

**EASTERN CAPE**  
LIQUOR BOARD

# ANNUAL REPORT

**2020**  

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**2021**

*Enabling and Promoting a Responsible Liquor Industry*



  
**EASTERN CAPE**  
LIQUOR BOARD

Enabling & Promoting a  
Responsible Liquor Industry

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EASTERN CAPE LIQUOR BOARD  
Liquor Board

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# GENERAL INFORMATION

# PART A

## 1. PUBLIC ENTITY'S GENERAL INFORMATION

|                                |  |
|--------------------------------|--|
| <b>Country of domicile</b>     | South Africa   |
| <b>Accounting Authority</b>    | Ms. N. Tys ( <i>Chairperson appointed 26/03/2020</i> )<br>Ms. N.B. Moleshe-Pakade ( <i>Resigned 08 January 2021</i> )<br>Mr. Z. Hewu ( <i>Deceased 20 December 2020</i> )<br>Mr. M.J. Batembu ( <i>Term ended 14 February 2021</i> )<br>Ms. B. Jojo ( <i>Acting Chairperson 23 January – 26 March 2021</i> )<br>Dr. M. Mboto ( <i>Appointed 26 January 2021</i> )<br>Mr. M. Gobingca ( <i>Appointed 25 February 2021</i> )<br>Ms. N. Nongongo ( <i>Appointed 01 March 2021</i> ) |
| <b>Business address</b>        | Shop 10, Beacon Bay Crossing<br>Beacon Bay<br>East London<br>5241  |
| <b>Postal address</b>          | PO Box 18060<br>Quigney<br>East London<br>5211   |
| <b>Controlling entity</b>      | Department of Economic Development, Environmental Affairs<br>and Tourism   |
| <b>Website</b>                 | <a href="http://www.eclb.co.za">www.eclb.co.za</a>   |
| <b>Bankers</b>                 | First National Bank  |
| <b>External Auditors</b>       | Auditor-General of South Africa  |
| <b>Chief Executive Officer</b> | Dr. N. Makala ( <i>Appointed 05/10/2020</i> )  |
| <b>Chief Financial Officer</b> | Ms. A. Vikilahle   |
| <b>Public Entity Type</b>      | Schedule 3C  |

## 2. LIST OF ABBREVIATIONS/ ACRONYMS

|          |  |       |  |
|----------|--|-------|--|
| AFS      | Annual Financial Statements  | ICT   | Information Communication and Technology       |
| AGSA     | Auditor General South Africa   | IDC   | Independent Development Corporation            |
| AO       | Accounting Officer   | IPD   | Independent Policing Investigating Directorate |
| AG       | Auditor General  | LTDP  | Liquor Traders Development Programme           |
| APP      | Annual Performance Plan  | MEC   | Member of the Executive Council                |
| BBBEE    | Broad Based Black Economic Empowerment                               | MoUs  | Memorandum of Understanding                    |
| BCMM     | Buffalo City Metro Municipality                                      | MTEF  | Medium Term Expenditure Framework              |
| CEO      | Chief Executive Officer  | MTSF  | Medium Term Expenditure Framework              |
| CFO      | Chief Financial Officer  | NGO   | Non-Governmental Organisation                  |
| CIPC     | Companies Intellectual Properties Commission                         | NPA   | National Prosecuting Authority                 |
| CoGTA    | Cooperative Governance and Traditional Affairs                       | NDP   | National Development Plan                      |
| COVID-19 | Coronavirus disease 2019   | NLF   | National Liquor Forum                          |
| DEDEAT   | Department of Economic Development Environmental Affairs and Tourism | PAIA  | Promotion of Administrative Information Act    |
| DTI      | Department of Trade and Industry                                     | PAJA  | Promotion of Administrative Justice Act        |
| EC       | Eastern Cape   | PFMA  | Public Finance Management Act                  |
| ECLA     | Eastern Cape Liquor Act  | POE   | Portfolio of Evidence                          |
| ECLAA    | Eastern Cape Liquor Authority Act                                    | POPI  | Protection of Public Information Act           |
| ECLB     | Eastern Cape Liquor Board  | RAF   | Road Accident Fund                             |
| ECPTA    | Eastern Cape Parks and Tourism Agency                                | RTF   | The Responsible Trade Facilitation             |
| FAS      | Foetal Alcohol Syndrome  | SALGA | South African Local Government Association     |
| FNB      | First National Bank  | SAPS  | South African Police Services                  |
| GBV      | Gender Based Violence  | SARS  | South African Revenue Services                 |
| GDP      | Gross Domestic Product   | SEDA  | Small Enterprise Development Agency            |
| GIS      | Geographical Information Systems                                     | SEFA  | Small Enterprise Finance Agency                |
| GRAP     | Generally Recognised Accounting Practise                             | SMME  | Small Medium Micro Enterprise                  |
| HIV      | Human immunodeficiency virus   | TADA  | Teenage against Drug Abuse                     |
|          |  | WHO   | World Health Organisation                      |

### 3. FOREWORD BY THE CHAIRPERSON



#### INTRODUCTION

It is my immense privilege to present the organisation's Annual Report for the financial year ending 31 March 2021. I present this report against the backdrop of the COVID-19 that impacted our organisation's operations in many ways. The year 2020 will go down in history as the year that put a hold on our daily life around the world. Undoubtedly, like all other organisations, COVID-19 pandemic has had an unprecedented adverse impact on us as an organisation, but more importantly on the entire liquor industry. Sadly, it claimed the life of our Board Member, Mr Zola Hewu, and we wish to express our deeply felt sympathy and condolences to his family "May his soul rest in peace". I have personally heard the stories behind these tragedies, and the cruelty of the pandemic that really hit home to many people and communities. Significantly, the learnings as we emerge from this pandemic and finding new ways of working include fast-tracking digitalisation and the identification of new opportunities, especially in our business operations. Our clients, the liquor traders, were the hardest-hit due to numerous occasions of alcohol ban, which left them reeling from excessive business losses. We had to be proactive and requested the extension of the license renewal period to allow the liquor traders to recover from the

effects of level 3-5 lockdown; of which the MEC approved a period of six (6) months. Furthermore, we also maximised on the use of multi-media platforms to continue communicating and educating our communities about the harmful effects of alcohol abuse, compliance with the COVID-19 health protocols and promoting responsible drinking and liquor trading.

That said, our organisation has resolutely continued to deliver on its mandate with excellence. This Annual Report provides a complete summary of the Entity's performance in terms of its strategic objectives, as well as its strategic role in driving the economic trajectory of the Province. At the beginning of the financial year, the Board appointed Dr Makala as an Acting Chief Executive Officer. I am delighted to report that Dr Makala was subsequently appointed as the new CEO of the ECLB. There is no doubt that she brings with her a wealth of experience into the organisation.

As the Board, we are tasked with providing ethical and effective leadership in, among other things, addressing challenges that confront the liquor industry. We are also cognisant of the fact that a malfunctioning organisation can often be traced back to a malfunctioning Board, where corporate governance has been allowed to slide. Invariably, good governance requires a Board to act with oversight and decisiveness. Our greatest focus remains transparency and improving operational delivery and efficiencies, making sure that the organisation is customer centric.

#### ORGANISATIONAL PERFORMANCE

During the year under review, the challenges within the legislative and financial environments remained significant; however, we are making substantial progress in mobilising stakeholder partnerships in order to complement the dwindling operational capacity of the organisation. In an endeavour to fulfil our legislative mandate, we are responsible for the five ethical values that underpin good corporate governance within the organisation, namely fairness, transparency, integrity, accountability and customer centricity. Despite the persistent challenges regarding the financing of the ECLB, the organisation has made reasonable progress in meeting its strategic targets outlined in the 2020/21 APP. Management has taken a concerted effort to analyse and address those areas that we have not achieved on and have developed clear interventions to ensure improvements during the 2021/22 financial year. We do also acknowledge that the Fourth Industrial Revolution is fundamentally disrupting the way we think, work and interact with each other, and it demands for the greater sense of culture change and creativity, which must characterise our organisation. As the Board, we inevitably need to use this currency to our advantage to revolutionise our sector so as to benefit the Eastern Cape

society and economy. Significantly, digital growth and innovation are important concepts that must drive our operations so ECLB can function to its full potential.

The organisation's excellent performance is further manifested on the clean audit that it received in this financial year. ECLB continues to demonstrate its unreserved commitment to serve the communities by spending its budgets appropriately, building trust with stakeholders, and executing all its operations within budget and with the Auditor-General stamp of approval. However, the Board remains profoundly concerned with the on-going budget cuts which have negatively affected its performance, especially as it pertains to monitoring and enforcing liquor traders' compliance through the deployment of adequate number of liquor inspectors. The Board, therefore, is extremely concerned that the repeated budgetary cuts may seriously circumscribe the organisation's effective regulation of the liquor industry.

### MAIN CHALLENGES

The ECLB has continued to operate under conditions that are mainly characterised by financial constraints. This limitation is becoming even more glaring as we prepare to implement the new Eastern Cape Liquor Authority Act. The financial woes of the organisation were further deepened by the rapid outbreak of COVID-19, which adversely affected its operations, and revenue collection. Many businesses were ravaged by the pandemic with negative consequences culminating in the loss of jobs and livelihoods, and the liquor industry was not spared in this tragedy. In addition, the repeated ban on liquor sales during the COVID-19 lockdown affected the revenue generation for the entity as many liquor traders could no longer generate income to be able to pay for their license renewals. The Board is confident that although it will be difficult to resolve the organisation's financial predicament, the rigorous mobilisation of partnerships will bolster its capacity and create a sustainable organisation.

We do also realise that the liquor industry remains an enormously untransformed economic sector and the Board remains committed to drive the transformation agenda of the industry with the support of various key stakeholders. Hence, we need to work more with our Shareholder to push the transformation agenda of the liquor sector and create more jobs. We also view the escalating cases of alcohol abuse, particularly the underage drinking, as an extreme aberration that has to be fought from all fronts, and we remain steadfast in our resolve to eliminate this abhorrent behaviour. We are further fully mindful of the fact that one of the root causes of the growing abuse of alcohol in our communities is the blatant non-compliance among liquor traders, and we interminably shall continue to rigorously enforce strict adherence to regulations.

### STAKEHOLDER MOBILISATION

The ECLB has constantly adopted progressive ways to vigorously mobilise stakeholders with a view to supplement its diminishing capacity. We remain fully cognisant of the enormous expectations that have been placed on us as a regulator and do realise that it will not be able to materially fulfil these expectations without strategic mobilisation of key stakeholders. In this regard, we have prioritised mobilisation and strengthening of relationships, and more importantly working together with our stakeholders for the benefit of the people of the Eastern Cape. Similarly, we recognise that effective stakeholder engagement results in improved synergies between partners and potentially facilitates beneficial streamlined services. The outbreak of COVID-19 restricted our operations and we had to heighten our stakeholder engagement efforts in order to ensure that we continued to convey our messages during the lockdown.

### REVIEW OF THE EASTERN CAPE LIQUOR ACT

Over the past few years our Shareholder embarked on a process of reviewing the Eastern Cape Liquor Act No. 10 of 2003 with the aim to close gaps that were identified in the course of the implementation of the Act. The review process of the Act was finalised and gazetted in 2018, and subsequently the Act was signed into law by the Premier. The reviewed Act has sought to address many of the gaps that have become manifest during the implementation in order to ensure that there was an improved regulation of the liquor industry in the Province with much consideration given to the protection of communities against inconsiderate trading. The Shareholder is drafting regulations that will enable the implementation of the Eastern Cape Liquor Authority Act No: 4 of 2018. Importantly, the Hon. Premier and in turn the MEC have announced that the implementation of the Act will come into effect in the 2021/2022 financial year.

### STRATEGIC TRAJECTORY

The Board adopted the revised five-year strategic plan that is aligned to Government's Medium Term Strategic Framework (2021 – 2024), and is responding to three national strategic outcomes, which are transformation and job creation, social cohesion and safe communities, and a capable, ethical and developmental state. Invariably, by aligning its strategy with national priorities, the Board maintains relevance in addressing the needs of the country and directly or indirectly plays a role in the socio-economic development thereof. The ECLB strategic intent seeks to ensure seamless regulation of liquor industry in the Province, by promoting new entrants into the industry, enforcing compliance with regulations and mitigating against the harmful effects of excessive consumption of alcohol. The organisation is committed

to the fulfilment of its legislative mandate by ensuring effective participation of communities in the regulation regime and promoting an industry that enhances social cohesion. The Board will ensure that the ECLB realises high performance level and will continue to review performance targets and objectives on an ongoing basis in order to improve on them and achieve increased levels of its mandate.

## **ACKNOWLEDGEMENTS**

I wish to thank the members of the Board of Directors for their continued contribution to the business operations of the ECLB, albeit very difficult conditions. It is my sincere hope that their efforts will serve to provide much needed encouragement to the ECLB staff and various stakeholders to continue to contribute to the service of our communities. I also wish to thank Dr Makala for her support to the Board of Directors and the entire organisation. We also bade farewell to two Board members Mr Batembu and Ms Moleshe-Pakade, and on behalf of the Board I wish to thank them for their contribution to the organisation. In the same breath, we welcome the newly appointed Board members, Dr Mboto as a DEDEAT Shareholder representative, Mr Gobingca as Deputy Chairperson and Ms Nongongo. We look forward to good working relations and taking the organisation to a higher trajectory.

I also convey a deep word of gratitude to the Shareholder under the stewardship of MEC, Honourable Mlungisi Mvoko, for its commitment and drive to the realisation of the ECLB mandate. A special word of appreciation goes to all our stakeholders that have worked with us in the implementation of our mandate of ensuring that we enhance the regulation of liquor industry in the Province. Thank you to the entire management and staff for their dedication towards the implementation of the ECLB's mandate. ECLB's success and its reputation as a credible and reliable liquor regulator can be assigned to the continuous efforts and performance of its committed staff, as well as the exceptional cooperation between management and staff.

#### 4. REPORT OF THE CHIEF EXECUTIVE OFFICER



The past financial year was first in my capacity as the CEO of the ECLB, and this is an organisation that I hold dear to my heart and one that I am looking forward to serving to the best of my ability, and it feels more propitious an occasion to be accepting the baton. This Annual Report provides an account of the financial and service delivery performance of the ECLB as outlined in the Annual Performance Plan (APP) for the 2020/21 financial year. The report also provides progress on the Entity's efforts towards maintaining the highest standards of governance in the management of public finances and resources. The period 2020-2021 has not been short on challenges for the Entity. First and foremost, the COVID-19 pandemic caused not only widespread and severe human suffering, but also saw economic activities go into tailspins and more importantly liquor industry experiencing the unprecedented uncertainties due to frequent bans on liquor sales. Needless to accentuate that the governments the world over have been caught unawares by this Pandemic and its implications for its people and economies.

An elongated lockdown forced us into the recalibration of our business operations to continue to function despite the restricted movements. This was achieved, not only because of the swift actions taken by the management team to ensure we could adapt quickly, but also because we embraced the necessary changes to reposition our business operations. At each turn, we re-

aligned swiftly and set a new course, which has sustained the operations over time. Our response to the COVID-19 pandemic has again reflected our greater degree of dynamism. The most difficult aspect of this pandemic, however, has been the tragic loss of lives across the country and here in the Eastern Cape. The loss of livelihoods has also been a source of great distress to our clients – the liquor traders. For example, the recurring ban on alcohol sale has unfortunately meant a significant loss of income for a lot of liquor traders across the Province, particularly in poorer areas. Internally, keeping our employees safe at work has never been more important to us. However, workplace health and safety would have been impossible if our employees had not taken their safety and that of the people around them to heart. I wish to thank all employees for the spirit in which they approached their work and their responsibilities under the most trying circumstances.

While the Pandemic extremely restricted some of our operations, I am delighted to report that ECLB has worked tirelessly to achieve its targets as reflected on this Annual Report. I must, however, indicate that this progress has been sustained against the backdrop of tremendous financial and human resource constraints that the organisation has been operating under during this period. In the previous Annual Report, we clearly stated that we remain committed to discharging our responsibilities as mandated by the Eastern Cape Liquor Act of 2003, and this year has seen a more productive implementation of the strategy with our organisation responding positively to the ongoing challenges. To further illustrate continued commitment, the organisation has also obtained a clean audit report for the 2020/21 financial year.

We remain mindful of the fact that we present this report during the period that is beset with high levels of uncertainty due to the impact of COVID-19. The Lockdown period imposed unprecedented disruptions in our operations resulting in the suspension of some activities. The regular ban of alcohol aimed at reducing alcohol-related hospital admissions as the surging number of coronavirus cases strained emergency hospital wards unravelled some deep-seated challenges of alcohol consumption our society, which further warrants a concerted intervention initiative. That said, it is extremely concerning that South Africa may still be subjected to a third wave, as can be seen happening in parts of Asia, Europe and elsewhere. Further, it is crucial to highlight the fact that COVID-19 has placed us as an organisation on a higher pedestal in terms of how we have repurposed our operations going into the future. There are valuable lessons that we must harness that have been revealed by the Pandemic on how we could better run our business operations, including embracing technology.

## PERFORMANCE REVIEW

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

### Corporate Goals Achievement

Despite the challenges that have been imposed by the rapid outbreak of the Pandemic, I am delighted to report that the ECLB achieved most of its strategic goals in accordance with the strategic plan and in some cases even exceeded its expectations. The breakdown of the achievements is presented extensively throughout this Annual Report. Like the previous year, the budget cuts in the MTEF have put the quality of the organisation's work at risk. However, in order to maintain the quality of work and make a strategic contribution, ECLB has increasingly mobilised partnerships with various stakeholders to bolster its capacity and continue to deliver on its mandate.

### Corporate Governance & Finance

I am pleased to report that in the period under review, ECLB has delivered its mandate within the confines of good corporate governance in all its work. It has consistently subscribed to its core values and has continued to epitomise good corporate governance principles, especially as entailed in King IV Corporate Governance Report. Supply Chain Management policies and other related management systems have constantly been reviewed to ensure alignment with the updated National and Provincial Treasury Regulations and Instructions. Integration of financial and administrative systems and processes to manage revenue have continuously received priority. The Internal Audit and the Audit Committee functioned optimally during the period under review, ensuring that potential risks are managed promptly. The rigorous risk management systems have reasonably prevented potential mismanagement cases. The Authority will continue to strive to maintain and optimise governance standards.

### Human Resources

In the period under review, the organisation embarked on a recruitment process to fill various vacant positions. These vacant positions included the Chief Executive Officer, Senior Manager Corporate Services, Process Controller and HR Practitioner. A total of 10 interns were also recruited as part of the organisation's contribution towards the capacitation of graduates and reducing levels of unemployment in the Province. Similarly, the organisation recruited a total of 17 unemployed graduates that would be deployed in various campuses of the institutions of higher learning across the Province with a view to facilitate alcohol harm reduction initiatives

targeting students. As part of its human resource development approach, ECLB has prioritised the skills development of its employees through various training programmes. In this regard, additional interventions have been implemented to ensure that ECLB retains critical skills. ECLB implemented its skills development programmes to ensure continuous development of employees' competencies to add much needed value to the organisation. Furthermore, a special focus has been placed on employees' wellness through facilitation of various intervention initiatives that sought to provide support to employees.

### Information Technology

COVID-19 has imposed extremely uncertain times, the need for companies across every sector to rethink how they function. Correspondingly, ECLB was also challenged to quickly adapt to this new world order. The importance of technology in the operations of the ECLB has never been more apparent than during the COVID-19 pandemic. It was during this unprecedented time that ECLB observed a rising demand for digital technology solutions. This was particularly evident during the lockdowns and quarantines, where employees continued to render services when in-person contact was limited. The Pandemic has shown the importance of digital readiness, which helped ECLB to continue to operate and fulfil its legislative mandate. If anything, the COVID-19 outbreak has proved one thing for the ECLB that many of its employees are able to work from home effectively. Employees were no longer tied to their desktops and many day-to-day business functions could be carried out easily with laptops and even smartphones. We have embraced new technological systems that have enabled us to streamline our business processes, including modernising our licencing systems. We have digitised majority of our operations for greater efficiency and effectiveness, including our current approach to public engagement and policy implementation. The utilisation of our Geographical Information System (GIS) continues to enable the organisation to closely monitor all its licensed liquor outlets, more so in relation to their concentration and proximity to public places (schools, churches, etc.). This is, however, an area that presents more opportunities for improvement.

### Licencing programme.

Licencing programme is one of the critical operational areas of the ECLB, as it specifically regulates licences that are being processed and those approved. However, in the period under review, Licencing operations were restricted by the outbreak of Pandemic – as it will be shown later in this report. For example, the frequent ban on alcohol sale restricted normal trading among many liquor traders, and more importantly impacted their business in more than one way. However, Licencing

continued to provide the necessary support during the various alcohol ban stages, which included providing liquor traders with requisite information on how to register their business on various funding institutions of government. More importantly, many liquor traders did not qualify for government relief funds, and regrettably some had to close down. The Licencing Liquor Traders' Development Programme was also seriously constrained as many liquor traders were more worried by resuscitating their businesses and showed least interest in the programme. In the period under review, massive strides have been made in improving the licencing system in order to enhance licencing efficiency and effectiveness. The automation of the licence management and tracking system within the application processing is fully operational. The Eastern Cape Liquor Act requires that liquor traders renew their liquor licences annually, and in the period under review, extensive measures were undertaken to ensure that liquor traders timely renewed their liquor licences. However, in the period under review, many liquor traders were adversely impacted by the Pandemic and the MEC extended the renewal period to the end of June 2021.

### Compliance and Enforcement

In the period under review, the work of Compliance and Enforcement was restricted by the frequent ban on alcohol sale and Alert Level 3- 5 Lockdown during which public gatherings were prohibited. Liquor inspectors could therefore not conduct pre- and post-inspections due to restrictions on movements and public gatherings. However, during the alcohol ban there was unprecedented levels of non-compliance, especially by liquor traders that continued to illegally sell liquor. Liquor inspectors were expected to continue to monitor and enforce compliance during the lockdown. There was also a proliferation of the sale of home-made beer, which had a significant negative impact on communities. In this regard, the inspectorate has worked hard to promote liquor traders' adherence to trading conditions and COVID-19 health protocols. This Report reflects extensively on the number of inspections conducted in the period under review. As part of compliance and enforcement, the Division, in partnership with the SAPS, intensified its efforts to alleviate the scourge of illegal trading in the Province. Numerous unlicensed liquor outlets were identified, closed down and referred to the Criminal Justice System for prosecution. In the period under review, non-compliance with the liquor trading conditions has continued to characterise liquor industry and there is a need for the capacitation of the Division in order to increase its impact in the fight against the growing cases of inconsiderate trading.

### Social Accountability

Social Accountability is mandated to reduce the harmful effects of the excessive consumption of alcohol. Data from various scientific sources show that South Africa is among the world's highest levels of alcohol consumption per drinker. Liquor abuse is rampant, and many drinkers engage in risky drinking regularly. Alcohol imposes an enormous toll on South African society through associated economic, social and health costs. However, it is critically significant that before good interventions to reduce the harms associated with alcohol can be designed, it is first necessary to understand the pattern of those harms. That said, Social Accountability alcohol harm reduction programme had to be reviewed in the period under following the prohibition of public gatherings. A rigorous multi-media campaign was conceptualised and implemented to ensure that Social Accountability continued to convey alcohol abuse messages to the Eastern Cape Communities utilising various media platforms such as radio, newspapers, outdoor advertising and social media. This Report provides a comprehensive outline on these various multimedia platforms. The key messages focused on promoting responsible trading and drinking within communities, educating young people about the dangers of underage drinking, raising awareness on the dangers of the Foetal alcohol Syndrome and driving under the influence of alcohol. In collaboration with industry role-players and other government partners, Social Accountability conducted tavern-based initiatives with a view to educate taverners and patron about responsible drinking and trading and compliance with COVID-19 health protocols. The tavern-based intervention initiatives included distribution of the PPEs to liquor outlets to ensure that there was compliance with COVID-19 health protocols.

### Research and Development

ECLB has continued to prioritise research to promote evidence-based interventions. Research has played a pivotal role in providing data that inform some of the ECLB's intervention initiatives and programmes. In the period under review, a research study on the prevalence of alcohol consumption among pregnant women was concluded and presented to various stakeholders in order to receive their buy-in towards the consideration of various recommendations that have been outlined in the study. The study shows that there are few numbers of pregnant women who consume alcohol during pregnancy, however, those who drink alcohol drink in at episodic levels, which may potentially place their unborn babies in risks of contracting FAS. To provide more opportunities for research, ECLB has signed Memorandum of Understanding (MoUs) with various institutions of higher learning so that they may undertake research and provide existing data to ECLB. The

organisation has also continued to source any available scientific data that could enhance its interventions.

### **Acknowledgement**

It is with a heavy heart that we ended this financial year with the sad news of the passing on of Mr Hewu, our Board Member, who unfortunately succumbed to the COVID-19. His contribution and sense of professionalism shall forever be missed. I sincerely convey our deepest condolences to his family. I wish to welcome and congratulate our new Board Chairperson, Ms Nomhle Tys. I wish to heartily welcome our new Board Members: Dr Mbotho, Ms Nongogo and Mr Gobingca. There is no doubt that their diverse experiences and skills are set to take our organisation to the highest trajectory. I bid farewell to our previous Board members, Mr Batembu and Ms Moleshe-Pakade who served in the Board with excellency. A special thank you goes to the members of the Board for their wise counsel and judicious support during the period under review. I am highly indebted, and very grateful to the Executive Management Team with which I share the vision and mission that will contribute meaningfully to the growth of our organisation, and this is a team of highly talented, committed and extremely hard-working individuals that I am certain will drive this organisation to the high trajectory. A big thanks to the staff that are the driving force behind the ECLB brand, every single one of whom is critical to the success of the ECLB.

To all our stakeholders that are very instrumental in the success of the work we do, the captains of liquor industry and business that have consistently supported what we do, without whom there would be no ECLB, we sincerely thank you and are looking forward to achieving more together. I am grateful for the many fruitful engagements we have had with our stakeholders throughout the year. Thank you to our Shareholder, the Department of Economic Development, Tourism and Environmental Affairs for an indispensable role they continue to play in providing necessary support and guidance to the Entity. Lastly, a sincere word of thanks goes to our Portfolio Committee for their professional guidance and continuous efforts to instil a greater sense of accountability.

