3	30
Miseria Nyathi	23	1	24
Zuziwe Ntsalaze	23	-	23
Zola Fihlani	30	4	34
	103	8	111

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

27. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

27.1 Sales of goods

The sale of goods figure has not exceeded the budget amount due to an decrease in the number of cards that were billed.

27.2 Interest received

Interest received is lower than the budgeted amount due to the payments of suppliers and other operational costs.

27.3 Employee related costs

Personnel benefits were below budget due to the structure that is still not approved.

27.4 Depreciation, amortisation and impairment

Depreciation and amortisation costs were below budget due to the timing differences with regard to the deployment of LEUs.

27.5 Contracted services

Contract services has not exceeded budget amount due to a minimal use of consultants.

27.6 Repairs and maintenance

The budget for repairs and maintenance has not exceeded the budgeted amount. The cost for repairs and maintenance of LEUs has been budgeted for under PPE.

27.7 General expenses

Other expenditures were below budget due to cost control on stationery, travel and accommodation, computer expenses, advertising, facilities management, foreign exchange loss and entertainment expenses. Training budget was not exhausted due to reduced training needs at DLTCs.

27.8 Cost of Sales

The cost of sales figure has not exceeded the budget amount in the current period under review due to decreased number of cards produced and purchasing of raw material.

27.9 Lease rental on operating lease

Lease rental costs were below budget due to no new building acquired as planned.

Budget Amount

The budget amounts presented on the statement of comparison of budget and actual amounts are from 01 April 2020 to 31 March 2021.

28. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

Material and maintenance of production machine were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Head of the Entity who considered them and subsequently approved the deviation from the normal supply chain management regulations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Figures in Rand thousand

2021	2020 Restated*
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28. Deviation from supply chain management regulations (continued)

Deviation

Sole provider	21 134	76 849
National Treasury approval	4 107	-
Extensions and variations	25	1 096
Emergency	15	-
	25 281	77 945

29. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	11 248	-	11 248
Other receivables from non-exchange transactions	133	-	133
Cash and cash equivalents	-	300 263	300 263
	11 381	300 263	311 644

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	35 052	35 052
Trade and other payables from non-exchange transactions	356	356
	35 408	35 408

2020

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	21 396	-	21 396
Other receivables from non-exchange transactions	107	-	107
Cash and cash equivalents	-	262 313	262 313
	21 503	262 313	283 816

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	16 177	16 177

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Figures in Rand thousand

2021

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Restated*

30. 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.

Forward exchange contracts - recognised transactions

No forward exchange contracts were entered into during the financial years ended 31 March 2020 and 31 March 2021.

Material

49 603

64 606

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 2021 was R9 025 (2020: R26 919)

The interest rate re-pricing profile at 31 March 2021 is summarised as follows:

Cash and cash equivalents

300 263

262 313

% 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

30. Risk management (continued)

2021

<i>Figures in Rand thousand</i>	Within 1 month	1-3 months	3-12 months	1-5 years	Total
Receivables from non-exchanged transactions	133	-	-	-	133
Receivables from exchanged transactions	7 769	2 526	953	-	11 248
Cash and cash equivalents	300 263	-	-	-	300 263
Subtotal	308 165	2 526	953		311 644

		Total
Trade and other payables from exchange transactions	35 052	35 052
Trade and other payables from non-exchange transactions	356	356
Subtotal	35 408	35 408

2020

<i>Figures in Rand thousand</i>	Within 1 month	1-3 months	3-12 months	1-5 years	Total
Receivables from non-exchanged transactions	107	-	-	-	107
Receivables from exchanged transactions	15 705	3 927	1 764	-	21 396
Cash and cash equivalents	262 313	-	-	-	262 313
	278 125	3 927	1 764		283 816

Financial liabilities

		Total
Trade and other payables from exchange transactions	16 177	16 177
	16 177	16 177

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

30. Risk management (continued)

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 2021, 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.

Fair value of financial instruments

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 2020 and 31 March 2021 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.

Related party debt

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

31. Contingencies

Section 53(3) of the PFMA states that a public entity may not accumulate surpluses unless prior written approval of the National Treasury has been obtained. Application to retain 2019/20 surplus of R 168 060 000.00 has been submitted to National Treasury and still waiting for approval. The retention for the current year surplus of R 254 712 000.00 has not yet been approved.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Figures in Rand thousand

	2021	2020 Restated*
32. Irregular expenditure		
Opening balance as previously reported	267 651	232 227
Add: Irregular Expenditure - Current year	24 079	37 582
Balance before condoned	291 730	269 809
Less: Amounts condoned	-	(2 158)
Closing balance	291 730	267 651
Analysis of expenditure awaiting condonation per age classification		
Current year	5 492	144
Prior years	286 238	267 507
	291 730	267 651
Disciplinary steps taken/criminal proceedings has not been determined mainly because of that irregular expenditure is still under investigation.		
Details of irregular expenditure condoned – Prior year		
Calculation of evaluation points	-	2 158

Calculation of evaluations points

The irregular expenditure was incurred as a result of a different interpretation of Practice note SCM 2 of 2006.

Framework

The Auditor General of South Africa deems these delegations of authority stipulated in the DLCA framework inadequate, consequently, came to a conclusion that expenditure incurred in line with the said delegations must be declared irregular. The process for condonation is anticipated to be instituted within the 2021/2022 financial year.

Acting Allowance

During the 2019/20 financial year an internal investigation was conducted concerning the acting allowance of two officials. The investigation requires the entity to consult the Department of transport legal services department about the investigation. If the legal department agree with the investigation report and it's recommendations, this may lead to irregular expenditure of R 451,960.00.

The irregular expenditure disclosed in the current year from non-compliance in the prior year, which has not yet been condoned.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Figures in Rand thousand

2021

2020
Restated*

33. Going concern

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

34. Prior period errors

Trade and other payable from exchange transactions

The lease payment for building was incorrectly recorded since 31 January 2017 and the DLCA signed a contract with SITA during the year under review. This error affected the period from 31 March 2017-31 March 2020.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Trade and other payables from exchange transactions	-	(871)
Accumulated surplus	-	477

Statement of financial performance

Lease payments	-	394
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35. Change in estimate

Property, plant and equipment

The useful life of certain computer equipment was estimated in 2016 to be 4 years. In the current period management have revised their estimate to 6 years. The effect of this revision has increased the depreciation charges for the current and future periods by R 379 091 per year.

The useful life of certain softwares were estimated in 2016 to be 4 years. In the current period management have revised their estimate to 6 years. The effect of this revision has increased the intangible assets for the current and future periods by R 594 799 per year.

36. Events after the reporting date

The decline of 10% - 30% in revenue is expected in the 2021/22 financial year due to impact of COVID-19 and the extension on renewal of driving licence. The 2019/20 was used as a baseline.

The Entity has determined that these events are non-adjusting subsequent events. The duration and impact of the COVID 19 pandemic, as well as the effectiveness of the government responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and the results of the Entity for future periods.

The Entity is not aware of any material event which occurred after the reporting date and up to the date of this report.

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