## 5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

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

All information and amounts disclosed in the Annual Report is consistent with the annual financial statements audited by the Auditor-General.

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with GRAP standards applicable to the public entity.

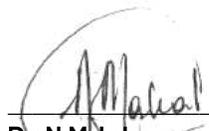
The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2021.

Yours faithfully



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**Dr. N Makala**  
Chief Executive Officer  
27 August 2021



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**Ms. N. Tys**  
Chairperson of the Board  
27 August 2021

## 6. STRATEGIC OVERVIEW

### 6.1 Vision

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

### 6.2 Mission

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

### 6.3 Values

Table 1: ECLB values

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

## 7. LEGISLATIVE AND OTHER MANDATES

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

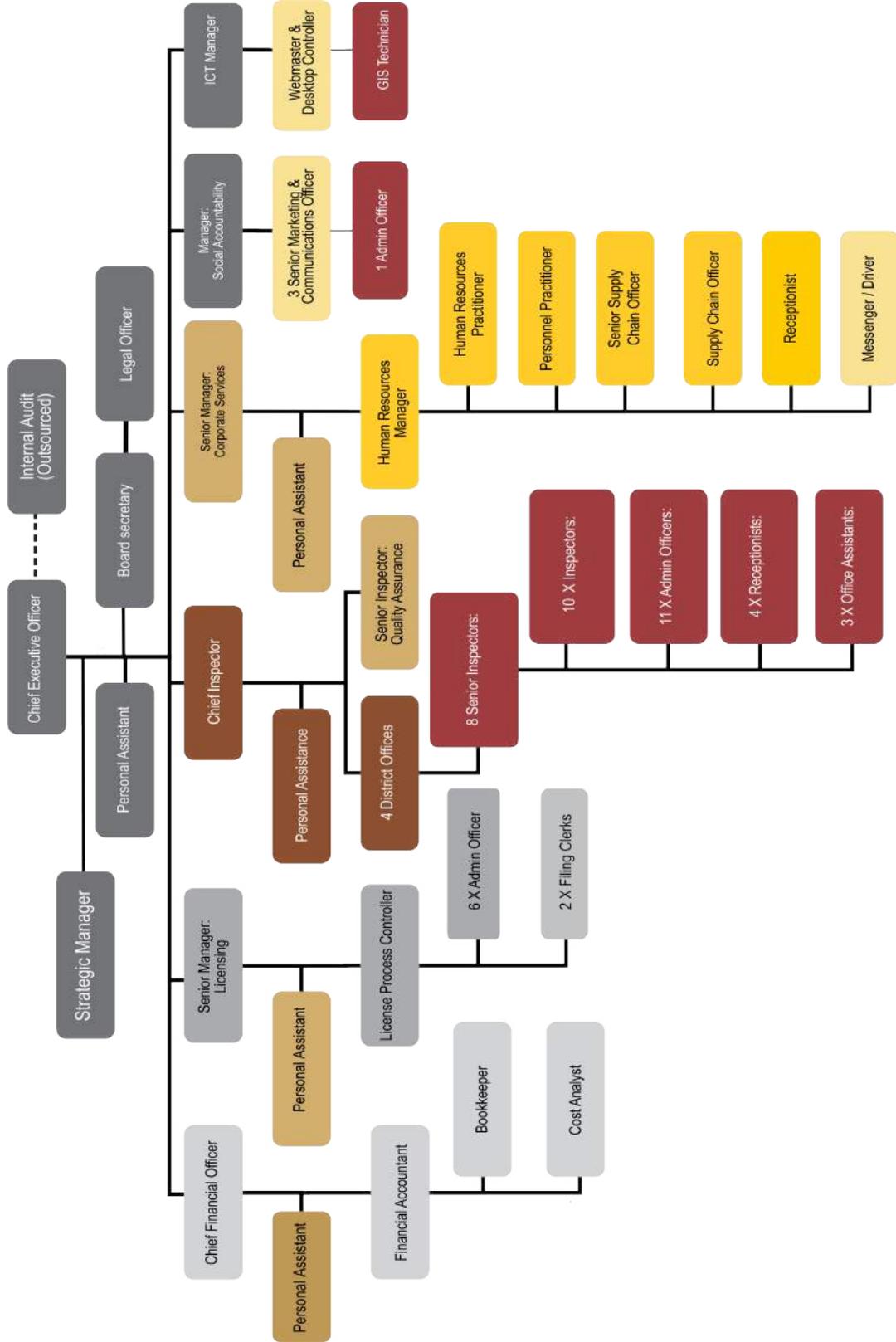
The main functions of the ECLB are to:

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

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

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

## 8. ORGANISATIONAL STRUCTURE



## TOP STRUCTURE

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**MS NOMHLE TYS**  
CHAIRPERSON



**DR NOMBUYISELO MAKALA**  
CHIEF EXECUTIVE OFFICER

## BOARD MEMBERS

---



**DR MZUKISI MBOTO**



**MR MANDLENKOSI  
GOBINGCA**



**MS BONGEKA JOJO**



**MS NCUMISA NOMFUNDO  
NONGOGO**

## EXECUTIVE MANAGEMENT

---



**MS ANDISWA VIKILAHLE**  
CHIEF FINANCIAL OFFICER



**MR PURLANI TYALI**  
SENIOR MANAGER LICENSING



**MR ZOLA TYIKWE**  
CHIEF INSPECTOR



**MRS LINDA LINDELWA TINI**  
SENIOR MANAGER:  
CORPORATE SERVICES



**EASTERN CAPE  
LIQUOR BOARD**

**Toll Free: 0800 000 420**

**DON'T LET THE GOOD TIMES GO BAD | DRINK RESPONSIBLY IN THE INT**



# PERFORMANCE INFORMATION

# PART B

## 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

Refer to page 76 of the Report of the Auditors Report, published as Part E: Financial Information.

## 2. SITUATIONAL ANALYSIS

### SERVICE DELIVERY ENVIRONMENT

- The advent of the COVID-19, and its effects which led to the national lockdown during the 2020/21 financial year significantly impacted on the operations of the entity. All the plans had to be reviewed to accommodate the “new normal” which included budget cuts and work from home. Due to the National lockdown the ECLB lost quite considerable man-hours and thus projections and affected implementation of the set targets.
- The ECLB receives applications for liquor licences which are processed as prescribed by the ECLA. It is also the responsibility of the organization to monitor compliance of registered enterprises with terms and conditions of licence as well as support liquor traders in various ways that may enable them to participate meaningfully in profitable sectors of the industry and move to higher value chain areas. The potential to accomplish this is dependent on the liquor traders understanding the intricacies of the liquor industry, the relevant regulatory framework and business growth or expansion opportunities.
- Preregistrations Compliance Inspections are conducted for all applications that are received for registration. Such inspections are time frame specific as legislation points to the time period to dispose of compliant applications received by the Board.
- One critical aspect and a requirement in terms of the Act is community consultation which seeks to ensure that the community around where the liquor outlet will be situated is well informed of the pending application for the retail of liquor in their vicinity and to enable them to file objections against the application, should there be any, or representations in support of the application.
- Verification further assists to determine if there are any, or no, educational institutions or places of worship within a 100m radius from the proposed liquor outlet, which the applicant would have notified of the application in terms of the Act. The Act requires that an applicant serves a notice to the ward committee of the area where the proposed liquor outlet will be situated. The ward committee is then expected to convene a community meeting wherein he/she informs the community of the pending application and thereafter compile a report on such consultation which should then be submitted to the municipal council and to the Board for consideration. Verification of this consultation is to ensure that the correct community members who would be affected by the outlet were properly consulted.
- The legislative framework further imposes an obligation on the licencing authorities, including the ECLB, to issue licences mindful of the associated adverse effects hence interventions undertaken to moderating abuse of alcohol in collaboration with other institutions.
- The continued collaboration efforts on partnerships with Small Enterprise Development Agency (SEDA), South African Revenue Services (SARS) and Companies Intellectual Properties Commission (CIPC) and FNB to implement education programmes around business registration and business and individual tax has resulted in a positive response from some liquor traders.
- Preclusion of liquor trading as a priority focus area at government and development finance institutions, which prevents access to finance by marginalised liquor traders to grow and / or diversify their businesses. The organization is still in discussions with Small Enterprise Finance Agency (SEFA) and Independent Development Corporation (IDC) with the view for them to consider, as a starting point, applications for funding of liquor traders who aspire to venture into higher levels of the industry value chain or diversify their business beyond just selling liquor, namely logistics, warehousing, hospitality, manufacturing and franchising.
- Encroachment of the Black liquor trader's traditional township market by the big retail chain stores. South African Local Government Association (SALGA) has been approached to address compliance by local municipalities to the BBBEE legislation when considering applications for property development in areas of their relative jurisdiction. Limiting legislation to enforce Broad Based Black Economic Empowerment (BBBEE) compliance, the new Eastern Cape Liquor Authority Act legislation has been passed and is awaiting the approval of regulations before it is implemented.
- Resistance by big manufacturers towards transformation of the industry. The ECLB has expressed this concern to the National Liquor Authority (NLA) to address but there has been no tangible progress felt, not only by ECLB, but also marginalised liquor traders in this regard. There seems to be a dislocation of efforts by the ECLB and NLA in this regard.
- The entity is strongly advocating at the National Liquor Regulators Forum for the Department of Trade and Industry to establish a liquor industry Charter.
- Absence of Black participation in the micro manufacturing subsector of the liquor industry. Because of the barriers to entry in the subsector, namely the technical knowledge which is a prerequisite and access to financial resources /capital. The ECLB has engaged into discussions with the Nelson Mandela University, National Youth Development

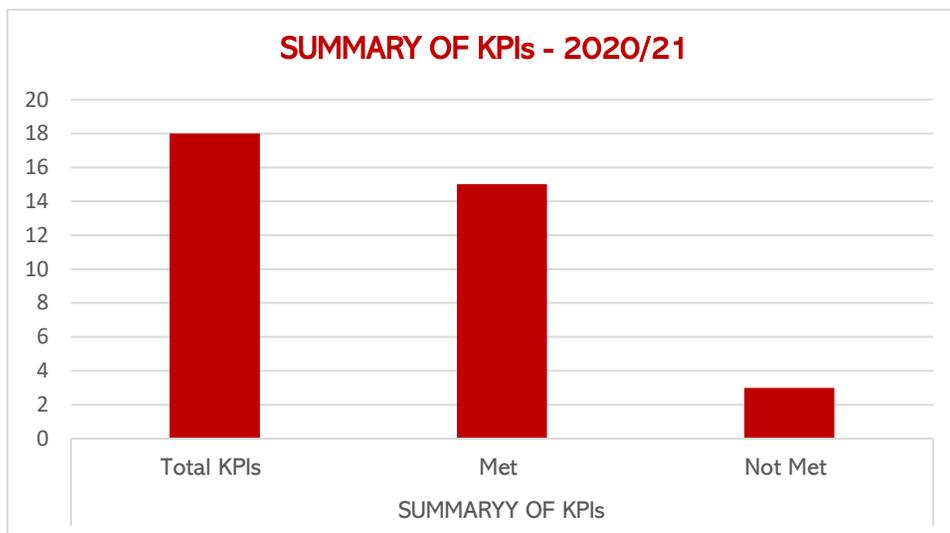
Agency and existing micro manufacturers with the view to structure a training programme to train Black youth to be brew masters under the mentorship of the existing micro manufacturers and acquire start-up funds to establish their businesses.

- In order to augment its limited capacity, the entity embarked on a concerted effort to mobilise stakeholder partnerships for purposes of collaboration. Quite significantly, stakeholder support provided ECLB with requisite capacity to achieve its objectives in some areas.
- The growing alcohol abuse, underage drinking and Foetal Alcohol Syndrome (FAS) remains one of our challenges and much effort and resources is set aside to continuously educate and provide awareness of the community about the dangers of alcohol abuse. During this, there's also been a growing number of cases of Gender Based Violence (GBV) which is believed that alcohol is the number one contributor.

**PERFORMANCE OVERVIEW**

The entity's performance for the period under review was slightly affected by the breakout of the COVID-19, as such the overall performance decreased by 7% from the previous year.

**Overall performance per KPIs**



- The graph above provides a graphical representation of the overall performance of the organisation for the year under review.
- The entity achieved on 15 of the 18 key performance indicators planned for the year under reporting. The entity has achieved 83% of its planned targets for the year which is a decline compared to 90% achieved last year, the decline is due to the outbreak of the COVID-19 pandemic. The effects of the lockdown restrictions had a huge impact on the effective implementation of the set targets. Though, there were adjustments of the targets for the 2020/21 APP, some of the targets were still unattainable due to the nature of the target.

**Licencing**

- A total of 837 liquor licence applications, which included new applications, transfer of registration and removal of registration, were considered in the period under review. 414 of those were approved as they met all the requirements, 313 applications were given section 22(5) due to queries, 103 were refused and 7 were scheduled for public hearings as there were objections against registration.

**Licence renewal**

- Due to the effects of COVID-19 lockdown the entity requested the extension of the license renewal period to assist the liquor traders to recover from the effects of lockdown which was duly approved by the MEC: DEDEAT.

### **Liquor Trader's Development programme and transformation action plan**

- During the year under review 52 liquor traders were empowered with knowledge on business tax and registration with SARS, through a workshop. They were all subsequently registered with SARS which is a step towards ensuring that their businesses are formally registered.
- The entity facilitated the formation of two (2) Liquor Traders Association, namely Concerned Township Liquor Traders Association in Gqeberha and Makana Liquor Traders Association in Makana.

### **The Responsible Trade Facilitation (RTF) programme**

- The programme is aimed at training and coaching liquor licence holders and outlet Managers to comply with the relevant legislation and to trade more responsibly. This programme also incorporates the Code of Conduct for Liquor Traders developed by ECLB for liquor traders. RTF facilitators visit the outlets fortnightly to train the licence-holder, audit the compliance and observe for any non-complying behaviors. Outlets are scored accordingly, and those that reach certain compliance thresholds are rewarded with incentive upgrades aimed at making the outlets more compliant and safer.
- The project is funded by the Association for Alcohol Responsibility and Education (Aware.org) and executed by Sekika Solutions with support from the ECLB.
- Since its inception, the programme has been implemented in over 260 liquor outlets across Komani, East London, Qonce, Butterworth, Dutywa, Stutterheim and Peddie. In August 2020 the project was then extended to 280 liquor outlets in Gqeberha and Mthatha. Aware.org has invested a total amount of R5 696 779.8 for implementation of RTF in the Eastern Cape Province. No funds are transferred to ECLB, the programme is run entirely by Aware.org.

### **Responsible drinking education and awareness interventions**

- Various underage drinking school-based campaigns were conducted in around six (6) district municipalities, and these interventions included institution of higher learning-based intervention initiatives in the Eastern Cape.
- The entity effectively facilitated community-based intervention initiatives that sought to raise awareness among Liquor Traders, Farm workers, workplace employees and the members of the community on the Gender-based violence, Lockdown regulations, FAS & Responsible drinking and trading.
- ECLB also conducted a community outreach, which was intended to raise awareness on the scourge of alcohol abuse and Gender-based Violence (GBV).
- Road Safety /Drunken driving Campaigns were conducted in Gqeberha in partnership with the Provincial Road Safety, South African Police Services (SAPS). The main messages were on rethink your third drink, under the influence or alcohol? Under arrest, Not the Best mix, do not drink and drive; Better to arrive sober and late than never; adherence to Lockdown regulations. The focus was on motorists, passengers, pedestrians, and community members.
- A total number of 42 987 people were reached through anti-alcohol abuse awareness and education initiatives.
- The entity extensively utilised its social media platforms to reach a broad spectrum of audiences in the Eastern Cape educating them about responsible alcohol trading and consumption and urging them to adhere to the COVID-19 lockdown regulations.
- Positive coverage was received from a total of twenty-six (26) media houses used to relay awareness messages during the National lockdown. Coverage included the advertising, interviews, and advertorial publications. Radio advertisements were also sourced to continuously engage people on matters of liquor regulations.

### **Challenges encountered and corrective steps**

- The impact of the COVID-19 on the entity's operations in particular the Licencing and Compliance and Enforcement division KPIs.
- The entity lacks requisite capacity to undertake baseline and post assessments to determine the need for interventions and their impact thereof. Partnerships formed with institutions of higher learning and industry, continue to mobilise more stakeholder support for future research studies.
- ECLB is continuously experiencing human capital challenges more specifically with the legislative reforms being introduced, and the increase in the operations (e.g 16 Inspectors who have to enforce compliance to over 7500 liquor licences outlets throughout the province) as well as, social accountability programmes.
- The continuing budget shrinks over the years limits the entity's capacity to deliver on its mandate. Consequently, opportunities continue to be sought for efficiencies in processes, various revenue enhancement strategies and collaborations with NGO's, government departments, liquor industry and institutions of higher learning.

**KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES**

- A new Act, the Eastern Cape Liquor Authority Act 4 of 2018 has been asserted to and published in the Provincial Government Gazette on 11 March 2019. Its aim is to address gaps and challenges with the current legislation. DEDEAT and the ECLB are in the process of drafting Liquor Regulation in line with the new Act.
- The Hon. Premier Mr Mabuyane and in turn the MEC for DEDEAT Mr Mvoko announced that it will come into effect in the 2021/2022 financial year.
- The new Act provides for additional responsibilities relating to the overall operations of the entity and the implementation of the new Act will have huge financial implications for the entity.

**3. STRATEGIC OUTCOMES**

| Outcome  | Outcome indicator  | Five-year target  |
|--|--|---|
| Reduction in alcohol abuse and behavioural change towards alcohol consumption  | Informed and educated communities on dangers of alcohol abuse  | 40% - 60% Responsible consumption of alcohol                            |
| Compliant liquor trading and regulated access to alcohol   | Improved compliance and enforcement with liquor regulations/trading conditions   | 80% - 90% compliance with liquor regulations and conditions             |
|  | Reduction in incidents of reported non-compliance with liquor regulations  | 75% - 80% of all incidents reported attended to within 30 working days. |
| Efficient liquor licencing   | Liquor licences issued within legislated timeframes  | 100% compliance with legislated timeframes.                             |
| Increased participation by the previously disadvantaged in both the retail and micro-manufacturing levels in the province, | Percentage increase of participation by the previously disadvantaged in the retail sales and micro-manufacturing of liquor in the province | 20 – 40 % increased participation.                                      |
| Good Corporate Governance  | Improved compliance to corporate governance standards and prescripts   | Unqualified audit opinion with no material findings                     |

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

## 4. PERFORMANCE INFORMATION BY PROGRAMME

### 4.1 LICENCING PROGRAMME

#### 4.1.1 Purpose of the programme

The Licencing programme is responsible for: -

- Administration for processing of liquor licence applications and renewal of licences.
- Monitor the running of the Snapstar Licencing System.
- Secretariat for the Licencing Committee.
- Implementation of the Liquor Traders Development Programme.

| KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2020/2021 FINANCIAL YEAR                  |   |  |                              |                               |                           |                              |  |  |   |
|--|---|--|------------------------------|-------------------------------|---------------------------|------------------------------|--|--|---|
| Outcome  | Output  | Output Indicator   | Actual Achievement 2018/2019 | Actual Achievement 2019/ 2020 | Planned Target 2020/ 2021 | Actual Achievement 2020/2021 | Deviation from planned target to Actual Achievement for 2020/ 2021 | Comment on deviations  | Reasons for revisions to the Outputs / Output indicators / Annual Targets   |
| Efficient licencing  | Licences issued within legislated timeframes  | Percentage of fully compliant liquor licence applications considered within legislated timeframes. | 69%                          | 93%                           | 60%                       | 40.04%                       | 19.6%  | The strict lockdown regulations that were imposed in the country made it difficult to implement the requirements of the EC Liquor Act for processing of new applications | Due to the anticipated effect of COVID-19 pandemic on the operations, the APP output indicator was adjusted from 100% to 60%. |
| Increased participation by previously disadvantaged in both retail and micro manufacturing levels, | Increased participation by the previously disadvantaged in the retail sales and micro manufacturing of liquor in the province | Number of new formal liquor traders' associations facilitated.                                     | 1                            | 3                             | 2                         | 2                            | None   | None   | Due to the anticipated effect of COVID-19 pandemic on the operations, the APP output indicator was adjusted from 3 to 2       |
|  |   | Number of liquor traders trained   | 957                          | 925                           | -                         | -                            | -  | -  | -The target was removed when the APP was revised.   |
|  |   | Number of liquor traders facilitated to comply with national business registration                 | -                            | -                             | 100                       | 52                           | 48   | The entity experienced challenges in conducting educational programmes due to the effects of   | This is a new target to give priority to train liquor traders on business registration to be able to access COVID-19 relief   |

| KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2020/2021 FINANCIAL YEAR |        |   |                              |                               |                           |                              |  |   |   |
|---|--------|---|------------------------------|-------------------------------|---------------------------|------------------------------|--|---|---|
| Outcome   | Output | Output Indicator  | Actual Achievement 2018/2019 | Actual Achievement 2019/ 2020 | Planned Target 2020/ 2021 | Actual Achievement 2020/2021 | Deviation from planned target to Actual Achievement for 2020/ 2021 | Comment on deviations   | Reasons for revisions to the Outputs / Output indicators / Annual Targets |
|   |        | legislative requirements relating tax, business entity, UIF and national small business database.           |                              |                               |                           |                              |  | COVID-19 regulations around public gatherings and liquor trader's apathy as they were more concerned about the survival of their businesses | funds   |
|   |        | Number of Black liquor traders' distributors facilitated to participate at higher levels of the value chain | -                            | -                             | 1                         | 0                            | 1  | There was lack of cooperation from the institutions approached to assist in this regard.  | No changes on this output indicator.                                      |

#### 4.1.2 Programme performance

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

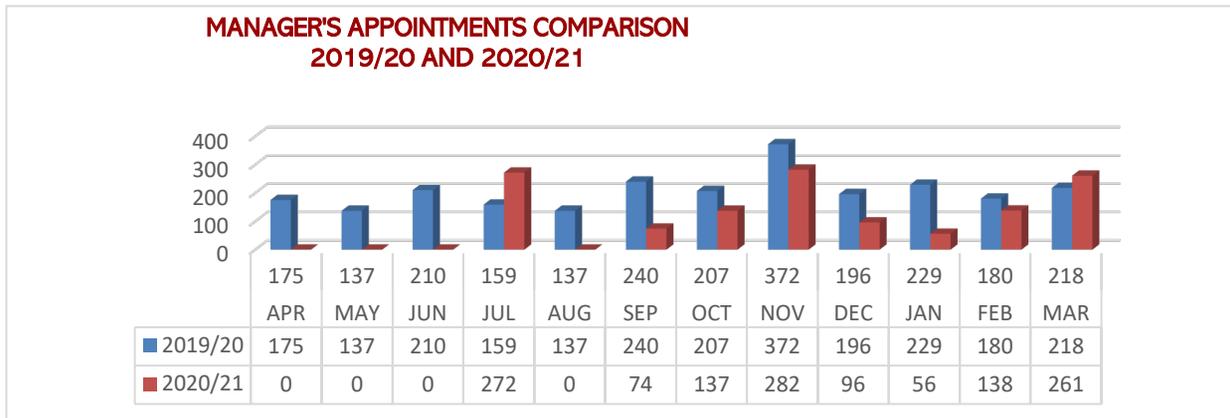
##### 4.1.2.1 Licence applications received

- The table below depicts the total of 543 applications including transfers and removals that were received in the period under review. All these applications were published within the required 7 days.

| TYPE OF APPLICATION | NUMBER OF APPLICATIONS |
|---------------------|------------------------|
| New registrations   | 438                    |
| Transfers           | 92                     |
| Removals            | 13                     |
| <b>Total</b>        | <b>543</b>             |

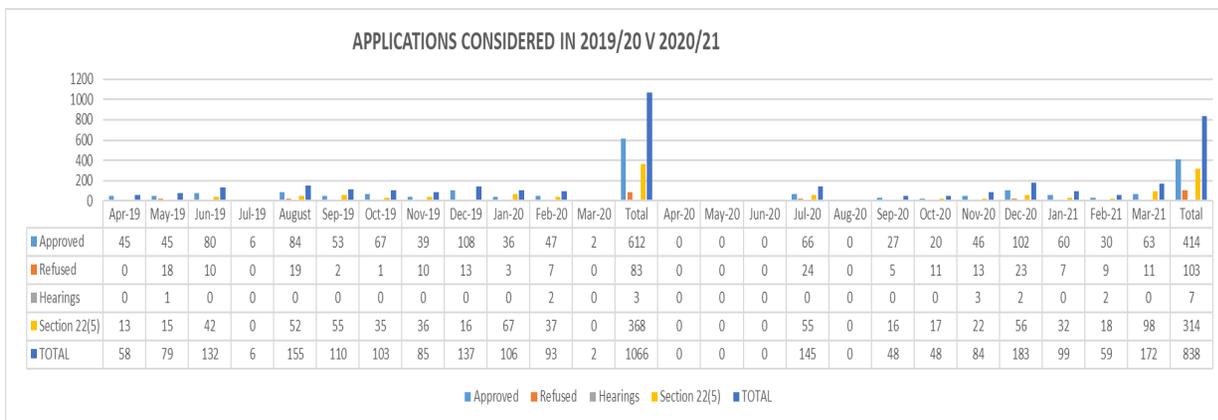
##### 4.1.2.2 Manager's appointment applications

1 316 manager's appointment applications were received processed, and certificates issued.



#### 4.1.2.3 Applications considered

The percentage of fully compliant licences processed within 60 days comprises of applications submitted to the Licencing Committee. The number of days is calculated from the date of inspection to the date of the consideration by the Licencing Committee.



A total of 838 applications were considered by the Licencing Committee in the period under review. The graph above shows the applications considered. The outcomes are as follows: -

- 414 applications were approved;
- 103 applications were refused;
- 313 applications were given section 22(5) and
- 7 application were scheduled for hearing.

Of the 837; 562 applications were considered for the first time. From 562 applications considered for the first time 225 were considered within 60 days (40,04%) while 337 were outside 60 days. Factors contributing to inability to meet timeframes are inter alia delayed responses from the applicants on queries.

#### 4.1.2.3 Special Events

- No special events were considered during the year under review due to COVID-19 regulations on liquor trading.

#### 4.1.2.4 Licence Renewals

The number of active liquor licenses was 7 415, and the number of licenses that were due for renewal during this period under review were 7 295. In anticipation of the inability of the majority of the liquor traders who were negatively impacted by the COVID-19 pandemic and/or Disaster Management Regulations to afford licence renewal fees by the deadline date, the MEC extended the licence renewal deadline to 30 June 2021. The total number of licences renewed as at 31 March 2021 was 5 352.

- Off consumption – 943
- On Consumption – 1 114
- On & Off Consumption – 3 282
- Micro Manufacturing – 13

#### 4.1.2.5 Micro – manufacturing licences

There were 17 registered Micro – Manufacturing licences as at 31 March 2021. The table below displays the name of business, where it operates, and the type of liquor manufactured. There is still a challenge of transformation in the liquor industry, the list of businesses listed below are predominately white owned, and the trend is continuing. There is a need for government to pay more attention on strategies that can be implemented to see transformation in the liquor industry.

##### *List of micro manufacturers*

| NO | BUSINESS NAME                   | TOWN           | TYPE OF LIQUOR                     |
|----|---------------------------------|----------------|------------------------------------|
| 1  | African Cures                   | Port Elizabeth | Sherry (ingredient for medication) |
| 2  | The Little Brewery On The River | Port Alfred    | Malt Based Beer                    |
| 3  | Graaff Reinet Museum            | Graaff Reinet  | Spirits (Witblits)                 |
| 4  | Theescomb Wines                 | Port Elizabeth | Wine                               |
| 5  | Bridge Street Brewery           | Port Elizabeth | Beer and Cider                     |
| 6  | Emerald Vale Brewery            | East London    | Malt Based Beer                    |
| 7  | Southern Wind Trading           | East London    | 16 Alcoholic Fruit Beverage        |
| 8  | Dockside Brewery                | Port Elizabeth | Beer                               |
| 9  | Tsitsikama Micro Brewery        | Storms River   | Beer (ale)                         |
| 10 | Richmondhill Brewing Company    | Port Elizabeth | Beer                               |
| 11 | Daxi's Craft Brewery            | East London    | Malt Based Beer                    |
| 12 | Jeffreys Bay Craft Brewery      | Jeffrey's Bay  | Beer                               |
| 13 | J Bay Brewing Company           | Jeffrey's Bay  | Beer                               |
| 14 | Brickmaker Distillery Co        | Port Elizabeth | "Rhino – Rum"                      |
| 15 | Table 58 Micro Brewing          | East London    | Beer                               |
| 16 | Hogsback Brewery                | Hogsback       | Beer                               |
| 17 | Black Hog                       | St Francis     | Beer                               |

#### 4.1.2.6 Liquor trader's development programme

##### **i. Number of new formal traders' associations facilitated**

Two (2) new formal traders were facilitated to be registered as Non Profit Organisations with Companies and Intellectual Property Commission (CIPC):-

- Concerned Township Liquor Traders Association.
- Makana Liquor Traders Association

##### **ii. Number of liquor traders empowered in the province annually**

Liquor Traders Association were empowered with Business skills. The following sessions were held: -

| #            | TRAINING INTERVENTION                 | Name of Liquor Association        |                          | NO OF ATTENDEES |
|--------------|---------------------------------------|-----------------------------------|--------------------------|-----------------|
| 1.           | Business Tax and Company Registration | Xesi Liquor Forum                 | Xesi/Middledrift         | 16              |
|              |                                       | Makana Liquor Traders Association | Makana/Grahamstown       | 15              |
|              |                                       | Qonce Liquor Traders Association  | Qonce/King Williams Town | 21              |
| <b>TOTAL</b> |                                       |                                   |                          | <b>52</b>       |

### iii. Strategy to overcome areas of under performance

There was underperformance in relation to one planned indicator, i.e., Licences processed within 60 working days. The effects and implementation of the lockdown restrictions had a huge impact on the effective implementation of the set targets. Furthermore, to ensure achievement of this indicator a pipeline of outstanding applications is reviewed monthly to monitor progress of each application. Monthly reports are produced and action to be taken is forecasted by this monitoring tool.

#### 4.1.2.7 Linking performance with budget

| Programme    | Budget R'000 | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 |
|--------------|--------------|--------------------------|--------------------------------|
| Licencing    | 6 614        | 6 625                    | (11)                           |
| <b>TOTAL</b> | <b>6 614</b> | <b>6 625</b>             | <b>(11)</b>                    |

## 4.2 COMPLIANCE AND ENFORCEMENT PROGRAMME

### 4.2.2 Purpose of the programme

The principal responsibility of the Compliance and Enforcement Programme is to ensure that appropriate steps are taken against those selling liquor outside the administrative and regulatory framework established in terms of the Eastern Cape Liquor Act (ECLA) and that community considerations on the registration of retail premises are taken into account. In this regard, working with other law enforcement agencies, the programme plays a critical role towards achieving the goal of a responsible liquor trading in the Eastern Cape that promotes safe communities.

| KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2020/2021 FINANCIAL YEAR |                                     |   |                              |                               |                           |                              |  |   |  |
|---|-------------------------------------|---|------------------------------|-------------------------------|---------------------------|------------------------------|--|---|--|
| Outcome   | Output                              | Output Indicator  | Actual Achievement 2018/2019 | Actual Achievement 2019/ 2020 | Planned Target 2020/ 2021 | Actual Achievement 2020/2021 | Deviation from planned target to Actual Achievement for 2020/ 2021 | Comment on deviations   | Reasons for revisions to the Outputs / Output indicators / Annual Targets  |
| Compliant liquor trading and regulated access to alcohol                          | Improved compliance and enforcement | % of new applications with sufficiently consulted communities | 1 022                        | 931                           | 60%                       | 73%                          | +13%   | The variance is mainly due to pursuance of applications that were pending due to COVID-19 restrictions. | In the APP 2020 the output indicator was revised from a number to % to be able measure the full cycle of pre-registration with specific focus on community consultation. |

| KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2020/2021 FINANCIAL YEAR |   |   |                              |                               |                           |                              |  |   |   |
|---|---|---|------------------------------|-------------------------------|---------------------------|------------------------------|--|---|---|
| Outcome   | Output  | Output Indicator  | Actual Achievement 2018/2019 | Actual Achievement 2019/ 2020 | Planned Target 2020/ 2021 | Actual Achievement 2020/2021 | Deviation from planned target to Actual Achievement for 2020/ 2021 | Comment on deviations   | Reasons for revisions to the Outputs / Output indicators / Annual Targets   |
|   |   |   |                              |                               |                           |                              |  |   | 2 Due to the anticipated effect of COVID-19 pandemic on the operations, the APP output indicator was adjusted from 75% to 60% |
|   | Reduction in incidents of reported non-compliance with liquor regulations | % of compliance inspections conducted to ensure compliance with liquor regulations        | 5 678                        | 5 071                         | 50%                       | 45%                          | -5%  | The variance is due to the pursuance of applications backlog as applications for registration could not be inspected during the lockdown. | Due to the anticipated effect of COVID-19 pandemic on the operations, the APP output indicator was adjusted from 80% to 50%   |
|   |   | Number of blitz operations conducted with law enforcement agencies to enforce legislation | 60                           | 40                            | 48                        | 50                           | +2   | The variance is due to cooperation and coordination with law enforcement agencies to curb resurgence of COVID-19 pandemic.                | Due to the anticipated effect of COVID-19 pandemic on the operations, the APP output indicator was adjusted from 80 to 48.    |
|   |   | Percentage of complaints attended to within 30 days                                       | 88%                          | 75%                           | 60%                       | 73,58%                       | +13,58%  | The variance is due to concerted efforts to attend to complaints as and when they arise.  | Due to the anticipated effect of COVID-19 pandemic on the operations, the APP output indicator                                |

| KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2020/2021 FINANCIAL YEAR |        |  |                              |                               |                           |                              |  |                       |   |
|---|--------|--|------------------------------|-------------------------------|---------------------------|------------------------------|--|-----------------------|---|
| Outcome   | Output | Output Indicator   | Actual Achievement 2018/2019 | Actual Achievement 2019/ 2020 | Planned Target 2020/ 2021 | Actual Achievement 2020/2021 | Deviation from planned target to Actual Achievement for 2020/ 2021 | Comment on deviations | Reasons for revisions to the Outputs / Output indicators / Annual Targets |
|   |        |  |                              |                               |                           |                              |  |                       | was adjusted from 80% to 60%.   |
|   |        | % of identified illegal liquor outlets referred to the criminal justice system | -                            | -                             | 100%                      | 100%                         | None   | None                  | This a new indicator  |

#### 4.2.2 Programme performance

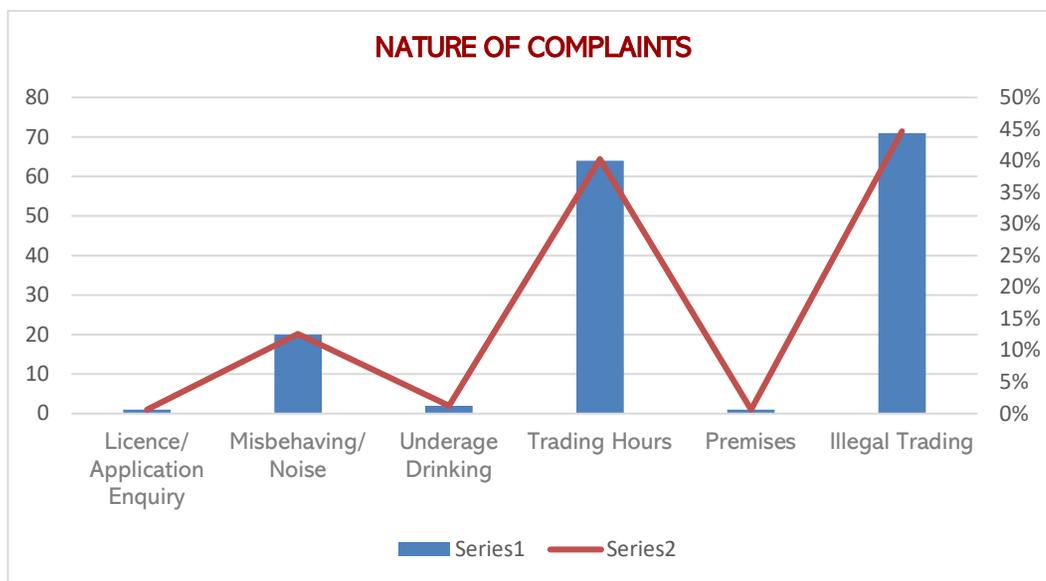
The next sections outline progress that has been made in the period under review in respect of the performance indicators as outlined in the table above.

- There is a positive variance resulting from applications that became due for inspection during the period under review. Preregistration inspections are conducted based on the number of applications that become due for inspection, therefore the excess figure entirely depends on the number of applications received by the ECLB, but this time the challenges posed by the pandemic meant that most applications were processed after the legislated timeframes and thus almost created some backlog as the chase came on when the Alert Levels 5 and 4 were reviewed down to Alert Level 3 and subsequently to Alert Level 1.
- With regards to compliance monitoring and post-registration compliance inspections at registered liquor outlets - the division posted a negative variance of 5% due to the fact that a greater focus was on the applications that were in our pipeline and their regulated timeframes had lapsed as a result of hard lockdown due to COVID-19 pandemic.
- Where an outlet is found to be conducting business in contravention of the Act and the attached trading conditions the inspector may issue a compliance notice giving the liquor outlet a period of time to remedy the situation and upon the failure to comply the Board may consider steps to suspend or revoke such registration.
- Upon discovering an incident of non-compliance with the Act, trading conditions and any other applicable law a Section 54 Compliance Notice is issued by the inspector at the time of inspection at the registered liquor outlet and to this effect 138 compliance notices were issued to non-compliant registered liquor traders.
- Compliance with Section 40 of the Act, which requires that registered persons appoint managers to be responsible for their business in their absence, accounts for 51% of all instances of non-compliance. Section 40(5) provides that a person managing and responsible for a business to which a registration relates, must be subject to the same obligations and liabilities as the relevant registered person. Subsection 6 further states that the registered person is not however released from any obligation or liability to which he or she is subject to in law.
- In the year under review 249 persons operating unregistered liquor outlets were referred to the criminal justice system for prosecution:
  - 131 illegal liquor traders were issued with the Notice to Appear in Court with an option to pay a fine (J534) amounting in total to R164 350.00.
  - 26 criminal cases were opened, and these cases are pending finalization in court and
  - 92 Section 19 Referral Letters were issued by inspectors where persons found at the premises were suspected of trading without being registered. These notices are issued in the absence of the SAPS and thus referred to the SAPS for further action to be taken against the person concerned.

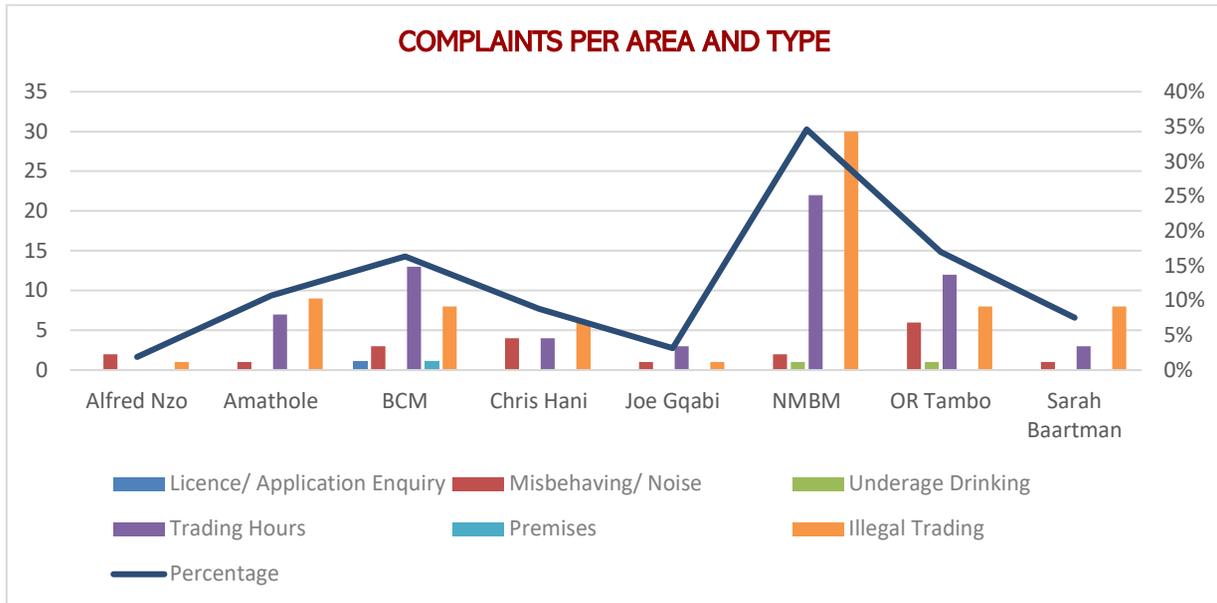
- Liquor to the value of about R204 598.00 has been confiscated from these illegal outlets and will be disposed of once the criminal proceedings have been finalized.
- One other Key Performance Area relates to Conducting Joint Blitz Operations in collaboration with law enforcement agencies where the blitz operation embarks on strategic crime prevention programmes targeted at non-compliant liquor outlets, inconsiderate trading liquor outlets and those that trade in liquor without being registered.
  - 50 joint blitz operations were carried during the period under review where 297 liquor outlets were inspected.
    - 225 of those were found to be compliant with the applicable laws and trading conditions.
    - 47 illegal outlets were identified during the joint blitz operations and this is included in the total of outlets to the criminal justice system referred to above.
    - 25 were found to be non-compliant with the Act and trading conditions and were thus issued with Section 54 Compliance Notices. Amongst the 25 non-compliant liquor outlets one outlet found to be trading during the period when liquor trading was banned in terms of the COVID-19 regulations was arrested, issued with a fine of R10 000 and liquor to the value of R60 000 was confiscated to prevent further contravention of the COVID-19 regulations.

**4.2.2.1 Complaints Management**

- A complaints management system is used to record, monitor and manage complaints filed by members of the public as well as institutions that experience challenges due to people trading in liquor, who sometimes may even be trading illegally.
- The ECLB has procured the services of a call centre to receive complaints and provide a complaints management system to enable the monitoring and management of the processes relating to complaints filed. The toll-free service has been working well to help communities to forward their complaints for attendance by inspectors who conduct investigations and ensure that those that are to be referred to the relevant institutions are in fact referred.
  - In the period under review 159 complaints were received. 120 were attended to within 30 days which translates to 75%.
    - 5 of these complaints are still pending as they will be attended to during the next review period as they are within the 30 days' timeframe.
    - 34 have not been attended to within the 30 days for various reasons, including amongst others, lack of access to complainants and anonymity of complainants.
  - Of significance is that complaints relating to the conduct of liquor outlets are attended to within a reasonable time (30 days). The presentation below shows complaints by their types:



- Illegal liquor trading complaints rose to about 45% of all complaints during the year under review as many took chances during various COVID-19 alert levels liquor trading ban and the limitations imposed by stringent COVID-19 regulations.
- Liquor traders that traded beyond the regulated trading hours also spiked to about 40% as traders made attempts to recoup what they had lost during the hard lockdown period.
- In terms of intensity of complaints, the Nelson Mandela Bay leads in number of complaints received reaching 35% of all complaints received by the entity.
- Complaints about trading hours and illegal trading are the leading cause for complaints in the Nelson Mandela Bay Metro. *NB: Nelson Mandela Bay has the highest number of registered liquor outlets in the province.*



### 4.2.3 RESPONSIBLE TRADER FACILITATION

#### Overview

The Responsible Trade Facilitation (rtf) programme is aimed at training and coaching Liquor Licence Holders and Outlet Managers to comply to the relevant legislation and to trade more responsibly. rtf facilitators visit the outlets fortnightly to train the licence-holder, audit the compliance and observe for any non-complying behaviours. Outlets are scored accordingly, and those that reach certain compliance thresholds are rewarded with incentive upgrades aimed at making the outlets more compliant and safer.

The project is funded by the Association for Alcohol Responsibility and Education (aware.org), the harm reduction body of the South African alcohol industry and implemented by Sekika Solutions with support from the Eastern Cape Liquor Board (ECLB). Aware.org has invested a total amount of R5 696 779,8 for implementation of rtf in the Eastern Cape province in this period. To take note is that the programme is run entirely by Aware.org no funds are transferred to the ECLB.

The programme was first piloted for a period of 12 months at 180 liquor outlets in East London and Queenstown in April 2018 - March 2019 period. For the period April 2019-July 2020 the programme roll-out was extended to 180 outlets spread across East London, King Williams Town, Butterworth, Idutywa, Stutterheim and Peddie. The programme was extended slightly due to impact of COVID-19 and the subsequent lockdown. Since Aug 2020, the programme has been extended to additional 280 liquor outlets in Gqeberha and Mthatha.

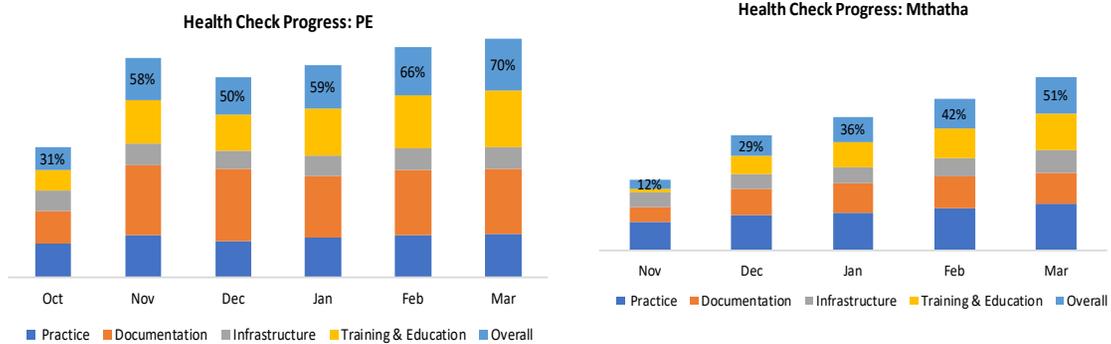
This report summarises the highlights and opportunities of the 2020/2021 programme to date.

#### Highlights

- A sustainability audit conducted in July 2020 on the 2018 rtf outlet beneficiaries (180 outlets in East London and Queenstown) indicated most of the outlets had sustained their compliance 16 months after the completion of the rtf programme. The audits were conducted jointly with the ECLB Inspectors and revealed that on average 78% of the rtf outlets were rated as “more compliant than what the Inspectors were used to”, with the balance of the outlets

maintaining their compliance standard. Additionally, 94% of the outlets maintained the good condition in order to qualify for the incentives.

- The ECLB has fully supported the project by assisting with the location of outlets, updates to legislation, feedback on compliance performance and providing guidance.
- The Health Check, derived from the applicable legislation, consists of 61 compliance points divided into 4 categories against which an outlet is scored. The table below indicates the improvement in the Overall Health Check Score for the 280 outlets since the programme commenced until 31 March 2021.

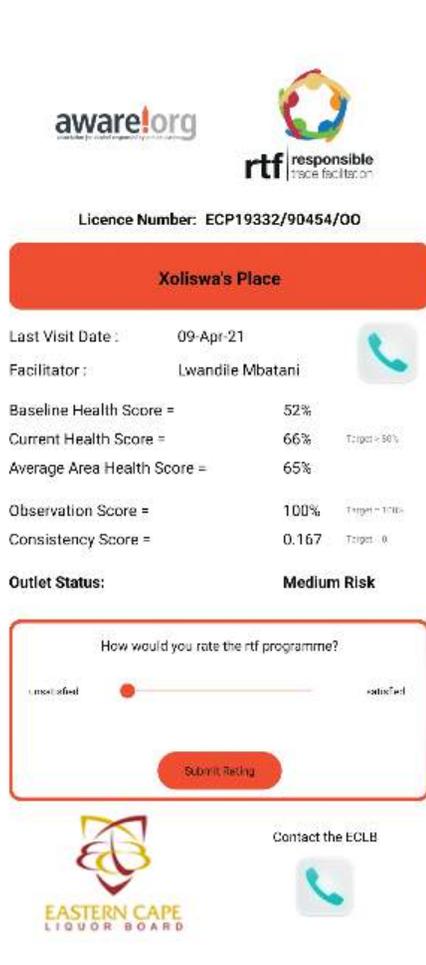


- During the Facilitators outlet visits (weekdays 9H00 – 18H30) any non-complying behaviours is observed, recorded, and scored. The non-compliances are then addressed with the Licence-Holder and/or Manager. The cumulative observation score has improved from 84% to 94% measured over 701 unique visits to the 280 outlets. Additionally, the standard deviation has decreased from 0.07 to 0.06 suggesting a marginal improvement in consistency of compliant behaviours. Data collection was impacted by the restriction of the COVID-19 regulations on liquor trading.
- Despite the COVID-19 regulations periodically halting the trade of liquor, facilitators were able to engage and coach licence-holders telephonically and via texts.
- A total of 328 consumers engaged during visits to liquor outlets were educated and engaged on alcohol harm or misuse.
- A number of licence-holders have taken the initiative to repair their toilets and install safety signage based on their coaching from rtf.
- rtf has started rolling out infrastructure upgrades to liquor outlets to improve compliance and safety.
- The following table summarises some of the incentives that will be provided to the Eastern Cape Outlets. and the roll-out of these certain incentive items has been delayed due to global shortages because of the COVID-19 impact. However, the project is on track for completion by 31 July 2021.

| Rtf Centre     | A1 Frames | Pledge Posters | Awareness Posters | License Frames | Fire Extinguishers | First Aid Box | CCTV | Floodlight | Alarm System | Enviro Loo | Table cloths |
|----------------|-----------|----------------|-------------------|----------------|--------------------|---------------|------|------------|--------------|------------|--------------|
| Port Elizabeth | 268       | 137            | 131               | 98             | 118                | 136           | 99   | 69         | 30           | 0          | 396          |
| Mthatha        | 276       | 140            | 136               | 127            | 135                | 139           | 134  | 115        | 30           | 60         | 376          |

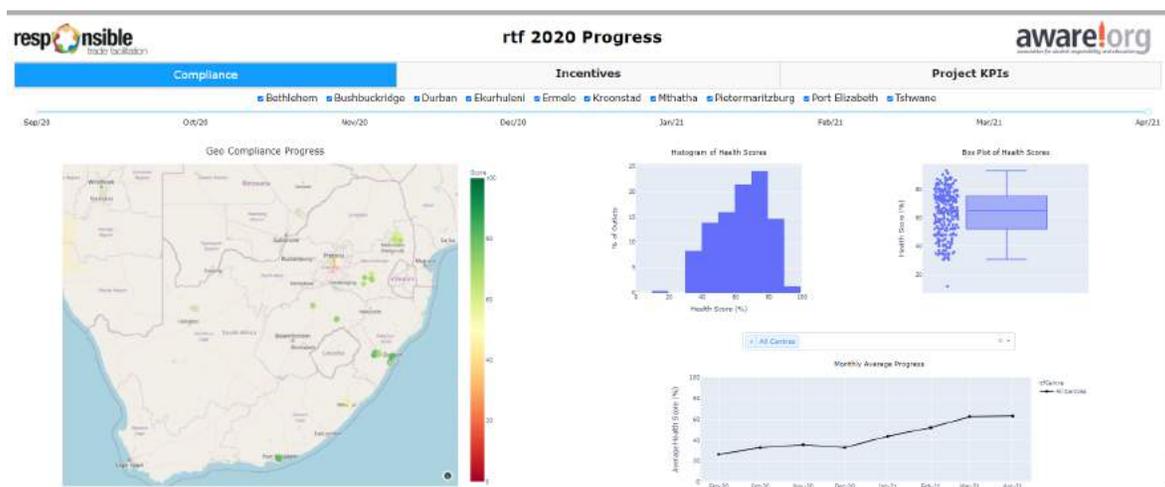
| Tier 1         |             |                   |                           |               |               |              |                        |  |
|----------------|-------------|-------------------|---------------------------|---------------|---------------|--------------|------------------------|--|
| Rtf Centre     | Outlet File | Outlet Name Board | Responsible Trade Message | Pledge Poster | License Frame | Table Cloths | Emergency Contact List |  |
| Port Elizabeth | 76%         | 0%                | 31%                       | 32%           | 26%           | 42%          | 36%                    |  |
| Mthatha        | 94%         | 0%                | 35%                       | 37%           | 86%           | 0%           | 54%                    |  |

| Tier 2         |              |                    | Tier 3        |      |             | Tier 4     |           |              |               |              |
|----------------|--------------|--------------------|---------------|------|-------------|------------|-----------|--------------|---------------|--------------|
| Rtf Centre     | Safety Signs | Fire Extinguishers | First Aid Box | CCTV | Flood Light | Enviro Loo | Paint Kit | Alarm System | Surge Adaptor | Toilet Fixes |
| Port Elizabeth | 0%           | 20%                | 24%           | 0%   | 0%          |            | 0%        | 0            | 0%            | 1%           |
| Mthatha        | 3%           | 1%                 | 39%           | 0%   | 27%         | 0%         | 0%        | 0            | 0%            | 1%           |



The myRTF app has been created for licence-holders to track their performance through the programme, access compliance resources and communicate with important stakeholders. In addition, the app is used to push important notifications to licence-holders, e.g., any changes to liquor trading as a result of the COVID-19 regulations. Licence-holders are downloading and installing the app (myRTF) from the Google Play Store.

A Live Visualisation Dashboard (LVD) has been created to allow stakeholders to track real time project progress. The dashboard includes geo-compliance progress, statistical analysis, and project KPIs (<http://rtfdashBoard.sekika.co.za/>).



- Positive feedback has been received from the Licence-Holders, Liquor Forums and South African Police Services (SAPS) in support for the project. A sample of the feedback is presented below.



*DLO Mlatha from Ngqeleni SAPS reviews the rtf Emergency Contact List and is positive that it will contribute to making the outlets safer*



*rtf Facilitator Lwazi working closely with SAPS and the ECLB*



*rtf facilitator Lwandile introduces the rtf programme to Motherwell SAPS*

*Glawen Lounge recently upgraded their toilets based on their learnings from the rtf programme*

**Opportunities**

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

**4.2.4 Linking performance with budget**

| Programme                  | Budget R'000  | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 |
|----------------------------|---------------|--------------------------|--------------------------------|
| Compliance and enforcement | 23 395        | 23 858                   | (463)                          |
| <b>TOTAL</b>               | <b>23 395</b> | <b>23 858</b>            | <b>(463)</b>                   |

## 4.3 SOCIAL ACCOUNTABILITY PROGRAMME

### 4.3.1 Purpose of the programme

The Social Accountability Programme is responsible for raising awareness and educating the public on the adverse effects of alcohol consumption through Anti-Alcohol Abuse Awareness programmes. The programme is largely informed by the research studies conducted by ECLB and other organisations as well as reports that are sourced from other stakeholders (e.g. SAPS, Social Development and key NGOs) on the prevalence of excessive consumption of alcohol in some areas of the Province. Social Accountability also utilises information received from the Eastern Cape Liquor Board Inspectors who interact with various communities during inspections and identify some areas that require urgent intervention.

| KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2020/2021 FINANCIAL YEAR |   |  |                              |                              |                          |                              |   |   |   |
|---|---|--|------------------------------|------------------------------|--------------------------|------------------------------|---|---|---|
| Outcome   | Output  | Output Indicator   | Actual Achievement 2018/2019 | Actual Achievement 2019/2020 | Planned Target 2020/2021 | Actual Achievement 2020/2021 | Deviation from planned target to Actual Achievement for 2020/2021 | Comment on deviations   | Reasons for revisions to the Outputs / Output indicators / Annual Targets                                   |
| Reduction in alcohol abuse and behavioural change towards alcohol consumption     | Informed and educated communities on dangers of alcohol abuse | Number of awareness interventions conducted              | 174                          | 160                          | 95                       | 291                          | 196   | The overachievement is due to enhanced stakeholder collaboration and more interventions implemented to enforce strict adherence to COVID-19 health protocols by liquor traders and their patrons. | The output indicator was reduced from 180 to 95 due to budget reallocation and COVID-19 implications        |
|   |   | Number of social responsibility interventions conducted  | 11                           | 8                            | 8                        | 8                            | None  | None  | The output indicator was reduced from 10 to 8 due to budget reallocation and COVID-19 implications          |
|   |   | Number of people reached through awareness interventions | 55 947                       | 56 000                       | 29 000                   | 42 987                       | 13 987  | More number of people were reached due to enhanced stakeholder collaboration and more interventions implemented to enforce strict adherence to COVID-19 health protocols                          | The output indicator was reduced from 60 000 to 29 000 due to budget reallocation and COVID-19 implications |

| KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2020/2021 FINANCIAL YEAR |        |                  |                              |                              |                          |                              |   |                                     |   |
|---|--------|------------------|------------------------------|------------------------------|--------------------------|------------------------------|---|-------------------------------------|---|
| Outcome   | Output | Output Indicator | Actual Achievement 2018/2019 | Actual Achievement 2019/2020 | Planned Target 2020/2021 | Actual Achievement 2020/2021 | Deviation from planned target to Actual Achievement for 2020/2021 | Comment on deviations               | Reasons for revisions to the Outputs / Output indicators / Annual Targets |
|   |        |                  |                              |                              |                          |                              |   | by liquor traders and their patrons |   |

**4.3.2 Programme performance**

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

**4.3.2.1 Number of awareness programmes conducted**

- A total of 291 intervention initiatives were conducted in the period under review. The table below illustrates the main focus areas (with the target audience) that underpinned Social Accountability awareness and education intervention initiatives, and a detailed performance on each of these focus areas is provided in the succeeding sections.
- In the period under review, a total of 42 987 people were reached with the anti-alcohol abuse education and awareness programmes. This number exceeded the annual target of 29 000 for the year under review due to enhanced stakeholder collaboration and more interventions implemented to enforce strict adherence to COVID-19 health protocols by liquor traders and their patrons.



*Focus areas and target audience for education and awareness interventions*

**4.3.2.1.1 Underage drinking interventions**

- In the main, underage drinking initiatives focused on schools as majority of underage people are found within the school setting. Reports that show a rapid increase in the rate of alcohol consumption among the underage people, particularly those that are within the basic education schooling system.
- Various underage drinking school-based campaigns were conducted in various district municipalities, and these interventions included institution of higher learning-based intervention initiatives in the Eastern Cape. The table below illustrates the awareness campaigns, message, and audience:

| Focus Area                                | Target Audience     | Message   | Area  |
|---|---------------------|---|---|
| Underage drinking/responsible consumption | In-school youth     | #NoToUnderageDrinking<br>#SmartChoice<br><i>"Booze is not for learners"</i>             | OR Tambo DM, Joe Gqabi DM, & Buffalo City, Nelson Mandela Bay Metro, Amathole DM, OR Tambo DM and Sarah Baartman DM |
|   |                     | In partnership with SAB AB-InBev, ECLB also facilitated school-based motivational talks | Nelson Mandela Metro Bay Municipality   |
|   | University students | <i>Responsible drinking</i><br><i>"Sober mind, bright future"</i>                       | WSU Mthatha Campus (OR Tambo DM)  |



#### 4.3.2.1.2 Foetal alcohol Syndrome (FAS)

- Due to COVID-19 outbreak, ECLB could not visit Ante-natal health facilities to roll out its FAS intervention programme. However, it utilised various multi-media platforms – including outdoor advertising, radio slots, newspaper adverts and public transport advertising – to relay messages on FAS in the Province.
- The table below illustrates the awareness campaigns, message, and audience:

| Focus Area                    | Target Audience  | Message   | Area                                |
|-------------------------------|--|---|-------------------------------------|
| Foetal alcohol Syndrome (FAS) | Pregnant women and spouses<br>Members of the community | <i>#AlcoholFreePregnancies</i><br><i>#FASfreeBabies</i> | Umhlobo Wenene Fm,<br>TruFM, SA Fm, |

#### 4.3.2.1.3 Community- based intervention initiatives:

- In the period under review, community-based interventions were conducted with a view to educate communities on the dangers of excessive consumption of alcohol, including responsible trading and drinking, and drunken driving.
- Subsequent to the rapid outbreak of COVID-19, many liquor traders were reported to be the super spreaders of the pandemic and there was a need for a concerted effort to raise awareness among liquor traders on the significance of adhering to COVID-19 health protocols. Henceforth, conceptualised and implemented education and awareness intervention initiatives targeting liquor outlets.
- As part of the community engagement sessions, three outreach campaigns were conducted in partnership with the Eastern Cape Gambling Board in Qonce, and the aim was to address alcohol abuse by promoting recreational activities such as sports.

| Focus Area                               | Target Audience  | Message   | Area  |
|--|--|---|---|
| Community-Based intervention initiatives | Liquor Traders, Farm workers, workplace employees and the members of the community | Gender-based violence, Lockdown regulations, FAS & Responsible drinking and trading<br><br><i>#SelaWisely</i><br><i>#ResponsibleDrinkingChoices</i> | Buffalo City Metro, Sara Baartman DM, Nelson Mandela Metro, Joe Gqabi, Amathole and OR Tambo DM |

- ECLB also conducted a community outreach, which was intended to raise awareness on the scourge of alcohol abuse and Gender-based Violence (GBV) in the area. Community members were empowered with information on how to use alcohol responsibly to reduce cases of GBV, but also on how to play a meaningful role in the issuing out of a liquor license.

| Focus Area                  | Target Audience   | Message   | Area              |
|-----------------------------|-------------------|---|-------------------|
| Gender Based Violence (GBV) | Community Members | <i>#UniteAgainstGBV</i><br><br>Responsible drinking<br>In partnership with Commission for Gender equality, SAPS, IPID, King Sabata Dalidyebo Municipality | Qokolweni Village |

#### 4.3.2.1.4 Drunk Driving awareness campaign

- Reports attribute majority of road accidents to the excessive consumption of alcohol and data received from the Road Accident Fund (RAF) indicate that alcohol abuse is one of the main contributing factors to road fatalities in the Eastern Cape. ECLB in partnership with other stakeholders embarked on the following road safety intervention initiatives:

| Focus Area              | Target Audience                       | Message  | Area   |
|-------------------------|---------------------------------------|--|--|
| Drunk awareness Driving | Taxi drivers, Motorists & Pedestrians | <i>Rethink your third drink, under the influence or alcohol? Under arrest.</i> | Nelson Mandela Bay Metro Municipality: Taxi Rank Activation at Njoli Taxi Rank and Roadblock at GqeberhaSettlers Way |

|  |  |  |  |
|--|--|--|--|
|  |  | <i>Not the Best mix, do not drink and drive</i>  |  |
|  |  | <i>Better to arrive sober and late than never</i>  |  |
|  |  | Adherence to Lockdown regulations  |  |
|  |  | In partnership with SAB-InBev, NMB traffic law enforcement agencies, Provincial Road Safety and municipality |  |

**4.3.2.2 Number of social responsibility interventions conducted**

- A study commissioned by Socio-economic research that the Eastern Cape Liquor Board shows that people reported that the main reason for consuming alcohol was boredom. This clearly suggests that many people, especially young people, indulge in alcohol due to limited socio-economic activities in their communities. Furthermore, due COVID-19 that affected communities in more than one way, especially as it pertained to job losses and provide support to benefit communities, especially the vulnerable groups.

| Focus Area            | Target Audience  | Message   | Area  |
|-----------------------|--|---|---|
| Social Responsibility | People living with disabilities, Community members & In-School youth | Promoting economic activity to reduce alcohol abuse among the vulnerable groups in society.<br><br>To promote social wellness for vulnerable groups (Children living with disabilities) | Sivenathi Centre for children living with disabilities.<br><br>Philani Centre for people living with disabilities |
|                       | School girl child  | "Girl Children do not miss classes because they cannot afford sanitary towels"  | King Willaim's Town, Stutterheim  |
|                       | Youth in Sport   | To fight alcohol abuse through sport among young people   | Buffalo City Metro (Tamara)   |



The ECLB hands over chicken feed for Philani centre project for people living with disabilities.

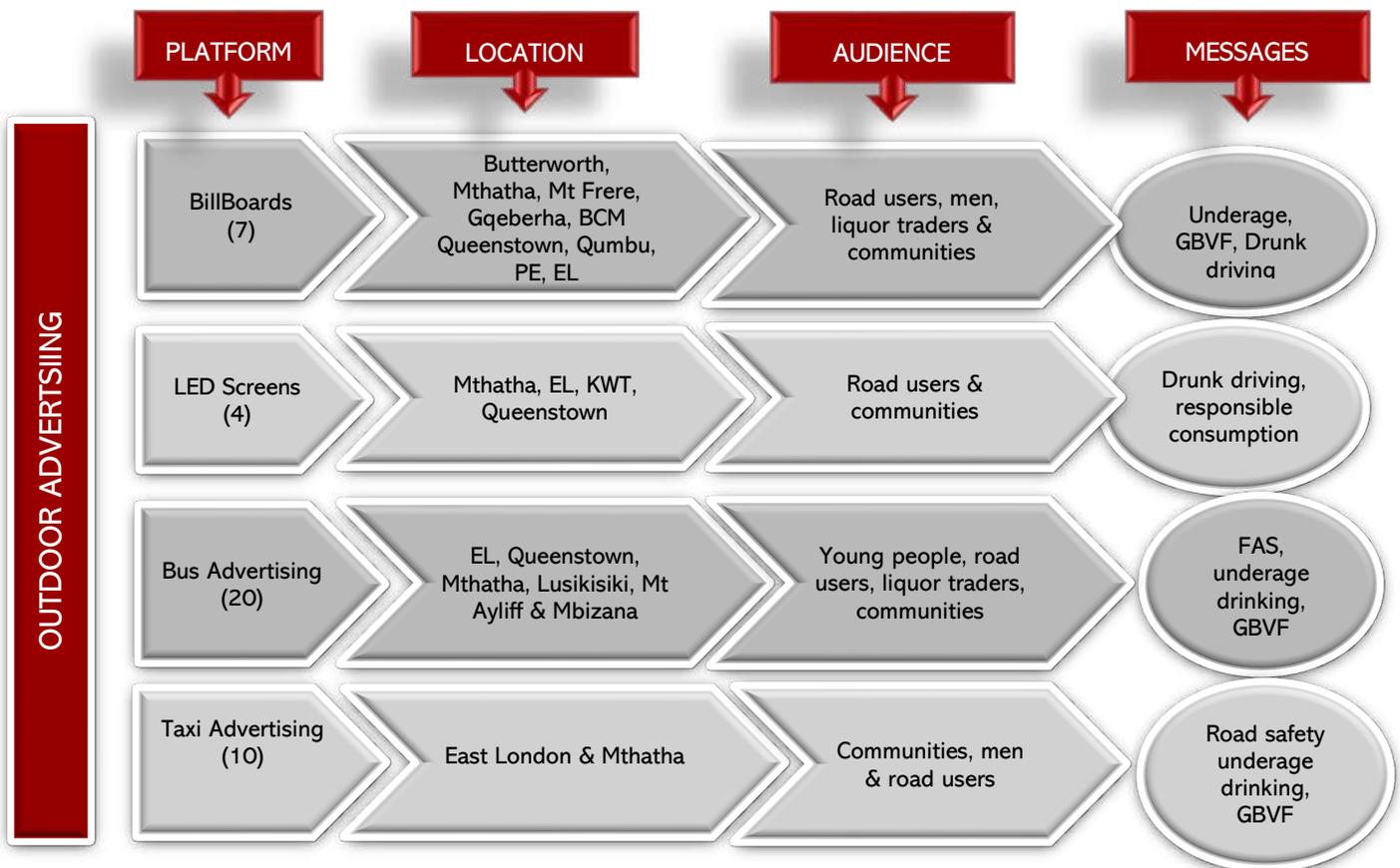
**4.3.2.3 Multi-media engagements**

In the wake of COVID-19 lockdown, Social Accountability was restricted to carry out its normal community education and awareness programme due to the prohibition of public gatherings imposed by the lockdown regulations. Therefore, it became imperative that an alternative approach was adopted to continue to convey messages on responsible alcohol consumption, and in this regard, a multimedia campaign programme was conceptualised and implemented.

The entity embarked on an extensive multi-media campaign to heighten messaging on responsible trading and alcohol consumption. The multi-media campaign was also intended to intensify messaging in the significance of adhering to COVID-19 health protocols, especially by liquor traders and members of community that are serviced by the same liquor outlets.

**4.3.2.3.1 Outdoor advertising**

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





The picture above shows one of the buses that carries the campaign



The picture above shows taxi that travels between East London and other towns such as Gqeberha and Alice.

**4.3.2.3.2 Radio, print media & social media campaign:**

As part of multi-media campaign, Social Accountability embarked on a concerted effort to mobilise various media platforms with a view to intensify its messages to its various audiences. Media campaigns included both mainstream and community media campaigns through advertising and interviews. Various multi-media avenues served as crucial strategic to convey ECLB messages on responsible alcohol consumption and strict adherence to the COVID-19 health protocols. The table below provides a breakdown of media reach:

| Type of media                        | Platform   | Message  | Target audiences                                 | Readership / Listenership  |
|--------------------------------------|--|--|--|--|
| Mainstream Print media               | Daily dispatch   | Gender-based violence, Lockdown Regulations & Drunk Driving              | Men, liquor traders, communities, and road users | 251 000  |
|                                      | Herald   | Drunk driving, FAS & Lockdown Regulations                                | Road users, Women, liquor traders & communities  | 220 000  |
| Mainstream Electronic media          | Umhlobo Wenene, TruFM, & SAFM  | Gender-based violence, Lockdown Regulations & Drunk Driving              | Men, liquor traders, communities, and road users | UWFM = 5,8 Million<br>TruFM = 203,000<br>SA FM = 200 000<br>SABC TOTAL = 6, 2 million per campaign |
| Community Media – electronic (Radio) | Kumkani, Fort Hare, Alfred Nzo, Nkqubela FM, Sajonisi Youth, Vukani, UCR, Nkonjane | Gender-based violence, adherence to Lockdown Regulations & Drunk Driving | Men, liquor traders, communities, and road users | Listenership for the total number of community radio stations utilized is 270 000 per campaign     |

#### 4.3.2.3.3 Social Media:

In the period under review, Social Accountability utilised its social media platforms (Twitter & Facebook) to communicate its messages on responsible alcohol consumption, adherence to the COVID-19 health protocols and more importantly profiling ECLB mandate and programmes. Following the social media influencer campaign, ECLB social media platforms, such as Twitter and Facebook experienced an exponential growth of followers especially among young people in the Province, who were also targeted with anti-alcohol abuse messages.

| Type of Media | Target Audience    | Message   | Social Media Growth  |
|---------------|--------------------|---|--|
| Facebook      | Social Media Users | Week 1- Responsible drinking and trading and Drunk driving<br>Week 2- Foetal Alcohol Syndrome -Adherence to COVID-19 regulations<br>Week 3- Underage drinking | Estimate of 1500 followers gained over the social media awareness campaign |

#### 4.3.2.3.4 Stakeholder engagement

Due to the Pandemic, Social Accountability had a limited access and collaboration with stakeholders as the lockdown restricted movement in the country, and more often many stakeholders had to work from home and made it difficult to continue to work on various initiatives. However, Social Accountability made an effort to mobilise stakeholder partnerships in the period under review in order to enhance its capacity to reduce the scourge of alcohol abuse. The table below illustrates a list of stakeholders that have collaborated with Social Accountability in various initiatives during this financial year, especially in an endeavour to quell the impact of COVID-19 from the point of view of liquor industry and communities:

| Stakeholder   | Area of collaboration   | Engagement status   |
|---|---|---|
| Provincial sector departments (Departments of Health, Education, Social Development, Safety & Liaison, Transport, Gambling Board, Municipalities) | Alcohol harm reduction, establishment of anti-alcohol and substance abuse forums and research             | Collaborated on all anti-alcohol abuse programmes, especially at the district level where majority of sector departments are represented. Social Accountability received support from majority of stakeholders that are particularly based in the districts.                          |
| SANCA, NICRO, FAMSA, Masimanyane and Provincial AIDS Council  | Fight against the abuse of alcohol with special focus on FAS, GBV and HIV/AIDS-alcohol related challenges | Collaborated on programmes that sought to fight the abuse of alcohol, especially among women and young people who are prone to the scourge of alcohol abuse.  |
| Shoprite Checkers   | Underage drinking   | Shoprite Checkers has continued to support ECLB's school-based activities, focusing more on school-based activities such as debate, drama and sport in schools. However, the underage programme was disrupted by the outbreak of the COVID-19.  |
| SAB   | Responsible liquor consumption & Research   | ECLB and SAB collaborated on various community-based programmes, particularly cooperatives that seek to economically empower communities. Supported with the provision of PPEs to liquor outlets to prevent the rapid spread of COVID-19  |
| Heineken  | FAS, underage drinking and responsible trading  | Heineken has continued to collaborate with ECLB on the harm reduction initiatives, however, the implementation of the programme was disrupted by the Pandemic.  |
| Distell   | Responsible alcohol consumption education, and FAS  | Collaborated with ECLB on research and FAS education campaigns. Distell has funded research project to the tune of R2 million on the prevalence of alcohol consumption among women during pregnancy in the Buffalo City, an amount of R680 00 towards the liquor traders' empowerment |

| Stakeholder   | Area of collaboration  | Engagement status  |
|---|--|--|
|   |  | programme. Research has however been concluded.  |
| Institutions of Higher Learning (more institutions such as WSU & Fort Hare to be engaged in the new financial year) | Research   | The partnership with various institutions of higher learning in the Province has been formalized through the signing of the MoUs. This has ensured collaboration on research to ensure ECLB has reliable source of scientific data and where possible research initiatives are commissioned. ECLB is still consulting with other stakeholders for the funding of the research project. |
| Aware!org   | Underage drinking, liquor traders' development and responsible consumption of alcohol  | Aware!org has continued to implement Liquor Traders' Facilitation Programme. Aware!org has also supported liquor traders with PPEs to ensure that they adhere to the COVID-19 health protocols   |
| Eastern Cape Liquor Traders' Associations   | Reducing alcohol harm and promoting responsible consumption and trading                | Various liquor traders' associations have collaborated with Social Accountability alcohol harm reduction initiatives   |
| Traditional authorities   | Responsible alcohol consumption, underage drinking, compliance with trading conditions | Social Accountability has continued to mobilise partnership with various traditional authorities in the Province to collaborate on harm reduction initiatives in their respective areas.   |
| Council of Churches   | Responsible alcohol consumption, compliance, and enforcement                           | Various churches have collaborated with Social Accountability in fighting the scourge of alcohol abuse.  |

#### 4.3.3 Research initiatives

In the period under review two data sources have been secured, and they include the following:

- Research on the alcohol use during pregnancy in the Eastern Cape within the Buffalo City Municipality was completed, and subsequently the report issued. The study has revealed interesting trends. For example, it shows that while two-thirds of the women sampled reported not drinking, of those who did report drinking, many drank at harmful or hazardous levels. One of the recommendations of the study is that further research would be needed to ascertain which of these explanations holds.
- There is however a need for more research on the social impact and dynamism of the liquor industry in the Eastern Cape in order to meaningfully inform various Entity's intervention initiatives and programmes in general.

#### 4.3.4 Strategy to overcome areas of under performance

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

#### 4.3.5 Changes to planned targets

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

#### 4.3.6 Linking performance with budget

| Programme             | Budget<br>R'000 | Actual Expenditure<br>R'000 | (Over)/Under Expenditure<br>R'000 |
|-----------------------|-----------------|-----------------------------|-----------------------------------|
| Social Accountability | 9 597           | 7 939                       | 1 658                             |
| <b>TOTAL</b>          | <b>9 597</b>    | <b>7 939</b>                | <b>1 658</b>                      |

## 4.4 BUSINESS SUPPORT PROGRAMME

### 4.4.1 Purpose of the programme

The purpose of this programme is to provide administrative and management support services to the organisation including the Board of Directors, to ensure that entity's mandate is executed, achieved and reported accordingly.

Business support programme is constituted by the following sub programmes - Finance, Corporate Services, ICT and the Office of the CEO.

### 4.4.2 FINANCE

#### 4.4.2.1 Purpose of the programme

To ensure an effective, efficient and transparent system of financial management as well as establish, maintain and enhance appropriate organisational systems to fulfill the Board's procurement, asset management reporting and accountability responsibilities.

| KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2020/21 FINANCIAL YEAR |  |                  |   |                              |                          |                              |   |                       |   |
|---|--|------------------|---|------------------------------|--------------------------|------------------------------|---|-----------------------|---|
| Outcome   | Output   | Output Indicator | Actual Achievement 2018/2019            | Actual Achievement 2019/2020 | Planned Target 2020/2021 | Actual Achievement 2020/2021 | Deviation from planned target to Actual Achievement for 2020/2021 | Comment on deviations | Reasons for revisions to the Outputs / Output indicators / Annual Targets |
| Good corporate governance   | Improved adherence with corporate governance standards and government prescripts | Audit outcome    | Unqualified audit opinion with findings | Unqualified audit opinion    | Clean audit (2019/20)    | Clean audit (2019/20)        | -   | -                     | N/A   |

#### 4.4.2.2 Programme performance

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

#### 4.4.2.3 Strategy to overcome areas of under performance

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

#### 4.4.2.4 Changes to planned targets

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

#### 4.4.2.5 Linking performance with budget

| Programme           | Budget R'000  | Actual Expenditure R'000 | (Over)/Under Expenditure R'000 |
|---------------------|---------------|--------------------------|--------------------------------|
| Finance             | 11 807        | 11 391                   | 416                            |
| Capital expenditure | 2 073         | 850                      | 1 223                          |
| <b>TOTAL</b>        | <b>13 880</b> | <b>12 241</b>            | <b>1 639</b>                   |

#### 4.4.3 CORPORATE SERVICES

##### 4.4.3.1 Purpose of the programme

The Corporate Services Programme provides operational support to the entity. The core functions of this programme include the following: - Human Resources, Corporate Administration and Supply Chain Management.

| KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2020/21 FINANCIAL YEAR |  |   |                              |                              |                          |                              |   |                      |  |
|---|--|---|------------------------------|------------------------------|--------------------------|------------------------------|---|----------------------|--|
| Outcome   | Output   | Output Indicator  | Actual Achievement 2018/2019 | Actual Achievement 2019/2020 | Planned Target 2020/2021 | Actual Achievement 2020/2021 | Deviation from planned target to Actual Achievement for 2020/2021 | Comment on deviation | Reasons for revisions to the Outputs / Output indicators / Annual Targets  |
| Good corporate governance   | Improved adherence with corporate governance standards and government prescripts | Percentage of employees contracted and reviewed performance | 100%                         | 100%                         | 100%                     | 100%                         | None  | None                 | N/A  |
|   |  | Percentage implementation of the Skills development plan    | 8                            | 2                            | 50%                      | 50%                          | None  | None                 | The output indicator was revised from a number to %. The output indicator was reduced from 90% to 50% due to budget reallocation and COVID-19 implications |
|   |  | Percentage spent on Eastern Cape SMME's -                   | -                            | 53,5%                        | 40%                      | 42%                          | None  | None                 | The output indicator was reduced from 50% to 40% due to budget reallocation and COVID-19 implications  |

*NB. The targets for some indicators were changed from numbers to percentage to ensure that they are SMART.*

##### 4.4.3.2 Programme performance

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

###### 4.4.3.2.1 Performance Management

- All employees contracted and also submitted the financial disclosures for 2020/21 financial year.
- Half-year performance reviews conducted, and all the employees were assessed.
- Performance agreements and the financial disclosures for all the employees were submitted for 2021/22.

###### 4.4.3.2.2 Skills Development

- Skill development plan for 2020/21 approved.
- 10 staff members were trained on Pastel Evolution (CFO, Accountant, Bookkeeper, Cost Analyst, 2 SCM Officers and 4 Personal Assistants).
- 2 staff members attended a training on Labour Relations (Arbitration processes), HR Manager and Legal Officer.

- Workshop on Corporate Services policies conducted to all ECLB staff including those in the District offices including Code of Conduct, Confidentiality and PMDS.
- Training on MS 365 Office was conducted for all the ECLB staff members.
- Personal Assistant Masterclass was conducted for all the Personal Assistants.

#### 4.4.3.2.3 Employee Health Wellness

- Provision of PPE to all staff members of ECLB.
- Sanitization and disinfecting all the ECLB offices.
- Implementation of Health and Safety COVID-19 control measures in all ECLB offices.
- Establishment of Compliance Committee and appointment of Compliance Committee Members.
- Employee Health, Safety and Wellness programme developed.
- COVID-19 Awareness/ Educational Virtual Session Conducted by the Epidemiologist for all the ECLB staff members including those in District Offices.
- In commemoration of Women's month, ECLB placed an advertorial in the Daily Dispatch celebrating all the women in the organization's leadership.
- Commemorated HIV and AIDS day virtually
- HIV and AIDS and COVID-19 virtual awareness and educational programme conducted in collaboration with EC Department of Health for all the ECLB employees including those in the District Offices.

#### 4.4.3.2.4 Supply Chain Management

- No irregular procurement transactions had been identified in 2020/21 financial year.
- Deviation register has been updated for period of reporting.
- All procurement processes had been followed for the transactions of the reporting period.
- The contracts register has been updated for the period of reporting.
- Checklist is used for all the procurement done in 2020/21 financial year.
- Budget report has been attached to all the transactions for 2020/21 financial year.
- All the suppliers have completed the SBD 4 forms.
- Procurement done through service providers registered in the Central Supplier Database
- Quotation register is updated for the period of reporting.

#### 4.4.3.3 Strategy to overcome areas of under performance

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

#### 4.4.3.4 Changes to planned targets

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

#### 4.4.3.5 Linking performance with budget

| Programme          | Budget<br>R'000 | Actual Expenditure<br>R'000 | (Over)/Under Expenditure<br>R'000 |
|--------------------|-----------------|-----------------------------|-----------------------------------|
| Corporate Services | 7 764           | 7 984                       | (220)                             |
| <b>TOTAL</b>       | <b>7 764</b>    | <b>7 984</b>                | <b>(220)</b>                      |

#### 4.4.4 INFORMATION COMMUNICATION AND TECHNOLOGY

##### 4.4.4.1 Purpose of the programme

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

| KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2020/21 FINANCIAL YEAR |  |                                      |                              |                              |                          |                              |   |                       |   |
|---|--|--------------------------------------|------------------------------|------------------------------|--------------------------|------------------------------|---|-----------------------|---|
| Outcome   | Output   | Output Indicator                     | Actual Achievement 2018/2019 | Actual Achievement 2019/2020 | Planned Target 2020/2021 | Actual Achievement 2020/2021 | Deviation from planned target to Actual Achievement for 2020/2021 | Comment on deviations | Reasons for revisions to the Outputs / Output indicators / Annual Targets |
| Good corporate governance   | Improved adherence with corporate governance standards and government prescripts | ICT Governance Framework implemented | Maturity level 3             | Maturity level 3             | Maturity level 3         | Maturity level 3             | None  | None -                | N/A   |

##### 4.4.4.2 Programme performance

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

##### 4.4.4.2.1 ICT Infrastructure Support

- Maintenance and Administration of ICT Infrastructure (Network, desktop, servers)
- Modernisation of ICT infrastructure to support business process.

##### 4.4.4.2.2 ICT Governance and Strategy

- Compliance with Control Objectives for Information and Related Technology (COBIT)R
- Implementation of ICT Governance (Formulation of ICT Steering Committee, Appointment of ICT Governance Champion)
- ICT Strategic Plan reviewed and approved. Implementation in progress.
- ICT Governance Policy and DRP implemented. Monitoring in progress.
- Migration of Office365.
- Office 365 User Training took place.
- Alternative backup energy source (generator) procured.
- Computing equipment procured.
- ICT District visits on-going.

##### 4.4.4.3 Strategy to overcome areas of under performance

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

##### 4.4.4.4 Changes to planned targets

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

#### 4.4.4.5 Linking performance with budget

| Programme                                | Budget<br>R'000 | Actual Expenditure<br>R'000 | (Over)/Under Expenditure<br>R'000 |
|--|-----------------|-----------------------------|-----------------------------------|
| Information Communication and Technology | 3 318           | 2 990                       | 328                               |
| <b>TOTAL</b>                             | <b>3 318</b>    | <b>2 990</b>                | <b>328</b>                        |

#### 4.4.5 OFFICE OF THE CEO

##### 4.4.5.1 Purpose of the programme

The Office of the CEO provides strategic leadership to the entity and handles all the matter of the Board and its Committees.

| KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2019/20 FINANCIAL YEAR |  |                                  |                                     |                                     |                                 |                                     |  |                             |   |
|---|--|----------------------------------|-------------------------------------|-------------------------------------|---------------------------------|-------------------------------------|--|-----------------------------|---|
| Outcome   | Output   | Output Indicator                 | Actual Achievement<br>2018/<br>2019 | Actual Achievement<br>2019/<br>2020 | Planned Target<br>2020/<br>2021 | Actual Achievement<br>2020/<br>2021 | Deviation<br>from planned<br>target to<br>Actual<br>Achievement<br>for 2020/<br>2021 | Comment<br>on<br>deviations | Reasons for<br>revisions to the<br>Outputs / Output<br>indicators /<br>Annual Targets                 |
| Good corporate governance   | Improved adherence with corporate governance standards and government prescripts | Organizational performance index | 95%                                 | 80%                                 | 75%                             | 83%                                 | None   | None                        | The output indicator was reduced from 85% to 75% due to budget reallocation and COVID-19 implications |

##### 4.4.5.2 Programme performance

- The entity has achieved 83% of its planned targets for the year. The organisation performance for the year under review has declined compared 90% last year, the decline is due to the outbreak of the COVID-19 pandemic.
- Performance was monitored and evaluated on a quarterly basis.
- All quarterly reports were audited by the Internal Audit.
- The Strategic Plan 2020-24 and Annual Performance Plan 2021/22 was prepared and submitted timeously.
- All the policies were reviewed and workshops for employees conducted.

##### 4.4.5.3 Strategy to overcome areas of underperformance.

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

##### 4.4.5.4 Changes to planned targets

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

##### 4.4.5.5 Linking performance with budget

| Programme         | Budget<br>R'000 | Actual Expenditure<br>R'000 | (Over)/Under Expenditure<br>R'000 |
|-------------------|-----------------|-----------------------------|-----------------------------------|
| Office of the CEO | 7 065           | 6 446                       | 619                               |
| <b>TOTAL</b>      | <b>7 065</b>    | <b>6 446</b>                | <b>619</b>                        |

#### 4.5 REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

The entity implemented a number of programmes and provided PPE to different communities including schools, taverns and roadblocks in response to the COVID-19 pandemic. The table below provides a summary on the Institutional Response to the COVID-19 Pandemic.

| Focus Area     | Target Audience  | Message                                     | Area   | Achieved   |
|----------------|--|---|--|--|
| COVID-19 (PPE) | People living with disabilities, Community members, In-School youth & Liquor traders | Promoting adherence to COVID-19 regulations | Joe Gqabi DM, Amathole DM, OR Tambo DM, Nelson Mandela Bay Metro | 4 152 in taverns, Roadblocks, People living with disabilities, Community members, In-School youth & Liquor traders |

## 5. SUMMARY OF FINANCIAL INFORMATION

### 5.1 REVENUE COLLECTION

Revenue reflected below represents licence fees due and paid in the process of issuing licences from 01 April 2020 to 31 March 2021. No change in the fee structure was effected in the 2020/21 financial year. All revenue generated in the process of issuing licences is paid to the Provincial Revenue Fund through DEDEAT.

| ACCOUNT | REVENUE STATS                 | RATE  | Q1           | Q2             | Q3               | JAN              | FEB              | MARCH          | Q4               | TOTAL             |
|---------|-------------------------------|-------|--------------|----------------|------------------|------------------|------------------|----------------|------------------|-------------------|
| 1006    | APP – COPY OF REGISTRATION    | 250   | 250          | 1 250          | 1 750            | 500              | 750              | 500            | 1 750            | 5 000             |
| 1002    | APP - REGISTRATION            | 2 500 |              | 197 500        | 437 850          | 31 500           | 63 000           | 137 500        | 232 000          | 867 350           |
|         |                               |       |              |                | -                |                  |                  |                | -                | -                 |
| 1003    | APP - CONTROLLING INTEREST    | 500   |              |                | 500              |                  |                  |                | -                | 500               |
| 1004    | APP - TRANSFER                | 750   |              | 17 250         | 33 000           | 4 500            | 4 500            | 10 050         | 19 050           | 69 300            |
| 1005    | APP - REMOVAL                 | 750   |              |                | 1 500            | 750              | 1 500            | 750            | 3 000            | 4 500             |
| 1007    | LODGEMENT OF APPEAL           | 750   |              |                | 750              |                  |                  |                | -                | 750               |
| 1101    | NEW REGISTRATION Sec 20(a)    | 5 000 |              | 35 000         | 87 500           | 35 500           | 35 000           | 25 000         | 95 500           | 218 000           |
| 1104    | NEW REGISTRATION Sec 20(b)    | 8 000 |              | 48 000         | 62 000           | 13 000           | 56 000           | 24 000         | 93 000           | 203 000           |
| 1107    | NEW REGISTRATION Sec 20(c)    | 2 000 | 2 000        | 115 000        | 127 000          | 39 000           | 64 000           | 30 000         | 133 000          | 377 000           |
| 1110    | NEW REGISTRATION Sec 20(d)    | 1 000 |              | -              | 1 000            |                  |                  |                | -                | 1 000             |
| 1102    | TRANSFER/REMOVAL Sec 20(a)    | 1 250 |              | 10 000         | 6 250            | 2 500            | 2 500            |                | 5 000            | 21 250            |
| 1105    | TRANSFER/REMOVAL Sec 20(b)    | 1 000 |              | 100            | 5 900            | 1 000            | 2 000            | 1 000          | 4 000            | 10 000            |
| 1108    | TRANSFER/REMOVAL Sec 20(c)    | 1 000 | 1 000        | 11 900         | 12 100           | 3 500            | 6 000            | 3 000          | 12 500           | 37 500            |
| 1103    | ANNUAL LICENCE Sec 20 (a)     | 2 500 |              | -              | 1 565 500        | 518 500          | 213 750          | 64 000         | 796 250          | 2 361 750         |
| 1106    | ANNUAL LICENCE Sec 20 (b)     | 3 000 |              | 33 000         | 2 133 180        | 718 490          | 91 000           | 121 700        | 931 190          | 3 097 370         |
| 1109    | ANNUAL LICENCE Sec 20 (c)     | 2 500 |              | 107 360        | 3 805 550        | 3 486 950        | 479 650          | 371 860        | 4 338 460        | 8 251 370         |
|         | <b>TOTAL REVENUE RECEIVED</b> |       | <b>3 250</b> | <b>576 360</b> | <b>8 281 330</b> | <b>4 855 690</b> | <b>1 019 650</b> | <b>789 360</b> | <b>6 664 700</b> | <b>15 525 640</b> |

### 5.2 OVERALL EXPENDITURE

The entity spent R68 083 000 in the achievement of its mandate for the 2020/21 financial year. The entity is within its budget allocation for the year as it has implemented cost containment measures per Treasury instructions.

#### 5.2.1 Expenditure by economic classification

| EXPENDITURE BY ECONOMIC CLASSIFICATION | R'000              |               |               |
|--|--------------------|---------------|---------------|
|  | ACTUAL EXPENDITURE | BUDGET        | ACTUAL %      |
| COMPENSATION OF EMPLOYEES              | 43 220             | 45 589        | 95.0%         |
| GOODS AND SERVICES                     | 23 383             | 23 558        | 99.0%         |
| PAYMENTS CURRENT                       | 67 233             | 69 560        | 97.0%         |
| CAPITAL EXPENSES                       | 850                | 2 073         | 41.0%         |
| <b>TOTAL PAYMENTS</b>                  | <b>68 083</b>      | <b>71 633</b> | <b>95.0%</b>  |
| <b>TRANSFERS RECEIVED FROM DEDEAT</b>  | <b>71 633</b>      | <b>71 633</b> | <b>100.0%</b> |

**5.2.2 Expenditure by programme**

| PROGRAMME NAME             | R'000        |                    |                   |
|----------------------------|--------------|--------------------|-------------------|
|                            | BUDGET       | ACTUAL EXPENDITURE | UNDER EXPENDITURE |
| Licencing                  | 6 614        | <b>6 625</b>       | <b>(11)</b>       |
| Compliance and Enforcement | 23 395       | <b>23 858</b>      | <b>(463)</b>      |
| Social Accountability      | 9 597        | <b>7 939</b>       | 1658              |
| Finance                    | 13 880       | 12 241             | 416               |
| Corporate Services         | 7 764        | <b>7 984</b>       | <b>(220)</b>      |
| ICT                        | 3 318        | 2 990              | 328               |
| Office of the CEO          | 7 065        | 6 446              | 619               |
| Capital expenses           | 2 073        | 850                | <b>1 223</b>      |
| <b>TOTAL</b>               | <b>71633</b> | <b>68 083</b>      | <b>3 550</b>      |



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# GOVERNANCE

# PART C

## 1. INTRODUCTION

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

Parliament, the Executive, and the Accounting Authority of the public entity are responsible for corporate governance.

## 2. PORTFOLIO COMMITTEES

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

- Presentation of the 2021/22 Annual Performance Plan and Budget of the ECLB
- Presentation of the Revised 2021-2024 Annual Performance Plan
- Consideration of the 2019/20 Annual Report and 2020/21 Six months Oversight Report

## 3. EXECUTIVE AUTHORITY

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

| NO | DATE            | REPORTS SUBMITTED TO THE EXECUTIVE AUTHORITY                           |
|----|-----------------|--|
| 1  | 20 July 2020    | 2020/21 First Quarter Financial and Performance Report                 |
| 2  | 31 August 2020  | 2019/20 Annual Report, including Annual Financial Statements           |
| 3  | 20 October 2020 | 2020/21 Second Quarter Financial and Performance Report                |
| 4  | 25 October 2020 | 2020/21 Six months Oversight Report and Performance Information Report |
| 5  | 20 January 2021 | 2020/21 Third Quarter Financial and Performance Report                 |
| 6  | 09 March 2021   | 2021/24 Annual Performance Plan  |
| 7  | 20 April 2021   | 2020/21 Fourth Quarter Financial and Performance Information Report    |

## 4. THE ACCOUNTING AUTHORITY / BOARD

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

These fiduciary responsibilities involve the following responsibilities:

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

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

### 4.1 The role of the Board is as follows:

The Board is mandated to regulate the liquor establishments within the Eastern Cape, by complying with the Eastern Cape Liquor Act, Act 10 of 2003. The Board is ultimately accountable and responsible to the MEC, for DEDEAT for the Performance and affairs of the ECLB in terms of the Eastern Cape Liquor Act and the PFMA. The Board must therefore retain full and effective control over

the ECLB and must give strategic direction to the ECLB's Executive Management. The Board is also responsible for ensuring that the ECLB complies with all relevant laws, regulations and codes of business practice.

#### 4.2 Composition of the Board

The Board consists of four (4) non-executive members and one (1) executive member in an ex-officio capacity, and the Chief Executive Officer. Meetings attended by the Board Members include meetings with the Portfolio Committee and the Shareholder.

| NAME                   | DATE APPOINTED  | DESIGNATION                        | QUALIFICATIONS   |
|------------------------|---|------------------------------------|--|
| Ms N.B. Moleshe-Pakade | 26 February 2020<br>Resigned on 08 January 2021       | Board Chairperson                  | <ul style="list-style-type: none"> <li>• LLB</li> <li>• B Juris</li> <li>• Certificate in Legal Practice</li> <li>• Admitted Attorney of the High Court of South Africa</li> <li>• Post Graduate Diploma in Labour Law</li> <li>• Diploma in Project Management</li> <li>• Diploma in Management Studies</li> <li>• Diploma in Management Studies</li> </ul> |
| Mr. Z. Hewu            | 26 January 2016<br>Deceased 26 February 2020          | Board & Audit Committee Member     | <ul style="list-style-type: none"> <li>• National Diploma in Government Accounting</li> <li>• Certificate in Political Leadership</li> <li>• Certificate in Meeting Procedures</li> <li>• Certificate in Training for Town Renewal</li> </ul>  |
| Mr. M.J. Batembu       | 15 February 2018<br>Contract Expired 14 February 2021 | Board Member                       | <ul style="list-style-type: none"> <li>• Certificate in Education</li> <li>• Certificate in Computer Training</li> <li>• Certificate in Office Management</li> <li>• Certification Welding Artisan</li> </ul>  |
| Ms B. Jojo             | 26 February 2020<br>23 January 2021 – 26 March 2021   | Board Member<br>Acting Chairperson | <ul style="list-style-type: none"> <li>• Chartered Accountant SA</li> <li>• Honours BCom Accounting</li> <li>• BCom Accounting</li> </ul>  |
| Ms N. Tys              | 26 February 2020<br>26 March 2021                     | Board Member<br>Chairperson        | <ul style="list-style-type: none"> <li>• Diploma in Marketing</li> <li>• Higher Diploma in Education</li> <li>• Bachelor of Arts</li> <li>• MBA</li> <li>• Certificate in Strategy</li> <li>• Risk and Audit Compliance Certificate</li> <li>• Project Management Certificate</li> </ul>   |
| Dr M. Mboto            | 26 January 2021                                       | Board Member                       | <ul style="list-style-type: none"> <li>• D Admin</li> <li>• Masters of Public Administration</li> <li>• Bachelor of Administration</li> <li>• Post Graduate Certificate in Leadership Development Programme</li> <li>• Advanced Certificate in Area Development</li> </ul>   |
| Mr M. Gobingca         | 25 February 2021                                      | Deputy Chairperson                 | <ul style="list-style-type: none"> <li>• Bachelor of Arts</li> <li>• Postgraduate Diploma in Management</li> <li>• Management Advanced Program</li> <li>• Programme in Road Transport Management</li> <li>• Master's in Business Leadership (Pending)</li> </ul>   |
| Ms N. N. Nongogo       | 01 March 2021   | Board Member                       | <ul style="list-style-type: none"> <li>• B Juris</li> <li>• LLB</li> </ul>   |

### 4.3 Remuneration of Board members

| Name   | Remuneration      | Cell phone allowance | Travel Allowance | Total           |
|--|-------------------|----------------------|------------------|-----------------|
| Ms N.B. Moleshe- Pakade (Resigned 08 January 2021) | R 372 000         | R 13 500             | -                | R384 000        |
| Ms N. Tys (Chairperson: 26/03/2021)                | R272 000          |                      | R 46 094         | R318 094        |
| Mr. M.J. Batembu (Term ended 14/02/21)             | R255 000          | -                    |                  | R255 000        |
| Ms B. Jojo   | R330 500          | R4 500               | R48 438          | R383 438        |
| <b>TOTAL</b>                                       | <b>R1 229 500</b> | <b>R18 000</b>       | <b>R94 532</b>   | <b>R350 500</b> |

Mr Z Hewu and Dr Mboto represents the shareholder DEDEAT and was therefore reimbursed travelling expenses amounting to R11 428,90 and R4 141,20 respectively.

| Name          | Ms. Moleshe-Pakade | Mr Z. Hewu | Mr M Batembu | Ms. B. Jojo | Ms. N. Tys | Dr M. Mboto | Mr M. Gobingca | Ms. N. Nongogo |
|---------------|--------------------|------------|--------------|-------------|------------|-------------|----------------|----------------|
| 22 April 2020 | -                  | ✓          | -            | -           | -          | -           | -              | -              |
| 23 April 2020 | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 12 May 2020   | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 13 May 2020   | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 19 June 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 07 July 2020  | ✓                  | -          | -            | -           | -          | -           | -              | -              |
| 16 July 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 21 July 2020  | -                  | ✓          | -            | -           | -          | -           | -              | -              |
| 24 July 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 28 July 2020  | -                  | ✓          | -            | -           | -          | -           | -              | -              |
| 30 July 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 11 Aug 2020   | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 20 Aug 2020   | ✓                  | ✓          | -            | -           | -          | -           | -              | -              |
| 10 Sept 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 11 Sept 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 14 Sept 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 15 Sept 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 23 Sept 2020  | -                  | ✓          | -            | -           | -          | -           | -              | -              |
| 25 Sept 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 28 Sept 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 29 Sept 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 02 Oct 2020   | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 05 Oct 2020   | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 06 Oct 2020   | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 07 Oct 2020   | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 09 Nov 2020   | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 18 Nov 2020   | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |

| Name         | Ms. Moleshe-Pakade | Mr Z. Hewu | Mr M Batembu | Ms. B. Jojo | Ms. N. Tys | Dr M. Mboto | Mr M. Gobingca | Ms. N. Nongogo |
|--------------|--------------------|------------|--------------|-------------|------------|-------------|----------------|----------------|
| 19 Nov 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 25 Nov 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 26 Nov 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 27 Nov 2020  | ✓                  | ✓          | ✓            | ✓           | ✓          | -           | -              | -              |
| 17 Dec 2020  | -                  | -          | ✓            | ✓           | ✓          | -           | -              | -              |
| 18 Jan 2021  | -                  | -          | ✓            | ✓           | ✓          | -           | -              | -              |
| 19 Jan 2021  | -                  | -          | ✓            | ✓           | ✓          | -           | -              | -              |
| 22 Jan 2021  | -                  | -          | ✓            | ✓           | ✓          | -           | -              | -              |
| 25 Feb 2021  | -                  | -          | -            | ✓           | ✓          | ✓           | -              | -              |
| <b>TOTAL</b> | <b>27</b>          | <b>30</b>  | <b>29</b>    | <b>30</b>   | <b>30</b>  | <b>1</b>    |                |                |

## 5. RISK MANAGEMENT

- The entity has fully functional Audit and Risk Committees. In respect of Risk Management, the entity is guided by the Risk Framework Strategy Manual which is updated on an annual basis and approved by the Board. Risk assessment meetings for 2020/21 were held with staff, management as well as the Board. A complete risk assessment of the organisation has been performed with emerging risks being identified. Inputs from Directors, Management and staff were collated, and the risk profile was created which comprises of three risk registers, Strategic, Operational and COVID-19.
- This was then submitted to the Risk and Audit Committees before final approval by the Board. The identified risks are monitored and discussed in the Risk Management meetings. The risks identified for the year were categorized in order of priority. All the divisions on which the priority risks reside have submitted evidence of their mitigating actions in respect of the priority risks. Constant monitoring of risks take place on a monthly and quarterly basis. Risk Management within the entity has enabled mitigation of risk and in turn transmitted into improvements into the entity's performance, specifically in the attainment of performance indicators despite the harrowing COVID-19 pandemic.

## 6. INTERNAL AUDIT UNIT

Refer to Item 15-A.

## 7. INTERNAL AUDIT AND AUDIT COMMITTEES

The Internal Audit Function was outsourced for the year under review to Lunika Incorporated. The table below discloses relevant information on the Audit Committee members:

| Name                           | Qualifications  | Position in the audit committee | Date appointed | No. of Meetings attended |
|--------------------------------|---|---------------------------------|----------------|--------------------------|
| Wayne Manthe                   | <ul style="list-style-type: none"> <li>CA (SA)</li> <li>Postgraduate Diploma in Accounting</li> <li>Certificate in Theory and Practice of Auditing</li> <li>Bachelor of Commerce (majors in Accounting and Commercial Law)</li> </ul>           | Chairperson                     | 01/10/2016     | 6                        |
| Adv. Simthandile Gugwini-Peter | <ul style="list-style-type: none"> <li>LLB</li> <li>Compliance Management Programme</li> <li>Practical Legal Training</li> <li>Certificate in/for: -               <ul style="list-style-type: none"> <li>Ethics Officer</li> </ul> </li> </ul> | Deputy Chairperson              | 01/10/2016     | 5                        |

| Name            | Qualifications  | Position in the audit committee | Date appointed                           | No. of Meetings attended |
|-----------------|---|---------------------------------|--|--------------------------|
|                 | <ul style="list-style-type: none"> <li>○ Enterprise-wide Risk Management Course and Companies Secretaries</li> <li>○ Policy Development</li> <li>○ Business focused Project Management</li> </ul>   |                                 |  |                          |
| Velile Pangwa   | <ul style="list-style-type: none"> <li>● CA (SA)</li> <li>● B Comm (Hons)</li> <li>● Post graduate diploma in Financial Accounting</li> </ul>   | Member                          | 01/04/2015<br>Term Ended –<br>31/03/2021 | 4                        |
| Zola Hewu       | <ul style="list-style-type: none"> <li>● National Diploma in Government Accounting</li> <li>● Certificate in Political Leadership</li> <li>● Certificate in Meeting Procedures</li> <li>● Certificate in Training for Town Renewal</li> </ul> | Member                          | 07/03/2016<br>Deceased<br>20/12/2020     | 4                        |
| Phambili Jizana | <ul style="list-style-type: none"> <li>● ND Electronics Engineering</li> <li>● Diploma: Project Management</li> <li>● Post Grad in E-Commerce</li> <li>● M Phil IT Governance (Currently studying)</li> </ul>                                 | Member                          | 01/04/2018                               | 5                        |

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

The entity has complied with applicable laws and regulations regarding financial matters, financial management and other relevant matters. Given the gazetted Eastern Cape Liquor Authority Act 4 of 2018, the entity has provided substantial inputs into the draft regulations and forms.

## 9. FRAUD AND CORRUPTION

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

## 10. MINIMISING CONFLICT OF INTEREST

On an annual basis, all staff members, Board members and Audit Committee members are required to complete declaration of interest forms. Thus far for the 2020/21 financial year, no conflict of interest was identified.

## 11. CODE OF CONDUCT

The ECLB has a fully functional and implemented Code of Conduct Policy. For the 2020/21 financial year, no recorded cases of breach in the policy were recorded.

## 12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

Monthly inspections by Health and Safety representatives were conducted and any challenges addressed on an ongoing basis. Health and Safety Committee Meetings are held to monitor progress on reported challenges. The COVID-19 Committee was established and held meeting regularly to monitor progress, adherence and challenges.

## 13. COMPANY/BOARD SECRETARY

N/A

## 14. SOCIAL RESPONSIBILITY

Embedded within the entity's responsibilities and mandate is ensuring that the entity embarks on social responsibility as well as education and awareness campaign. Detailed report on responsible drinking and trading programmes, alcohol harm reduction initiatives, poverty alleviation projects and related are reported under page 42 of this document.

## 15. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2021.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder. In terms of section 77 of the PFMA, the Audit Committee should meet at least twice a year. During the current year 6 (six) meetings were held.

| Name of member                         | 2020/04/22 | 2020/07/21 | 2020/07/28 | 2020/09/23 | 2020/11/18 | 2021/02/17 |
|--|------------|------------|------------|------------|------------|------------|
| Wayne Manthe (Chairperson)             | Yes        | Yes        | Yes        | Yes        | Yes        | Yes        |
| Simthandile Peter (Deputy Chairperson) | Yes        | No         | Yes        | Yes        | Yes        | Yes        |
| Velile Pangwa                          | No         | Yes        | Yes        | Yes        | Yes        | No         |
| Zola Hewu                              | Yes        | Yes        | Yes        | Yes        | No         | No         |
| Phambili Jizana                        | No         | Yes        | Yes        | Yes        | Yes        | Yes        |
| Bongeka Jojo (appointed 08/04/21)      | n/a        | n/a        | n/a        | n/a        | n/a        | n/a        |
| Phumzile Zitumane (appointed 7/5/21)   | n/a        | n/a        | n/a        | n/a        | n/a        | n/a        |

### Audit committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 55(1)(a) of the PFMA and Treasury Regulation 27.1.

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

### The effectiveness of internal control

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

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Board and Management of the Eastern Cape Liquor Board during the year under review.

### Evaluation of annual financial statements and annual performance information report

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Authority for inclusion in the annual report;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes to accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;

### Internal audit

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

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

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Eastern Cape Liquor Board and its audits.

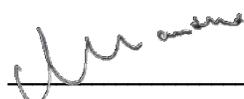
The table below reflects the audits that were conducted by the Internal Audit under the year under review:

| # | INTERNAL AUDIT PROJECT                           | TIMING OF PROJECT   | STATUS    |
|---|--|---|-----------|
| 1 | Risk Management, ethics and fraud considerations | Q3: March 2021<br>Q4: April 2021  | Completed |
| 2 | Planning, Project Administration and Reporting   | Q1: April 2020<br>Q2: July 2020<br>Q3: October 2020<br>Q4: January 2021 | Completed |
| 3 | Information Technology                           | Q3: January 2021  | Completed |
| 4 | Supply Chain Management                          | Q3: January 2021  | Completed |
| 5 | Quarterly Performance Reviews                    | Q1: July 2020<br>Q2: October 2020<br>Q3: January 2021<br>Q4: April 2021 | Completed |
| 6 | Annual Financial Statements                      | Q4: July 2020   | Completed |
| 7 | Revenue and Licencing                            | Q1: July 2020<br>Q2: October 2020<br>Q3: January 2021<br>Q4: May 2021   | Completed |
| 8 | Follow Up (internal & external)                  | Q3: January 2021  | Completed |
| 9 | Ad-Hoc: Performance Appraisal Review             | Q4: April 2021  | Completed |

#### Auditor General of South Africa

The Audit Committee as represented by the Audit Committee Chairperson has met with the Auditor General of South Africa to discuss the audit strategy. The Auditor-General has also presented the draft audit report and management report to the Audit Committee.

The audit committee accepts the Auditor-General of South Africa's report the annual financial statements and annual performance information report and are of the opinion that the audited annual financial statements and annual performance information report should be accepted and read together with the report of the Auditor-General of South Africa.



Mr W. Manthe

Chairperson of the Audit Committee

Date: 27/08/2021

## 16. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

| Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:           |                      |   |
|--|----------------------|---|
| Criteria   | Response<br>Yes / No | Discussion  |
| Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law? | No                   | The current legislation governing the regulation of liquor trading in the Eastern Cape does not provide for compliance to the BBBEE legislation as a requirement for obtaining a liquor licence.              |
| Developing and implementing a preferential procurement policy?   | Yes                  | The SCM policy has been developed in line with the Preferential Procurement Regulations and implemented in line with the regulations. Pre-qualifying criteria is used in procurement through competitive bids |
| Determining qualification criteria for the sale of state-owned enterprises?  | N/A                  |   |
| Developing criteria for entering into partnerships with the private sector?  | Yes                  | Details of engagements with the private sector have been detailed under Part B of this report.  |
| Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?                 | N/A                  |   |





# HUMAN RESOURCE MANAGEMENT

# PART D

## 1. INTRODUCTION

Human Resources Management is the strategic unit within Corporate Services Division playing a vital role of support within the organization in enhancing corporate effectiveness of the organization. Human Resources Management combines administration with management of resources.

The success of the organization relies on the skills and behaviours of the people it employs. It is the responsibility of Human Resources Management to ensure that the organization employs the best and capable employees who will be able to support it in achieving its goals. This can only be achieved if Human Resources Management develops and implement policies that are in line with the business strategies. All the recruitment processes in 2020/21 financial year were made in line with the approved human resources policies which include Recruitment and selection policy.

In adding value to the delivery of the organization's mandate, the employees were trained and developed in their areas of expertise through the proper implementation of the approved skills and development plan. All the employees entered into performance contracts with the organization by signing the performance agreements at the beginning of 2020/21 financial year.

As the employer, ECLB has a responsibility to ensure that all the employees are equipped with knowledge, practical skills, mentoring and motivation to carry-out the work-related tasks allocated to them. Through the implementation of the approved skills and development programme, trainings and workshops were conducted in this period under review.

It is also the responsibility of the employer to ensure that the workplace environment is healthy and safe. Through proper implementations of Employee Health, Safety and Wellness together with COVID-19 policies, the workplace was safe and sound for the employees. Appointment of both the Compliance Committee and the Business Continuity Committees ensured the implementation of measures which prevented and or minimized the impact of COVID-19 to the operations as well as to the health and safety of the employees.

Amongst the support provided by Human Resources Management is the provision of advice in all labour related matters. ECLB has an approved policy that guides the implementation of all labour related matters. All the ECLB labour related matters are applied in conjunction with the provisions of the Labour Relations Act and other related legislations.

## 2. HR PRIORITIES FOR 2020/21

- Compliance and implementation of approved HR policies
- Compliance and implementation of organizational COVID-19 policy and prescribed regulations
- Performance Management system
- Skills Development programme
- Employee Health, Safety and Wellness programme
- Proper management of Labour Related matters.

Implementation of the set HR priorities had assisted ECLB in the performing its responsibilities and improved the employees' productivity despite the COVID-19 pandemic. The organization achieved its set performance targets for 2020/21 financial year.

Implementation of the Internship programme has also assisted ECLB in improving in its performance. This has also assisted the interns to gain the workplace experience, develop and improved their work experience.

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

Proper implementation of the approved Employment Equity Plan and Recruitment and Selection policies has assisted the organization in attracting and recruiting the skilled and the capable workforce. ECLB encourages the upward mobility and development of its employees by first advertising all its vacant positions internally to ensure that the internal staff gets the first opportunity in applying for such positions. This has seen many employees especially women moving to upper levels and positions in the organization.

## 4. EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

ECLB has an approved Performance Management and Development policy whose purpose is to improve organizational performance through the effective management of resources and the relationships between the individual employees and the organization. It is an approach designed to achieve the strategic objectives of the organization. This system applied to all jobs. Each employee signed a performance agreement in line with the APP and the Operational Plan. The

performance cycle ran from 01 April to 31 March of the financial year. Biannually the supervisor reviewed the performance of every employee against agreed objectives both in the areas of individual performance and/ or overall contribution to the performance of the division. Two sessions of performance assessment were conducted in 2020/21 financial year.

#### **5. EMPLOYEE WELLNESS PROGRAMMES**

Two wellness sessions were planned and implemented for the 2020/21 financial year. Amongst the areas focused on, in 2020/21 financial year was the awareness around the implications of COVID-19 in the workplace. Employees were educated on the controls and measures that minimize the spread of COVID-19 in the workplace. Both virtual and direct contact educational workshops on COVID-19 and HIV and AIDS were held in collaboration with different stakeholder like EC Department of Health and Epidemiologist from the private sector. These sessions helped in addressing the health dimension of spiritual, emotional, social as well as intellectual wellness of the employees.

#### **6. POLICY DEVELOPMENT**

In 2020/21 financial year, Human Resources policies were reviewed, and some were newly developed. The process of policy development involves amongst others the consultation of the employees. Through consultation, employees are given an opportunity to provide their inputs. All the Human Resources policies were developed, and some reviewed in line with the prescribed legislations. Trainings and policy workshops in 2020/21 financial year were conducted to support the implementation of the policies. All the HR policies are made accessible to all the employees.

#### **7. HIGHLIGHT ACHIEVEMENTS**

Successful implementation of the approved Human Resources policies. Implementation of performance management system has improved the performance of the organization and also assisted in achieving the individual as well as the organizational targets for 2020/21 financial year. Proper implementation of the labour related policies has seen ECLB attending and addressing all the labour related matters successfully in 2020/21 financial year.

Successful implementation of internship programme has assisted the 10 interns to gain the workplace experience and making them ready for the workplace market. Implementation of the internal recruitment has seen many employees moving up their career ladder in the organization.

Proper implementation of COVID-19 policy and compliance to the prescribed regulations has seen ECLB having minimum number of employees get infected by disease in the workplace in 2020/21 financial year.

#### **8. CHALLENGES FACED BY THE PUBLIC ENTITY**

- Budget constraints for skills development.
- Capacity and shortage of staff in core business divisions.
- Budget constraints for recruitment.
- Vacant unfunded positions in the approved organogram.

#### **9. FUTURE HR PLANS /GOALS**

The aim of the ECLB Human Resource Plan is to ensure that there is a proper skills development plan in place to continuously develop the employees' knowledge, skills and abilities to deliver their tasks.

It is also in the HR plans of ECLB to ensure that the approved succession plan is in place and is implemented. Human Resources management will also ensure the continuous implementation of performance management system to improve the individual as well as the organizational performance. Review of the feedback tools will be done to improve the engagement between the employees and the organization.

## 10. HUMAN RESOURCES OVERSIGHT STATISTICS

### 10.1 PERSONNEL COST BY PROGRAMME

| Programme                  | Total Expenditure for the entity (R'000) | Personnel Expenditure (R'000) | Personnel exp. as a % of total exp. (R'000) | No. of employees | Average personnel cost per employee (R'000) |
|----------------------------|--|-------------------------------|---|------------------|---|
| Licencing                  | 6 614                                    | 5 485 792                     | 12.9  | 11               | 498 708                                     |
| Finance                    | 23 395                                   | 4 118 682                     | 9.6   | 5                | 823 736                                     |
| Corporate Service          | 9 597                                    | 4 944 356                     | 11.6  | 8                | 618 045                                     |
| Compliance and Enforcement | 13 880                                   | 20 187 891                    | 47.5  | 38               | 531 260                                     |
| Social Accountability      | 7 764                                    | 2 468 052                     | 5.8   | 4                | 617 013                                     |
| ICT                        | 3 318                                    | 1 530 206                     | 3.6   | 2                | 765 103                                     |
| Office of the CEO          | 7 065                                    | 3 401 456                     | 7.9   | 4                | 850 364                                     |
| Interns                    | -  | 415 000                       | 0.008                                       | 19               | 21 842                                      |
| <b>TOTAL</b>               | <b>65 019 000</b>                        | <b>42 461 368</b>             | <b>100</b>                                  | <b>91</b>        | <b>466 608</b>                              |

The employee numbers include 10 interns – (Corp Services 3; Finance 2; IT 1; MCO 3; CED 1). (NB: The expenditure of the Interns is included in total expenditure of each division)

### 10.2 PERSONNEL COST BY SALARY BAND

| Level                      | % of personnel exp. to total personnel cost (R'000) | No. of employees | Average personnel cost per employee (R'000) | Personnel Expenditure (R'000) | % of personnel exp. to total personnel cost (R'000) | No. of employees | Average personnel cost per employee (R'000) |
|----------------------------|---|------------------|---|-------------------------------|---|------------------|---|
| Top Management             |   |                  |   | 1 311 501                     | 2.8   | 1                | 1 311 501                                   |
| Senior Management          |   |                  |   | 7 479 022                     | 16.0  | 4                | 1 869 756                                   |
| Professional Qualified     |   |                  |   | 13 183 183                    | 28.0  | 12               | 1 098 598                                   |
| Skilled                    |   |                  |   | 9 873 836                     | 21.0  | 18               | 548 546                                     |
| Semi-skilled               |   |                  |   | 13 853 457                    | 29.0  | 33               | 419 802                                     |
| Unskilled                  |   |                  |   | 1 026 840                     | 2.1   | 4                | 256 710                                     |
| Contract workers (Interns) |   |                  |   | 415 000                       | 0.008   | 19               | 21 842                                      |
| <b>TOTAL</b>               |   |                  |   | <b>47 142 839</b>             | <b>100</b>  | <b>91</b>        | <b>518 053</b>                              |

### 10.3 PERFORMANCE REWARDS

| Level                  | Performance rewards | Personnel Expenditure (R'000) | % of Performance rewards to total personnel cost (R'000) |
|------------------------|---------------------|-------------------------------|--|
| Top Management         | 236 566             | 1 311 501                     | 18.0   |
| Senior Management      | 695 056             | 7 479 022                     | 9.3  |
| Professional Qualified | 959 715             | 13 183 183                    | 7.2  |
| Skilled                | 934 729             | 9 873 836                     | 9.5  |
| Semi-skilled           | 1 213 583           | 13 853 457                    | 8.7  |
| Unskilled              | 87 825              | 1 026 840                     | 8.6  |
| <b>TOTAL</b>           | <b>4 127 474</b>    | <b>47 142 839</b>             | <b>8.7</b>   |

(NB. Performance rewards excludes the Interns)

## 10.4 TRAINING COSTS

| Programme             | Personnel Expenditure (R'000) | Training Expenditure (R'000) | Training Expenditure as a % of Personnel Cost | No of employees trained | Average training cost per employee |
|-----------------------|-------------------------------|------------------------------|---|-------------------------|------------------------------------|
| Licensing             | 6 169 066                     | 54 122                       | 0,87  | 8                       | 6 765                              |
| CED                   | 22 246 672                    | 212 819                      | 0.96  | 32                      | 6 651                              |
| Social Accountability | 5 547 360                     | 26 144                       | 0.47  | 4                       | 6 536                              |
| Corporate Services    | 4 627 726                     | 46 325                       | 1.00  | 6                       | 7 720                              |
| Finance               | 2 715 880                     | 49 077                       | 1.81  | 4                       | 12 269                             |
| ICT                   | 1 672 728                     | 15 595                       | 0.93  | 2                       | 7 798                              |
| OCEO                  | 3 748 407                     | 47 701                       | 1.27  | 5                       | 9 540                              |
| <b>TOTAL</b>          | <b>47 142 839</b>             | <b>458 661</b>               | <b>7.31</b>                                   | <b>61</b>               | <b>7 519</b>                       |

## 10.5 EMPLOYMENT AND VACANCIES

| Programme                                | 2020/2021 No of employees | 2020/2021 Approved Posts | 2020/2021 Vacancies | % of vacancies |
|--|---------------------------|--------------------------|---------------------|----------------|
| Licensing                                | 11                        | 11                       | -                   | 0              |
| Finance                                  | 5                         | 5                        | -                   | 0              |
| Corporate Services                       | 8                         | 9                        | 1                   | 11.1           |
| Compliance and Enforcement               | 38                        | 39                       | 1                   | 5.1            |
| Social Accountability                    | 4                         | 5                        | 1                   | 0              |
| Information and Communication Technology | 2                         | 2                        | -                   | 0              |
| Office of the CEO                        | 4                         | 5                        | 1                   | 20.0           |
| <b>TOTAL</b>                             | <b>72</b>                 | <b>76</b>                | <b>4</b>            | <b>5.2</b>     |
| <b>Interns</b>                           | <b>19</b>                 | <b>-</b>                 | <b>-</b>            | <b>-</b>       |
| <b>TOTAL INCLUDING INTERNS</b>           | <b>91</b>                 | <b>-</b>                 | <b>-</b>            | <b>-</b>       |

| Level                      | 2020/2021 No of employees | 2020/2021 Approved Posts | 2020/2021 Vacancies | % of vacancies |
|----------------------------|---------------------------|--------------------------|---------------------|----------------|
| Top Management             | 1                         | 1                        | 0                   | 0              |
| Senior Management          | 4                         | 4                        | 0                   | 0              |
| Professional Qualified     | 13                        | 12                       | 1                   | 7.6            |
| Skilled                    | 17                        | 17                       | 0                   | 0              |
| Semi-skilled               | 34                        | 34                       | 3                   | 3.9            |
| Unskilled                  | 4                         | 4                        | 0                   | 0              |
| Contract workers (interns) | 19                        | 19                       | 0                   | 0              |
| <b>TOTAL</b>               | <b>91</b>                 | <b>91</b>                | <b>4</b>            | <b>4.0</b>     |

N.B: All the vacant positions are at semi-skilled level and these are the approved posts in the organogram but are not funded. Vacancies are for Senior inspector, Personnel Practitioner, Admin Officer.

## 10.6 EMPLOYMENT CHANGES

In the year 2020/21 financial year, vacancies for the Process Controller, Senior Communication Officer and Human Resources Practitioner were filled through appointment of new incumbents. Process Controller and HR Practitioner appointments were replacements for the dismissed employees. The appointment for Senior Communication Officer was a replacement for a position vacated by an incumbent to occupy the Inspector position in Gqeberha.

| Salary band            | Employment at beginning of period | Appointments | Terminations | Employment at end of period |
|------------------------|-----------------------------------|--------------|--------------|-----------------------------|
| Top Management         | 0                                 | 1            | -            | 1                           |
| Senior Management      | 4                                 | -            | -            | 4                           |
| Professional Qualified | 13                                | -            | 1            | 12                          |
| Skilled                | 17                                | -            | 1            | 16                          |
| Semi-skilled           | 34                                | -            | -            | 34                          |
| Unskilled              | 4                                 | -            | -            | 4                           |
| Interns                | 10                                | 9            |              | 19                          |
| <b>TOTAL</b>           | <b>82</b>                         | <b>9</b>     | <b>2</b>     | <b>91</b>                   |

#### 10.6.1 Reasons for staff leaving

| Reason             | Number   | % of total no. of staff leaving |
|--------------------|----------|---------------------------------|
| Death              | 0        |                                 |
| Resignation        | 0        | 0                               |
| Dismissal          | 2        | 2.7                             |
| Retirement         | 0        | 0                               |
| Ill health         | 0        | 0                               |
| Expiry of contract | 0        | 0                               |
| Other              | 0        | 0                               |
| <b>TOTAL</b>       | <b>2</b> | <b>2.7</b>                      |

#### 10.7 LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

| Nature of disciplinary Action | Number   |
|-------------------------------|----------|
| Verbal Warning                | 0        |
| Written Warning               | 0        |
| Final written warning         | 0        |
| Dismissal                     | 2        |
| <b>TOTAL</b>                  | <b>2</b> |

#### 10.8 EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

| Levels                 | MALE    |        |          |        |         |        |         |        |
|------------------------|---------|--------|----------|--------|---------|--------|---------|--------|
|                        | AFRICAN |        | COLOURED |        | INDIAN  |        | WHITE   |        |
|                        | Current | Target | Current  | Target | Current | Target | Current | Target |
| Top Management         | 1       | 1      | 0        | -      | 0       | -      | 0       | -      |
| Senior Management      | 2       | 2      | 0        | -      | 0       | -      | 0       | -      |
| Professional Qualified | 8       | 4      | 0        | 2      | 0       | 2      | 0       | 0      |
| Skilled                | 6       | 2      | 0        | 2      | 0       | 2      | 0       | 0      |
| Semi-skilled           | 3       | 1      | 0        | 1      | 0       | 1      | 0       | 0      |

| Levels       | MALE    |        |          |        |         |        |         |        |
|--------------|---------|--------|----------|--------|---------|--------|---------|--------|
|              | AFRICAN |        | COLOURED |        | INDIAN  |        | WHITE   |        |
|              | Current | Target | Current  | Target | Current | Target | Current | Target |
| Unskilled    | 1       | 1      | 0        | 0      | 0       | 0      | 0       | 0      |
| <b>TOTAL</b> | 21      | 11     | 0        | 5      | 0       | 5      | 0       | 0      |
|              | 0       |        | 0        |        | 0       | -      | 0       | -      |
|              | 21      | 11     | 0        | 5      | 0       | 5      | 0       | 0      |

| Levels                       | FEMALE  |        |          |        |         |        |         |        |
|------------------------------|---------|--------|----------|--------|---------|--------|---------|--------|
|                              | AFRICAN |        | COLOURED |        | INDIAN  |        | WHITE   |        |
|                              | Current | Target | Current  | Target | Current | Target | Current | Target |
| Top Management               | 0       | 1      | 0        | -      | 0       |        | 0       | -      |
| Senior Management            | 2       | 1      | 0        | 1      | 0       | 0      | 0       | 0      |
| Professional Qualified       | 4       | 2      | 1        | 1      | 0       | 1      | 0       | 0      |
| Skilled                      | 9       | 4      | 1        | 2      | 0       | 2      | 1       | 1      |
| Semi-skilled                 | 28      | 22     | 1        | 5      | 0       | 3      | 1       | 1      |
| Unskilled                    | 3       | 3      | 0        | 0      | 0       | 0      | 0       | 0      |
| <b>TOTAL</b>                 | 46      |        | 3        | -      | 0       | -      | 2       | -      |
| <b>Staff with disability</b> | 1       | 2      | 0        | 1      | 0       | 1      | 0       | 1      |
| <b>TOTAL</b>                 | 47      | 35     | 3        | 10     | 0       | 7      | 2       | 3      |

| Levels                 | Staff with disability |           |          |           |
|------------------------|-----------------------|-----------|----------|-----------|
|                        | MALE                  |           | FEMALE   |           |
|                        | Current               | Target    | Current  | Target    |
| Top Management         | 0                     | 1         | 0        | 1         |
| Senior Management      | 0                     | 2         | 0        | 2         |
| Professional Qualified | 0                     | 2         | 0        | 2         |
| Skilled                | 0                     | 3         | 0        | 4         |
| Semi-skilled           | 0                     | 3         | 1        | 16        |
| Unskilled              | 0                     | 2         | 0        | 2         |
| <b>TOTAL</b>           | <b>0</b>              | <b>13</b> | <b>1</b> | <b>27</b> |

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





# FINANCIAL INFORMATION

# PART E

## Statement of Responsibility

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

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

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

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

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

The Board Members have reviewed the Eastern Cape Liquor Board's cash flow forecast for the year to 31 March 2022 determined through the Department of Economic Development, Environmental Affairs and Tourism Medium Term Expenditure Framework budget, and, in the light of this review and the current financial position, they are satisfied that the Eastern Cape Liquor Board has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Eastern Cape Liquor Board is wholly dependent on the Department of Economic Development, Environmental Affairs and Tourism for continued funding of operations. The annual financial statements are prepared on the basis that the Eastern Cape Liquor Board is a going concern and that the Department of Economic Development, Environmental Affairs and Tourism has neither the intention nor the need to liquidate or curtail materially the scale of the Eastern Cape Liquor Board. Further to that, the Eastern Cape Liquor Authority Act 4 of 2018 was asserted to and published in the Provincial Government Gazette on 11 March 2019. DEDEAT and the ECLB are in the process of drafting Liquor Regulation in line with the new Act. The Hon. Premier Mr Mabuyane and in turn the MEC for DEDEAT Mr Mvoko announced that it will come into effect in the 2021/2022 financial year which is a further confirmation of the entity's ability to continue operating in the foreseeable future.

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

The external auditors are responsible for independently reviewing and reporting on the Eastern Cape Liquor Board's annual financial statements. The annual financial statements have been examined by the Eastern Cape Liquor Board's external auditors and their report is presented on page 76.

The annual financial statements set out on pages 82 to 116, which have been prepared on the going concern basis, were approved by the accounting authority on 30 May 2021 and were signed on its behalf by:



**Ms. N. Tys**  
Board Chairperson

## Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2021.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder. In terms of section 77 of the PFMA, the Audit Committee should meet at least twice a year. During the current year 6 (six) meetings were held.

| Name of member  | 2020/04/22 | 2020/07/21 | 2020/07/28 | 2020/09/23 | 2020/11/18 | 2021/02/17 |
|---|------------|------------|------------|------------|------------|------------|
| Wayne Manthe (Chairperson)                                | Yes        | Yes        | Yes        | Yes        | Yes        | Yes        |
| Simthandile Gugwini-Peter<br>(Deputy Chairperson)         | Yes        | No         | Yes        | Yes        | Yes        | Yes        |
| Velile Pangwa   | No         | Yes        | Yes        | Yes        | Yes        | Yes        |
| Zola Hewu (Deceased 20/12/2020)                           | Yes        | Yes        | Yes        | Yes        | Yes        | N/a        |
| Phambili Jizana   | No         | Yes        | Yes        | Yes        | Yes        | Yes        |
| Bongeka Jojo (Appointed into this<br>committee 08/04/202) | n/a        | n/a        | n/a        | n/a        | n/a        | n/a        |
| Phumzile Zitumane<br>(Appointed 07/05/2021)               | n/a        | n/a        | n/a        | n/a        | n/a        | n/a        |

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 55(1)(a) of the PFMA and Treasury Regulation 27.1.

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

### The effectiveness of internal control

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

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

### Evaluation of annual financial statements and annual performance information report

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Authority for inclusion in the annual report;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes to accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;

### Internal audit

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

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

## Audit Committee Report

### Internal audit (continued)

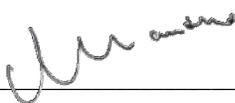
The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

| # | INTERNAL AUDIT PROJECT                           | TIMING OF PROJECT   | STATUS    |
|---|--|---|-----------|
| 1 | Risk Management, ethics and fraud considerations | Q3: March 2021<br>Q4: April 2021  | Completed |
| 2 | Planning, Project Administration and Reporting   | Q1: April 2020<br>Q2: July 2020<br>Q3: October 2020<br>Q4: January 2021 | Completed |
| 3 | Information Technology                           | Q3: January 2021  | Completed |
| 4 | Supply Chain Management                          | Q3: January 2021  | Completed |
| 5 | Quarterly Performance Reviews                    | Q1: July 2020<br>Q2: October 2020<br>Q3: January 2021<br>Q4: April 2021 | Completed |
| 6 | Annual Financial Statements                      | Q4: July 2020   | Completed |
| 7 | Revenue and Licensing                            | Q1: July 2020<br>Q2: October 2020<br>Q3: January 2021<br>Q4: May 2021   | Completed |
| 8 | Follow Up (internal & external)                  | Q3: January 2021  | Completed |
| 9 | Ad-Hoc: Performance Appraisal Review             | Q4: April 2021  | Completed |

### Auditor-General of South Africa

The Audit Committee as represented by the Audit Committee Chairperson has met with the Auditor General of South Africa to discuss the audit strategy. The Auditor-General has also presented the draft audit report and management report to the Audit Committee.

The audit committee accepts the Auditor-General of South Africa's report the annual financial statements and annual performance information report and are of the opinion that the audited annual financial statements and annual performance information report should be accepted and read together with the report of the Auditor-General of South Africa.



Mr. W. Manthe  
Chairperson of the Audit Committee

Date: 26 August 2021

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

### Report on the audit of financial statements

#### Opinion

1. I have audited the financial statements of the Eastern Cape Liquor Board, set out on pages 82 to 116 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 statement of comparison of actual and budget amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Eastern Cape Liquor Board as at 31 March 2021, and its financial performance and cash flows for the year then ended, in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of the accounting authority for the financial statements

6. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate

governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

### Report on the audit of the annual performance report

#### Introduction and scope

10. 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 programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public 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 public 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.
12. 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 public entity's annual performance report for the year ended 31 March 2021:

| Programmes                              | Pages in the annual performance report |
|---|--|
| Programme 2: compliance and enforcement | 28 - 35                                |

13. 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.

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
- Programme 2 – compliance and enforcement.

### Other matter

15. I draw attention to the matter below.

### Achievement of planned targets

16. Refer to the annual performance report on pages 19 to 52 for information on the achievement of planned targets for the year and management's explanations provided for the under-/over-achievement of targets.

## Report on the audit of compliance with legislation

### Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. 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

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
20. 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.
21. 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.

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

### Internal control deficiencies

23. 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.
24. I did not identify any significant deficiencies in internal control.

Auditor General

East London

30 July 2021



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## 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 programmes and on the public 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 public entity’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
  - conclude on the appropriateness of the accounting authority’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 Eastern Cape Liquor Board 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 public 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 authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and 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.

## Accounting Authority's Report

The members submit their report for the year ended 31 March 2021.

### 1. Accounting policies

The annual financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 2. Accounting Authority

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

|  |               |                          |
|--|---------------|--------------------------|
| Ms. N. Tys<br>(Chairperson - appointed in this position on 26/03/2021) | South African | Independent Member       |
| Ms. N.B. Moleshe-Pakade<br>(Chairperson – Resigned 08/01/2021)         | South African | Independent Member       |
| Mr. M. Gobingca<br>(Deputy Chairperson appointed 25/02/2021)           | South African | Independent Member       |
| Ms. B. Jojo<br>(Acting Chairperson 23/01/2021 to 25/03/2021)           | South African | Independent Member       |
| Dr. M. Mboto<br>(appointed 26/01/2021)                                 | South African | DEDEAT ex-officio Member |
| Ms. N. N. Nongogo<br>(appointed 01/03/2021)                            | South African | Independent Member       |
| Mr. Z. Hewu<br>(Deceased 20/12/2020)                                   | South African | DEDEAT ex-officio Member |
| Mr. MJ Batembu<br>(term ended 14/02/2021)                              | South African | Independent Member       |

### 3. Compliance with applicable legislation

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

The annual financial statements set out on pages 82 and 116, which have been prepared on the going concern basis, were approved by the accounting authority on 30 May 2021 and were signed on its behalf by:



Ms. N. Tys  
Board Chairperson

**Statement of Financial Position as at 31 March 2021**

| Figures in Rand                         | Note | 2021              | 2020              |
|---|------|-------------------|-------------------|
| <b>Assets</b>                           |      |                   |                   |
| <b>Current Assets</b>                   |      |                   |                   |
| Receivables from exchange transactions  | 5    | 1 277 315         | 844 100           |
| Cash and cash equivalents               | 6    | 21 186 422        | 17 358 981        |
|   |      | <b>22 463 737</b> | <b>18 203 081</b> |
| <b>Non-Current Assets</b>               |      |                   |                   |
| Property, plant and equipment           | 3    | 4 498 177         | 5 923 041         |
| Intangible assets                       | 4    | 4 465 556         | 4 416 259         |
|   |      | <b>8 963 733</b>  | <b>10 339 300</b> |
| <b>Total Assets</b>                     |      | <b>31 427 470</b> | <b>28 542 381</b> |
| <b>Liabilities</b>                      |      |                   |                   |
| <b>Current Liabilities</b>              |      |                   |                   |
| Finance lease obligation                | 7    | 1 171 724         | 1 116 679         |
| Payables from exchange transactions     | 8    | 20 054 444        | 17 510 171        |
| Payables from non-exchange transactions | 9    | 4 150 116         | 1 963 171         |
|   |      | <b>25 376 284</b> | <b>20 590 021</b> |
| <b>Non-Current Liabilities</b>          |      |                   |                   |
| Finance lease obligation                | 7    | -                 | 1 081 966         |
| <b>Total Liabilities</b>                |      | <b>25 376 284</b> | <b>21 671 987</b> |
| <b>Net Assets</b>                       |      | <b>6 051 186</b>  | <b>6 870 394</b>  |
| Accumulated surplus                     |      | 6 051 186         | 6 870 394         |

## Statement of Financial Performance

| Figures in Rand  | Note | 2021                | 2020                |
|--|------|---------------------|---------------------|
| <b>Revenue from non-exchange transactions</b>          |      |                     |                     |
| Revenue from non-exchange transactions                 | 12   | 66 975 348          | 61 521 392          |
| <b>Revenue from exchange transactions</b>              |      |                     |                     |
| Commissions received                                   |      | 1 250               | 1 411               |
| Other income   | 10   | 37 763              | 266 990             |
| Interest received                                      | 11   | 518 072             | 1 243 137           |
|  |      | <b>557 085</b>      | <b>1 511 538</b>    |
|  |      | <b>67 532 433</b>   | <b>63 032 930</b>   |
| <b>Expenditure</b>                                     |      |                     |                     |
| Administration and management fees                     | 14   | (10 651 149)        | (10 280 559)        |
| Auditors remuneration                                  | 18   | (1 918 188)         | (1 741 745)         |
| Depreciation and amortisation                          | 15   | (2 810 394)         | (2 317 393)         |
| Personnel expenditure                                  | 13   | (42 483 316)        | (43 315 340)        |
| Operating expenses                                     | 17   | (9 629 844)         | (5 577 796)         |
| Marketing  |      | (539 524)           | (522 075)           |
| Research costs   |      | (154 692)           | -                   |
|  |      | <b>(68 187 107)</b> | <b>(63 754 908)</b> |
| <b>Operating deficit</b>                               | 20   | <b>(654 674)</b>    | <b>(721 978)</b>    |
| Finance costs  | 16   | (165 605)           | (275 954)           |
| <b>Deficit for the year from continuing operations</b> |      | <b>(820 279)</b>    | <b>(997 932)</b>    |
| Profit on disposal of property, plant and equipment    | 3    | 1 070               | 165 319             |
| <b>Deficit for the year</b>                            |      | <b>(819 209)</b>    | <b>(832 613)</b>    |

**Statement of Changes in Net Assets**

| Figures in Rand                 | Accumulated surplus | Total net assets |
|---------------------------------|---------------------|------------------|
| <b>Balance at 01 April 2019</b> | <b>7 703 007</b>    | <b>7 703 007</b> |
| Changes in net assets           |                     |                  |
| Deficit for the year            | (832 613)           | (832 613)        |
| <b>Total changes</b>            | <b>(832 613)</b>    | <b>(832 613)</b> |
| <b>Balance at 01 April 2020</b> | <b>6 870 395</b>    | <b>6 870 395</b> |
| Changes in net assets           |                     |                  |
| Deficit for the year            | (819 209)           | (819 209)        |
| <b>Total changes</b>            | <b>(819 209)</b>    | <b>(819 209)</b> |
| <b>Balance at 31 March 2021</b> | <b>6 051 186</b>    | <b>6 051 186</b> |

## Cash Flow Statement

| Figures in Rand   | Note      | 2021                | 2020                |
|---|-----------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                 |           |                     |                     |
| <b>Receipts</b>   |           |                     |                     |
| Cash receipts from services                                 |           | -                   | 106 551             |
| Revenue from non-exchange transactions                      |           | 68 739 798          | 65 813 592          |
| Interest received   |           | 518 072             | 1 243 137           |
|   |           | <b>69 257 870</b>   | <b>67 163 280</b>   |
| <b>Payments</b>   |           |                     |                     |
| Personnel   |           | (42 512 550)        | (42 514 796)        |
| Suppliers   |           | (20 291 597)        | (17 017 560)        |
| Finance costs   |           | (165 605)           | (275 954)           |
|   |           | <b>(62 969 752)</b> | <b>(59 808 310)</b> |
| <b>Net cash flows from operating activities</b>             | <b>21</b> | <b>6 288 118</b>    | <b>7 354 970</b>    |
| <b>Cash flows from investing activities</b>                 |           |                     |                     |
| Purchase of property, plant and equipment                   | 3         | (686 135)           | (893 158)           |
| Proceeds from sale of property, plant and equipment         | 3         | 18 624              | 165 319             |
| Purchase of intangible assets                               | 4         | (648 893)           | (400 558)           |
| <b>Net cash flows from investing activities</b>             |           | <b>(1 316 404)</b>  | <b>(1 128 397)</b>  |
| <b>Cash flows from financing activities</b>                 |           |                     |                     |
| Finance lease payments                                      |           | (1 144 273)         | (1 068 885)         |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |           | <b>3 827 441</b>    | <b>5 157 688</b>    |
| Cash and cash equivalents at the beginning of the year      |           | 17 358 981          | 12 201 293          |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>6</b>  | <b>21 186 422</b>   | <b>17 358 981</b>   |

## 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 |
|---|---------------------|--------------------|---------------------|------------------------------------|--|-----------|
| Figures in Rand   |                     |                    |                     |                                    |  |           |
| <b>REVENUE AND EXPENDITURE INCLUDING CAPEX</b>  |                     |                    |                     |                                    |  |           |
| <b>Revenue</b>  |                     |                    |                     |                                    |  |           |
| <b>Revenue from exchange transactions</b>   |                     |                    |                     |                                    |  |           |
| Commissions received  | -                   | -                  | -                   | 1 250                              | 1 250                                      |           |
| Other income  | -                   | -                  | -                   | 37 763                             | 37 763                                     |           |
| Interest received   | 550 000             | (40 000)           | 510 000             | 518 072                            | 8 072                                      |           |
| <b>Total revenue from exchange transactions</b>   | <b>550 000</b>      | <b>(40 000)</b>    | <b>510 000</b>      | <b>557 085</b>                     | <b>47 085</b>                              |           |
| <b>Revenue from non-exchange transactions</b>   |                     |                    |                     |                                    |  |           |
| <b>Transfer revenue</b>   |                     |                    |                     |                                    |  |           |
| Government grants   | 68 232 000          | (1 324 945)        | 66 907 055          | 66 907 055                         | -  |           |
| Donations and sponsorships  | -                   | 68 293             | 68 293              | 68 293                             | -  |           |
| <b>Total revenue from non-exchange transactions</b>   | <b>68 232 000</b>   | <b>(1 256 652)</b> | <b>66 975 348</b>   | <b>66 975 348</b>                  | <b>-</b>                                   |           |
| <b>Total revenue</b>  | <b>68 782 000</b>   | <b>(1 296 652)</b> | <b>67 485 348</b>   | <b>67 532 433</b>                  | <b>47 085</b>                              |           |
| <b>Expenditure</b>  |                     |                    |                     |                                    |  |           |
| Personnel   | (45 589 000)        | 2 561 081          | (43 027 919)        | (42 515 460)                       | 512 459                                    |           |
| Administration  | (10 250 275)        | (406 895)          | (10 657 170)        | (10 651 149)                       | 6 021                                      |           |
| Auditors remuneration   | (1 962 000)         | -                  | (1 962 000)         | (1 918 188)                        | 43 812                                     |           |
| Marketing costs   | (600 000)           | (68 293)           | (668 293)           | (539 524)                          | 128 769                                    |           |
| Finance costs   | (180 000)           | -                  | (180 000)           | (154 692)                          | 25 308                                     |           |
| Marketing costs   | -                   | -                  | -                   | -                                  | -  |           |
| Operating Expenses  | (8 427 725)         | (1 189 241)        | (9 616 966)         | (9 630 711)                        | (13 745)                                   |           |
| Capital Expenditure   | (1 773 000)         | 400 000            | (1 373 000)         | (1 305 176)                        | 67 824                                     |           |
| <b>Total expenditure</b>  | <b>(68 782 000)</b> | <b>1 296 652</b>   | <b>(67 485 348)</b> | <b>(66 714 900)</b>                | <b>770 448</b>                             |           |
|   | -                   | -                  | -                   | 817 533                            | 817 533                                    |           |
| Gain on disposal of assets and liabilities  | -                   | -                  | -                   | 1 070                              | 1 070                                      |           |
| <b>Surplus for the year including capital expenditure</b>   | <b>-</b>            | <b>-</b>           | <b>-</b>            | <b>818 603</b>                     | <b>818 603</b>                             |           |
| <b>Actual surplus on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>-</b>            | <b>-</b>           | <b>-</b>            | <b>818 603</b>                     | <b>818 603</b>                             |           |

## 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 and rounded off to the nearest rand.

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

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 those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Eastern Cape Liquor Board.

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

### Judgements

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

#### Estimates

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

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

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

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

## Accounting Policies

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions

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

#### Impairment for credit losses

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

#### Depreciation and amortisation

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

### 1.4 Property, plant and equipment Initial recognition and measurement

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

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

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

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

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

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

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

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

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

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

#### Depreciation

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

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

The annual depreciation rates are based on the following estimated asset useful lives and the useful lives of items of property, plant and equipment have been assessed as follows:

| Item  | Depreciation method | Average useful life |
|---|---------------------|---------------------|
| Furniture and fixtures  | Straight-line       | 8 to 15 years       |
| Motor vehicles  | Straight-line       | 5 years             |
| Office equipment  | Straight-line       | 4 to 10 years       |
| Computer equipment (including cellular and related equipment) | Straight-line       | 1 to 10 years       |
| Leasehold improvements  | Straight-line       | 1 to 5 years        |
| Finance lease assets  | Straight-line       | 2 to 5 years        |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Eastern Cape Liquor Board. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The Eastern Cape Liquor Board assesses at each reporting date whether there is any indication that the Eastern Cape Liquor Board 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 Eastern Cape Liquor Board revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

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

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

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

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

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

### 1.5 Intangible assets

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

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

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

#### Subsequent measurement

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

## Accounting Policies

### 1.5 Intangible assets (continued)

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

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

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

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

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

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

#### Amortisation

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

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

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

#### Impairments

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

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

#### Derecognition

Intangible assets are derecognised:

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

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

## Accounting Policies

### 1.6 Financial instruments (continued)

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

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

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

#### Initial measurement

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

#### Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost. All financial assets and financial liabilities are measured after initial recognition using the following categories:

- a) Financial instruments at fair value.
- b) Financial instruments at amortised cost.
- c) Financial instruments at cost.

#### Derecognition of financial assets

- A financial asset is derecognised at trade date, when:
- The cash flows from the asset expire, are settled or waived;
- Significant risks and rewards are transferred to another party; or
- Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

#### Derecognition of financial liabilities

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

#### Gains and losses

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

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

#### Offsetting

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

## Accounting Policies

### 1.6 Financial instruments (continued)

#### Impairments

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

#### For financial assets held at amortised cost:

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### For financial assets held at cost:

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

### 1.7 Tax

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

### 1.8 Leases

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

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

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

#### Measurement

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

## Accounting Policies

### 1.8 Leases (continued)

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

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

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

#### Derecognition

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

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

#### Finance leases - lessee

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

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

### 1.9 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

## Accounting Policies

### 1.8 Leases (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

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

Useful life is either:

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

### 1.10 Employee benefits

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

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

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

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

## Accounting Policies

### 1.10 Employee benefits (continued)

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

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

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

#### Defined contribution plans

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

### 1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

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

Contingent assets and contingent liabilities are not recognised.

Contingencies are disclosed in note 23.

## Accounting Policies

### 1.12 Commitments

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

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost; and
- Contracts should relate to something other than the routine, steady, state business of the entity.

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

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

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

### 1.13 Revenue from non-exchange transactions

#### Measurement

#### Government grants

Government grants are recognised as revenue when:

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

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

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

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

#### Donations and sponsorships

Other donations and sponsorships are recognised as revenue when:

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

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

## Accounting Policies

### 1.14 Revenue from exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

## Accounting Policies

### 1.15 Interest received

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

### 1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale. Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.17 Comparative figures

#### Current year comparatives (Budget)

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

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

#### Prior year comparatives

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

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

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

### 1.18 Fruitless and wasteful expenditure

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

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

### 1.19 Irregular expenditure

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

### 1.20 Budget information

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

The approved budget covers the fiscal period from 01/04/2020 to 31/03/2021.

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

## Accounting Policies

### 1.21 Related parties

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

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

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

normal supplier and/or licensee/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and

terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

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

### 1.21 Events after reporting date

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

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

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

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

### 1.22 Cash and cash equivalents

Cash and cash equivalents are measured at amortised 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 includes cash on hand and deposits held on call with bank.

### 1.23 Contingent liabilities and contingent assets

A contingent liability is:

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

Contingent liabilities are not recognised. Contingent liabilities are disclosed in note 23.

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

Contingent assets are not recognised

## Notes to the Annual Financial Statements

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

The entity has adopted the following standards and interpretations that are effective for the current financial year some of which are relevant to its operations:

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statement
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 The Effects of Changes in Foreign Exchange Rates
- GRAP 5 Borrowing Costs
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 7 Investment in Associate
- GRAP 8 Interests in Joint Ventures
- GRAP 9 Revenue from Exchange Transactions
- GRAP 10 Financial Reporting in Hyperinflationary Economies
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 16 Investment Property
- GRAP 17 Property, Plant and Equipment
- GRAP 18 Segment reporting
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 20 Related Party Disclosures
- GRAP 21 Impairment of Non-cash generating Assets
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 26 Impairment of Cash generating Assets
- GRAP 27 Agriculture
- GRAP 31 Intangible Assets
- GRAP 32 Service Concession Arrangements: Grantor
- GRAP 100 Discontinued Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 105 Transfers of Functions Between Entities Under Common Control
- GRAP 106 Transfers of Functions Between Entities Not Under Common Control
- GRAP 107 Mergers
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents

## Notes to the Annual Financial Statements

### 2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2021 or later periods. The entity is of the view that these standards will have none to insignificant impact for the entity. As a result no adjustments have been made relating to these standards in the current and prior periods presented:

- GRAP 34 Separate Financial Statements
- GRAP 35 Consolidated Financial Statements
- GRAP 36 Investments in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interests in Other Entities
- GRAP 110 (as amended 2016) Living and Non-living Resources

**Notes to the Annual Financial Statements**

Figures in Rand

| 3. Property, plant and equipment | 2021                |   |                  |                     | 2020  |                  |                     |   |                |
|----------------------------------|---------------------|---|------------------|---------------------|---|------------------|---------------------|---|----------------|
|                                  | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value   | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value   | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value |
| Furniture and fixtures           | 3 622 363           | (1 589 724)   | 2 032 639        | 3 519 191           | (1 438 001)   | 2 081 190        |                     |   |                |
| Office equipment                 | 1 321 074           | (1 062 098)   | 258 976          | 1 285 697           | (827 340)   | 458 357          |                     |   |                |
| Computer equipment               | 3 955 158           | (2 794 401)   | 1 160 757        | 3 605 037           | (2 493 354)   | 1 111 683        |                     |   |                |
| Leasehold improvements           | 950 555             | (864 673)   | 85 882           | 950 555             | (685 794)   | 264 761          |                     |   |                |
| Finance Lease Vehicles           | 3 486 534           | (2 526 611)   | 959 923          | 3 369 181           | (1 362 131)   | 2 007 050        |                     |   |                |
| <b>Total</b>                     | <b>13 335 684</b>   | <b>(8 837 507)</b>  | <b>4 498 177</b> | <b>12 729 661</b>   | <b>(6 806 620)</b>  | <b>5 923 041</b> |                     |   |                |

**Reconciliation of property, plant and equipment - 2021**

|                        | Opening<br>balance | Additions      | Disposals       | Depreciation       | Total            |
|------------------------|--------------------|----------------|-----------------|--------------------|------------------|
| Furniture and fixtures | 2 081 190          | 208 418        | (13 747)        | (243 222)          | 2 032 639        |
| Office equipment       | 458 357            | 72 910         | (652)           | (271 639)          | 258 976          |
| Computer equipment     | 1 111 683          | 404 807        | (3 155)         | (352 578)          | 1 160 757        |
| Leasehold improvements | 264 761            | -              | -               | (178 879)          | 85 882           |
| Finance Lease Vehicles | 2 007 050          | 117 353        | -               | (1 164 480)        | 959 923          |
| Furniture and fixtures | 2 081 190          | 208 418        | (13 747)        | (243 222)          | 2 032 639        |
|                        | <b>5 923 041</b>   | <b>803 488</b> | <b>(17 554)</b> | <b>(2 210 798)</b> | <b>4 498 177</b> |

## Notes to the Annual Financial Statements

Figures in Rand

### 2. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2020

|                        | Opening balance  | Additions      | Depreciation       | Total            |
|------------------------|------------------|----------------|--------------------|------------------|
| Furniture and fixtures | 1 954 276        | 366 205        | (239 291)          | 2 081 190        |
| Office equipment       | 582 163          | 167 703        | (291 509)          | 458 357          |
| Computer equipment     | 1 047 192        | 337 806        | (273 315)          | 1 111 683        |
| Leasehold improvements | 416 844          | 21 443         | (173 526)          | 264 761          |
| Finance Lease Vehicles | 3 130 111        | -              | (1 123 061)        | 2 007 050        |
|                        | <b>7 130 586</b> | <b>893 157</b> | <b>(2 100 702)</b> | <b>5 923 041</b> |

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

The ECLB has spent R6 657 (2020: R110) repairing and maintaining its property, plant and equipment.

R37 751 (2020: R 1300) was spent by the ECLB repairing and maintaining leased premises.

The entity disposed redundant and unusable assets including motor vehicle, furniture and office equipment with nil book values. Proceeds on disposal of these assets amounted to R18 624 (2020: R165 319).

#### Security

Assets held under finance lease have a carrying value amounting to R960 239 (2020: R 2 007 050) at year end and are used as security for the obligation as disclosed in note 7.

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Intangible assets

|   | 2021                |   | 2020              |                     |   |                   |
|---|---------------------|---|-------------------|---------------------|---|-------------------|
|   | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying<br>value | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying<br>value |
| Computer software, internally generated | 3 992 775           | -   | 3 992 775         | 3 992 775           | -   | 3 992 775         |
| Computer software, other                | 3 067 928           | (2 595 147)   | 472 781           | 2 419 035           | (1 995 551)   | 423 484           |
| <b>Total</b>                            | <b>7 060 703</b>    | <b>(2 595 147)</b>  | <b>4 465 556</b>  | <b>6 411 810</b>    | <b>(1 995 551)</b>  | <b>4 416 259</b>  |

### Reconciliation of intangible assets - 2021

|   | Opening<br>balance | Additions      | Amortisation     | Total            |
|---|--------------------|----------------|------------------|------------------|
| Computer software, internally generated | 3 992 775          | -              | -                | 3 992 775        |
| Computer software, other                | 423 484            | 648 893        | (599 596)        | 472 781          |
|   | <b>4 416 259</b>   | <b>648 893</b> | <b>(599 596)</b> | <b>4 465 556</b> |

### Reconciliation of intangible assets - 2020

|   | Opening<br>balance | Additions      | Amortisation     | Total            |
|---|--------------------|----------------|------------------|------------------|
| Computer software, internally generated | 3 992 775          | -              | -                | 3 992 775        |
| Computer software, other                | 239 617            | 400 558        | (216 691)        | 423 484          |
|   | <b>4 232 392</b>   | <b>400 558</b> | <b>(216 691)</b> | <b>4 416 259</b> |

The ECLB has spent R2 18 490 (2020: R282 150) maintaining its intangible assets.

The entity's internally generated software is assessed as having an indefinite useful life. The entity tests these assets for impairment annually as well as its useful life. Events and circumstances continue to support the indefinite useful life assessment for these assets. There are no changes in technology that have a negative impact in the entity's intangible assets. These intangible assets continue to provide for minimum service requirements of the entity and furthermore support future ICT developments within the entity.

## Notes to the Annual Financial Statements

| Figures in Rand                                  | 2021             | 2020           |
|--|------------------|----------------|
| <b>5. Receivables from exchange transactions</b> |                  |                |
| Receivables - Due                                | 1 272 758        | 839 544        |
| Receivables - Past due                           | 38 120           | 38 120         |
| Less: Impairment for credit losses               | (33 563)         | (33 564)       |
|  | <b>1 277 315</b> | <b>844 100</b> |

Receivables include rental deposits, hall hire deposits, staff recoverable expenditure relating to cellphone usage, study loans, prepayments and sundry debt. The carrying amounts of trade and other receivables approximates their fair value. Sundry receivables are impaired when recovery is highly unlikely.

### 6. Cash and cash equivalents

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

|               |                   |                   |
|---------------|-------------------|-------------------|
| Cash on hand  | 24 952            | 21 523            |
| Bank balances | 21 161 470        | 17 337 458        |
|               | <b>21 186 422</b> | <b>17 358 981</b> |

### 7. Finance lease obligation

The ECLB entered into finance lease arrangements with Wesbank in respect of motor vehicles. The period of the lease agreement is for a 36-month period with the liability repayable in monthly installments. The liabilities are repayable in monthly installments on the last day of the month at prime interest rates. This debt is secured by the finance lease assets as per note 3.

|  |                  |                  |
|--|------------------|------------------|
| <b>Minimum lease payments due</b>                  |                  |                  |
| - within one year                                  | 1 227 163        | 1 281 131        |
| - in second to fifth year inclusive                | -                | 1 158 691        |
|  | 1 227 163        | 2 439 822        |
| less: future finance charges                       | (55 439)         | (241 177)        |
| <b>Present value of minimum lease payments</b>     | <b>1 171 724</b> | <b>2 198 645</b> |
| <b>Present value of minimum lease payments due</b> |                  |                  |
| - within one year                                  | 1 171 724        | -                |
| Non-current liabilities                            | -                | 1 081 966        |
| Current liabilities                                | 1 171 724        | 1 116 679        |
|  | <b>1 171 724</b> | <b>2 198 645</b> |

It is entity policy to lease motor vehicles and equipment under finance leases.

The average lease term is 36 months and the average effective borrowing rate was 11% (2020: 11%).

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

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

## Notes to the Annual Financial Statements

| Figures in Rand                               | 2021              | 2020              |
|---|-------------------|-------------------|
| <b>8. Payables from exchange transactions</b> |                   |                   |
| Trade payables                                | 1 004 105         | 375 989           |
| Salary related                                | 828 098           | 666 584           |
| Revenue payable to DEDEAT                     | 274 351           | 696 846           |
| Accrued leave pay                             | 1 731 428         | 1 547 161         |
| Accrued bonus                                 | 4 127 474         | 4 877 502         |
| Accruals                                      | 1 330 867         | 878 144           |
| Sundry payables                               | 9 932 910         | 7 873 371         |
| Operating lease payables                      | 825 211           | 594 574           |
|   | <b>20 054 444</b> | <b>17 510 171</b> |

Revenue payable to DEDEAT is in respect of fees collected on their behalf. Sundry payables include unallocated funds due to over/under payments as well as incorrect or insufficient information provided by license holders and applicants.

### 9. Payables from non-exchange transactions

|   |           |           |
|---|-----------|-----------|
| Funds to be surrendered to the revenue fund | 4 150 116 | 1 963 171 |
|---|-----------|-----------|

Funds to be surrendered relates to the possible repayment of funds to the Provincial Revenue Fund. In term of section 53 of the PFMA, as a Public Entity, ECLB may not accumulate surpluses without obtaining prior written approval of the Provincial Treasury. Funds disclosed above as funds to be surrendered includes amounts owing to third parties and are committed. A request for the rollover of surplus funds has been submitted to the Provincial Treasury.

### 10. Other income

|                             |               |                |
|-----------------------------|---------------|----------------|
| Insurance claim             | 37 763        | 62 637         |
| Tender document fees        | -             | 3 500          |
| Refunds and sundry deposits | -             | 200 853        |
|                             | <b>37 763</b> | <b>266 990</b> |

Refunds and other sundry deposits in 2020 related mainly to funds received from Momentum reimbursing the entity for a medically boarded employee.

### 11. Interest received

#### Interest revenue

|      |         |           |
|------|---------|-----------|
| Bank | 518 072 | 1 243 137 |
|------|---------|-----------|

### 12. Revenue from non-exchange transactions

#### Operating grants

|   |                   |                   |
|---|-------------------|-------------------|
| DEDEAT Transfer                             | 69 094 000        | 62 483 000        |
| Rollover funds approved and available       | 1 963 171         | 865 000           |
| Funds to be surrendered to the revenue fund | (4 150 116)       | (1 963 171)       |
|   | <b>66 907 055</b> | <b>61 384 829</b> |

#### Other grants and subsidies

|                            |                   |                   |
|----------------------------|-------------------|-------------------|
| Donations and sponsorships | 68 293            | 136 563           |
|                            | <b>66 975 348</b> | <b>61 521 392</b> |

DEDEAT transfer amounting to R69 094 000 (2020: R62 483 000) is reflected above after deducting funds to be surrendered as disclosed in note 9 for which a rollover application has been made.

## Notes to the Annual Financial Statements

Figures in Rand 2021      2020

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

### 13. Personnel

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
| Basic salaries                 | 32 657 881        | 33 395 468        |
| Bonus                          | 4 127 474         | 4 877 502         |
| Medical aid contributions      | 296 644           | 295 767           |
| UIF                            | 259 337           | 272 141           |
| Workmen's compensation         | 84 788            | 68 794            |
| Pension fund contributions     | 4 193 554         | 4 033 265         |
| Net movement in leave accruals | 323 791           | 365 928           |
| Temporary staff                | 3 320             | 6 475             |
| Employee salary provision      | 536 527           | -                 |
|                                | <b>42 483 316</b> | <b>43 315 340</b> |

### 14. Administration and management fees

|  |                   |                   |
|--|-------------------|-------------------|
| General and administrative expenses    | 716 619           | 608 230           |
| Board administrative expenses          | 342 561           | 240 830           |
| Board members honorarium               | 1 229 500         | 344 500           |
| Audit Committee expenses               | 252 264           | 232 267           |
| Storage cost                           | 61 403            | 55 627            |
| Travel and subsistence                 | 1 050 103         | 2 094 759         |
| Entertainment                          | 3 773             | 10 602            |
| Rentals in respect of operating leases | 4 594 693         | 4 094 731         |
| Insurance                              | 617 140           | 688 885           |
| Communication costs                    | 1 782 875         | 1 910 128         |
|  | <b>10 650 931</b> | <b>10 280 559</b> |

### 15. Depreciation and amortisation

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Computer Equipment               | 352 577          | 273 265          |
| Office Furniture and Fittings    | 243 224          | 239 292          |
| Office Equipment                 | 271 637          | 291 509          |
| Amortisation - Computer Software | 599 596          | 216 691          |
| Leasehold Improvements           | 178 880          | 173 526          |
| Finance lease - Vehicles         | 1 164 480        | 1 123 061        |
|                                  | <b>2 810 394</b> | <b>2 317 344</b> |

### 16. Finance costs

|                |         |         |
|----------------|---------|---------|
| Finance leases | 165 605 | 275 954 |
|----------------|---------|---------|

## Notes to the Annual Financial Statements

| Figures in Rand                          | 2021             | 2020             |
|--|------------------|------------------|
| <b>17. Operating expenses</b>            |                  |                  |
| Cleaning expenses                        | 349 844          | 350 935          |
| Consulting and professional fees         | 40 572           | 17 834           |
| Consumables and tools                    | 1 355            | 15 082           |
| Equipment rental                         | 889 155          | 605 536          |
| Fuel and oil                             | 456 748          | 713 830          |
| Legal costs                              | 593 990          | 633 029          |
| Maintenance, repairs and running costs   | 277 290          | 376 590          |
| Staff recruitment                        | 143 695          | 26 952           |
| Printing and stationery                  | 160 732          | 191 447          |
| Social responsibility outreach programme | 5 297 934        | 1 284 952        |
| Staff training and development           | 462 161          | 240 538          |
| Utilities                                | 451 374          | 458 005          |
| Other                                    | 505 861          | 667 810          |
|  | <b>9 630 711</b> | <b>5 582 540</b> |

Social responsibility outreach programme increased by R4 million when compared to prior year, due to change in education and awareness messaging approach to use multi-media messages in light of the COVID-19 pandemic. This was further exacerbated by liquor trading and consumption was seen as a super spreader which led to the spike in COVID-19 related illnesses and fatalities.

### 18. Auditors' remuneration

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Statutory audit - Auditor General | 1 672 001        | 1 478 041        |
| Internal Audit                    | 246 187          | 263 704          |
|                                   | <b>1 918 188</b> | <b>1 741 745</b> |

### 19. Operating lease

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

- Rental of properties in East London, Port Elizabeth, Cradock, Queenstown and Mthatha,
- Rental of network printers; and
- Rental of computer equipment.

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

All entity operating lease contracts are for 36 to 60 months, as one contract ends a new one is entered into to ensure continued service delivery. Both network and computer equipment contracts have been entered into in the current financial year. New rental of properties contracts entered into in the current financial year relate to Port Elizabeth, Cradock and Queenstown. The East London operating lease contract is nearing its end, with 2 months remaining to the end of the contract; whilst the Mthatha office has 12 months remaining in the contract. New lease contract for the East London office has not been concluded as at reporting date.

|  |                  |                   |
|--|------------------|-------------------|
| Up to 1 year                             | 3 121 407        | 5 039 918         |
| 2 to 5 years                             | 2 890 998        | 5 836 208         |
| <b>Total operating lease commitments</b> | <b>6 012 405</b> | <b>10 876 126</b> |

## Notes to the Annual Financial Statements

| Figures in Rand  | 2021             | 2020             |
|--|------------------|------------------|
| <b>20. Operating deficit</b>   |                  |                  |
| Operating deficit for the year is stated after accounting for the following: |                  |                  |
| Gain on sale of property, plant and equipment                                | 1 070            | 165 319          |
| Amortisation on intangible assets  | 599 596          | 216 691          |
| Depreciation on property, plant and equipment                                | 2 210 798        | 2 100 702        |
| Employee costs   | 42 483 316       | 43 315 340       |
| Research and development   | 154 692          | -                |
| <b>21. Cash generated from operations</b>                                    |                  |                  |
| Deficit  | (819 209)        | (837 039)        |
| <b>Adjustments for:</b>  |                  |                  |
| Depreciation and amortisation  | 2 810 394        | 2 317 075        |
| Disposal of property, plant and equipment                                    | (1 070)          | (165 319)        |
| PPE adjustment   | -                | -                |
| <b>Changes in working capital:</b>   |                  |                  |
| Receivables from exchange transactions                                       | (433 215)        | 2 340 078        |
| Payables from exchange transactions  | 2 544 273        | 2 526 157        |
| Payables from non-exchange transactions                                      | 2 186 945        | 1 174 018        |
|  | <b>6 288 118</b> | <b>7 354 970</b> |
| <b>22. Commitments</b>   |                  |                  |
| <b>Authorised operational expenditure</b>                                    |                  |                  |
| <b>Already contracted for but not provided for</b>                           |                  |                  |
| • Other financial liabilities  | 3 271 312        | 2 235 612        |
| <b>Not yet contracted for and authorised by members</b>                      |                  |                  |
| • Other financial liabilities  | 768 850          | 1 202 940        |
| <b>Total operational commitments</b>   |                  |                  |
| Already contracted for but not provided for                                  | 3 271 312        | 2 235 612        |
| Not yet contracted for and authorised by members                             | 768 850          | 1 202 940        |
|  | <b>4 040 162</b> | <b>3 438 552</b> |
| <b>Total commitments</b>   |                  |                  |
| Authorised operational expenditure   | 4 040 162        | 3 438 552        |

Commitments above relate to future expenditure.

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 23. Contingent liabilities

There were **five** legal matters that were not concluded by the ECLB as at **31 March 2021**, as well as one other matter of which the entity does not have direct control over. These matters include three civil claims and one labour related matter. At this stage it is not possible to estimate Eastern Cape Liquor Board's maximum exposure for any of these matters. The nature of these legal matters are detailed below.

#### Civil matters

1. The ECLB is cited as a second respondent in a matters relating to the interpretation of the Eastern Cape Liquor Act, 2003 (Act no. 10 of 2003) and the applicant is claiming R200 000 in damages.
2. The entity received summons from the Plaintiff claiming loss of income amounting to R 180 000. The Plaintiff is alleging that the ECLB wrongfully cancelled his liquor licence.
3. The ECLB is cited as a respondent together with the Panel of Appeal on a civil review application made which seeks to review the decision of the Panel of appeal.

#### Labour matters

1. A labour matter is currently before the CCMA relating to a decision made by the entity pursuant to a disciplinary process. Arbitration which is still in progress commenced in September 2020.
2. The CCMA ruled in favour of an employee. The ECLB took the decision on review to the labour court. Upon verbal advice, it was noted that due to lack of recordings etc. the matter must start de nova. The ECLB has received a notice from the CCMA indicating an arbitration date of the 6th of December 2019. At arbitration which was held on the 6th of December 2019 it was agreed to proceed at Labour Court. It should be noted that the employee has since left the employ of the entity and the onus is on the former employee to commence action at the labour court.
3. One other matter before the courts, relates to the wage battle between the Public Servants Association of South Africa and the State due to 2019/20 as well as 2020/21 salary increments. In as much as the ECLB employees are not employed in terms of the Public Servants Act, the outcomes of the case have a bearing on the salary increments effected for the 2019/20 financial year as well as performance bonuses paid for the same year.

There were three legal matters that were not concluded by **31 March 2020**. These matters include two civil claims and one labour related matter. At this stage it is not possible to estimate Eastern Cape Liquor Board's maximum exposure for any of these matters. The nature of these legal matters are detailed below.

#### Civil matters

1. The ECLB is cited as a second respondent in a matters relating to the interpretation of the Eastern Cape Liquor Act, 2003 (Act no. 10 of 2003) and the applicant is claiming R200 000 in damages.
2. The entity received summons from the Plaintiff claiming loss of income amounting to R 180 000. The Plaintiff is alleging that the ECLB wrongfully cancelled his liquor licence.

#### Labour matters

The CCMA ruled in favour of an employee. The ECLB took the decision on review to the labour court. Upon verbal advice, it was noted that due to lack of recordings etc. the matter must start de nova. The ECLB has received a notice from the CCMA indicating an arbitration date of the 6th of December 2019. At arbitration which was held on the 6th of December 2019 it was agreed to proceed at Labour Court. It should be noted that the employee has since left the employ of the entity and the onus is on the former employee to commence action at the labour court.

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 24. Related parties

|  |  |
|--|--|
| Relationships                              |  |
| Board Members                              | Refer to Board Members' report note 25   |
| Audit Committee Members                    | Refer below  |
| Controlling entity                         | Department of Economic Development,<br>Environmental Affairs and Tourism   |
| Members of key management                  | Refer to note 25   |
| Entities under the same controlling entity | Coega Industrial Development Zone<br>Eastern Cape Development Corporation<br>Eastern Cape Gambling and Betting Board<br>Eastern Cape Parks and Tourism Agency<br>East London Industrial Development Zone |

### Related party transactions

#### Related party rental related transactions

|                                |         |         |
|--------------------------------|---------|---------|
| ECDC rent paid                 | 944 049 | 856 634 |
| ECDC rental receivable balance | 204 222 | 116 968 |
| ECDC operating lease payable   | 173 323 | 252 415 |

#### Controlling entity related transactions

|  |              |              |
|--|--------------|--------------|
| Revenue from non exchange transactions     | 69 094 000   | 62 483 000   |
| Received on behalf of DEDEAT               | 15 828 000   | 22 233 250   |
| Paid to DEDEAT                             | (15 553 650) | (19 039 221) |
| (Payable)/due from DEDEAT                  | (274 350)    | (696 847)    |
| Prior year advance payments made to DEDEAT | -            | (2 497 183)  |

Payments made to the ECLB relating to licensing transactions amounted to R17 548 051 of which R1 720 051 related to unallocated receipts and R15 828 000 related to allocated revenue and recorded as revenue received on behalf of DEDEAT in the 2020/21 financial year. Unallocated receipts are recorded under sundry payables.

Revenue received on behalf of DEDEAT in the 2018/19 financial year included unallocated receipts which have been reflected as prior year advance payments made to DEDEAT in the 2019/20 financial year. No advance payments were made to DEDEAT in the 2020/21 financial year.

### 2021

|  | Committee fees | Total          |
|--|----------------|----------------|
| Mr W. Manthe (Chairperson)                 | 128 600        | 128 600        |
| Adv. S. Gugwini Peter (Deputy Chairperson) | 50 581         | 50 581         |
| Mr. Z. Hewu                                | -              | -              |
| Mr. V. Pangwa                              | 56 055         | 56 055         |
| Mr. P Jizana                               | -              | -              |
| <b>Total</b>                               | <b>235 236</b> | <b>235 236</b> |

### 2020

|  | Committee fees | Reimbursive travel | Total          |
|--|----------------|--------------------|----------------|
| Mr W. Manthe (Chairperson)                 | 117 300        | -                  | 117 300        |
| Adv. S. Gugwini Peter (Deputy Chairperson) | 32 000         | -                  | 32 000         |
| Mr. V. Pangwa                              | 28 000         | -                  | 28 000         |
| Mr. P Jizana                               | -              | 852                | 852            |
| <b>Total</b>                               | <b>177 300</b> | <b>852</b>         | <b>178 152</b> |

## Notes to the Annual Financial Statements

Figures in Rand 2021      2020

### 24. Related parties (continued)

Mr. Z Hewu is a DEDEAT representative to the Board and a member of the Audit Committee and no committee fees have been paid to him.

Mr. P Jizana is employed by the Department of Public Works and no committee fees have been paid to him.

### Key management information

| Class                   | Description  | Number of members |
|-------------------------|--|-------------------|
| Board Members           | Accounting Authority of the ECLB appointed by the MEC for the Department of Economic Development, Environmental Affairs and Tourism. Fiduciary duties of the accounting authority are stipulated in section 50 of the PFMA, Act 1 of 1999  | 5                 |
| Audit Committee Members | Committee of the Board whose composition and responsibilities are in line with the PFMA. Audit Committee comprises of 1 Board Member and 4 independent members   | 5                 |
| Executive management    | Comprises of the Accounting Officer being the Chief Executive officer of the ECLB reporting directly to the Board Members. The following direct reports of the Chief Executive Officer also form part of the Executive Management - Chief Financial Officer, Chief Inspector, Senior Manager: Licensing as well as the Senior Manager: Corporate Services. | 5                 |

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 25. Emoluments to Senior Management and Board Members

#### Senior Management

##### 2021

|  | Emoluments       | Other benefits | Total            |
|--|------------------|----------------|------------------|
| Dr. N. Makala (Chief Executive Officer - Appointed 05/10/2020)         | 2 043 426        | 236 566        | 2 279 992        |
| Ms. A Vikilahle (Chief Financial Officer)                              | 1 366 571        | 180 625        | 1 547 196        |
| Mr. Z Tyikwe (Chief Inspector)   | 1 452 430        | 194 263        | 1 646 693        |
| Mr. P Tyali (Senior Manager: Licensing)                                | 1 453 209        | 192 098        | 1 645 307        |
| Ms. L. Tini (Senior Manager Corporate Services - Appointed 01/12/2020) | 462 594          | 128 070        | 590 664          |
|  | <b>6 778 230</b> | <b>931 622</b> | <b>7 709 852</b> |

##### 2020

|   | Emoluments       | Other benefits   | Total            |
|---|------------------|------------------|------------------|
| Mr KC Maneli (Chief Executive Officer - Resigned 31/03/2020)) | 1 973 535        | 312 488          | 2 286 023        |
| Ms. A Vikilahle (Chief Financial Officer)                     | 1 346 169        | 213 062          | 1 559 231        |
| Mr. Z. Tyikwe (Chief Inspector)                               | 1 430 867        | 216 847          | 1 647 714        |
| Mr. P. Tyali (Senior Manager: Licensing)                      | 1 431 567        | 219 364          | 1 650 931        |
| Dr. N. Makala (Senior Manager: Corporate Services)            | 1 400 649        | 221 696          | 1 622 345        |
|   | <b>7 582 787</b> | <b>1 183 457</b> | <b>8 766 244</b> |

#### Non-executive Board Members

##### 2021

|  | Board Members' fees | Cell phone allowance | Travel reimbursement | Total            |
|--|---------------------|----------------------|----------------------|------------------|
| Ms. N Tys (Chairperson appointed in this position on 26/03/2021) | 272 000             | -                    | 46 094               | 318 094          |
| Ms. N Moleshe Pakade (Chairperson - Resigned 08/01/2021)         | 372 000             | 12 000               | -                    | 384 000          |
| Ms. B Jojo (Acting Chairperson 23/01/2021 to 25/03/2021)         | 330 500             | 4 500                | 48 439               | 383 439          |
| Dr. M Mbotso (appointed 26/01/2021)                              | -                   | -                    | 4 141                | 4 141            |
| Mr. Z Hewu (Deceased 20/12/2020)                                 | -                   | -                    | 11 429               | 11 429           |
| Mr. MJ Batembu (term ended 14/02/2021)                           | 255 000             | -                    | -                    | 255 000          |
|  | <b>1 229 500</b>    | <b>16 500</b>        | <b>110 103</b>       | <b>1 356 103</b> |

##### 2020

|  | Board Members' fees | Cell phone allowance | Total          |
|--|---------------------|----------------------|----------------|
| Ms. N Moleshe Pakade (Chairperson Appointed 26/02/2020)    | 36 000              | 3 000                | 39 000         |
| Mr. MJ Batembu   | 119 000             | -                    | 119 000        |
| Ms. B Jojo (Appointed 26/02/2020)                          | 25 500              | -                    | 25 500         |
| Ms. N Tys (Appointed 26/02/2020)                           | 25 500              | -                    | 25 500         |
| Prof. LY Majova Songca (Chairperson term ended 31/08/2019) | 24 000              | 3 000                | 27 000         |
| Adv. ZL Mapoma (term ended 01/12/2019)                     | 114 500             | -                    | 114 500        |
|  | <b>344 500</b>      | <b>6 000</b>         | <b>350 500</b> |

Mr. Z Hewu a DEDEAT representative to the Eastern Cape Liquor Board was reimbursed travelling expenses amounting to R7411 (2019: R10 251)

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 26. Risk management

#### Liquidity risk

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

#### Credit risk

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

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

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

All financial assets and liabilities are carried at cost.

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

| Financial assets                        | 2021              | 2020              |
|---|-------------------|-------------------|
| Cash and cash equivalents               | 21 186 422        | 17 358 981        |
| Receivables from exchange transactions  | 1 275 316         | 844 100           |
|   | <b>22 461 738</b> | <b>18 203 081</b> |
| <b>Financial liabilities</b>            |                   |                   |
| Payables from exchange transactions     | 20 054 444        | 17 510 171        |
| Payables from non exchange transactions | 4 150 116         | 1 963 171         |
| Finance lease obligation                | 1 171 724         | 2 198 645         |
|   | <b>25 376 284</b> | <b>21 671 987</b> |

#### Market risk

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

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

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

### 27. Fruitless and wasteful expenditure

|  |   |       |
|--|---|-------|
| Opening balance  | - | -     |
| Add: fruitless and wasteful expenditure identified - current | - | 521   |
| Less: Amounts recoverable - current                          | - | (521) |
| Closing balance  | - | -     |

## Notes to the Annual Financial Statements

Figures in Rand 2021      2020

### 28. Reconciliation between budget and statement of financial performance

The budget disclosed in comparison of budget to actual amounts covers the period 01 April 2020 to 31 March 2021 and is for the ECLB only. The budget is prepared on cash basis. The financial statements are prepared on an accrual basis of accounting.

The classification basis adopted in the budget is the same as the financial information.

Changes to the approved and the final budget are as a result of reallocations within the approved budget to utilise budget savings where cost pressures and entity priorities have been identified. Changes also relate mainly to the net effect of prior year surplus funds approved and available as well as the current year provision for unspent funds at the end of the financial year.

|   |                |                |
|---|----------------|----------------|
| Net deficit per the statement of financial performance  | (819 209)      | (832 613)      |
| <b>Adjusted for:</b>  |                |                |
| Revenue from exchange and non-exchange transactions   | 1 568 918      | (1 146 690)    |
| Net differences in operating related expenditure  | 67 824         | 2 451 643      |
| Gain on the sale of assets  | 1 070          | 165 319        |
| Increase in impairment for credit losses  | -              | 6 434          |
| <b>Actual surplus on comparable basis as presented in the Budget and Actual Comparative Statement</b> | <b>818 603</b> | <b>644 093</b> |