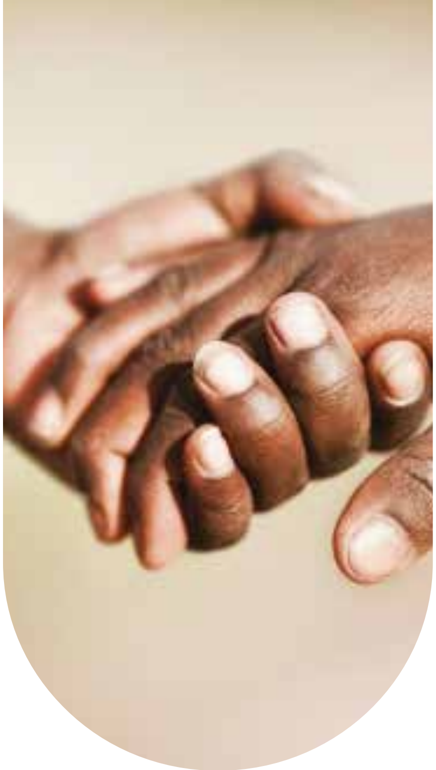







Promoting a culture of **accountability**

INTEGRATED ANNUAL
REPORT 2022-23

AUDITOR-GENERAL
SOUTH AFRICA

FINANCIAL STATEMENTS

07

DEPUTY AUDITOR-GENERAL'S RESPONSIBILITIES AND APPROVAL

As the deputy auditor-general I am required by the Public Audit Act 25 of 2004 (PAA) to maintain adequate accounting records and am responsible for the content and integrity of the financial statements and related financial information. It is my responsibility to ensure that the financial statements fairly present the financial position of the Auditor-General of South Africa (AGSA) as at the end of the financial year and the results of its operations, changes in equity and cash flows for the year then ended. The financial statements conform to the International Financial Reporting Standards (IFRS) and the PAA, and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. External auditors are engaged to express an independent opinion on the financial statements.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the AGSA and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, the AGSA, after consultation with the parliamentary oversight committee, sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include properly delegating responsibilities within a clearly defined framework, effective accounting procedures and adequately segregating duties to ensure an acceptable level of risk. These controls are monitored throughout the AGSA and all employees are required to maintain the highest ethical standards to ensure the AGSA's business is conducted in a manner that, in all reasonable circumstances, is above reproach.

VONANI CHAUKE
DEPUTY AUDITOR-GENERAL

The AGSA's risk management focus is to identify, assess, manage and monitor all known forms of risk across the organisation. While operational risk cannot be eliminated, we try to minimise it by defining our risk appetite and ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations provided by management, that the system of internal control provides reasonable assurance that the financial records may be relied on to prepare the financial statements. However, any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

I have reviewed the AGSA's cash flow forecast for the year to 31 March 2024 and, in the light of this review and the current financial position, I am satisfied that the AGSA has, or has access to, adequate resources to continue operating as a going concern for the foreseeable future. The going concern basis assumes that the AGSA will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

I am not aware of any matter or circumstance arising since the end of the financial year that will materially affect these financial statements.

The financial statements set out on pages 125 to 178, prepared on the going concern basis, were approved and signed by me on 31 July 2023 on behalf of the AGSA.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND REPORT ON PREDETERMINED OBJECTIVES

OPINION

We have audited the financial statements of the Auditor-General of South Africa (AGSA) as set out on pages 125 to 178, which comprise the statement of financial position as at 31 March 2023, the statement of surplus or deficit and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AGSA as at 31 March 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors Responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa.

The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Expected credit losses allowance on trade receivables (IFRS 9)

Key audit matter	How our audit addressed the key audit matter
In terms of the accounting standard on financial instruments, IFRS 9 Financial instruments, the standard requires an expected credit loss model to be used in impairing financial assets. This model requires the AGSA to account for expected credit losses (ECL) and changes thereto at each reporting date, to reflect changes in credit risk since initial recognition of the financial assets. As at 31 March 2023 gross trade receivables amounted to R1,1 billion against which an expected credit loss (ECL) of R219 million was raised. As included in notes 5 and 26, the ECL on trade receivables amounting to R219 million (2022: R213 million) has been considered to be an area where the most significant judgements were required as it incorporates forward looking information into the ECL model as prepared by management, and additional overlays with respect to the current macro-economic environment. The AGSA has elected to apply the simplified approach for measuring the loss allowance at an amount equal to lifetime credit losses for trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.	Our audit procedures comprised, among others: • We performed procedures in order to assist our understanding of the methodology applied by management in their IFRS 9 model; • We agreed the source data used in the modelling to supporting documentation on a sample basis to assess accuracy and validity; • We involved our independent specialists to test assumptions and calculations used in the ECL. This included, but not limited to, performing the following: - An assessment of the credit model against the developed methodology to confirm the methodology is appropriately applied in calculating the ECL allowance; - Reperformed the modelling at period end including the appropriateness of forward-looking macro-economic information; - An assessment of the reasonableness of the overlays that management calculated to determine the potential impact of the current macro-economic environment and other legislation on the allowance; - Sensitivity analysis on scenarios and probability weightings applied to these scenarios used to determine the impact of current macro-economic environment on the allowance.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses allowance on trade receivables (IFRS 9)	
These various scenarios constructed were probability weighted to determine the final debtors book impairment. Due to the size of the balance, the complexity and the judgement inherent in the calculation of the related ECL allowance it resulted in a key audit matter. Refer to note 1.2 (Significant judgements and accounting estimates, expected credit losses allowance) and note 26.2 (Credit risk) to the annual financial statements for the related disclosure.	• We assessed the disclosures in the annual financial statements relating to the expected credit losses on trade receivables in terms of the disclosure requirements of IFRS 9: Financial instruments and IFRS 7: Financial instruments disclosures. • We evaluated the accounting policy and we are satisfied that it is consistent with the requirement of IFRS 9. • Based on the procedures performed above, we satisfied that the expected credit losses on trade and other receivables were reasonable and in line with our expectation and appropriately disclosed.

OTHER INFORMATION

The Deputy Auditor-General (DAG) is responsible for the other information. The other information comprises the Annual Report which includes the Audit Committee's Report and the Remuneration Committee's Report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DEPUTY AUDITOR-GENERAL AND THE AUDIT COMMITTEE

In terms of section 43 of the PAA the DAG is responsible for the preparation and fair presentation of these financial statements in accordance with the IFRS and for such internal control as is determined as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the DAG is responsible for assessing the AGSA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

The audit committee is responsible for overseeing the AGSA's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our 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 our 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.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the DAG's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the AGSA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained to the date of our auditor's report. However, future events or conditions may cause the AGSA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the DAG and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the DAG and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Crowe JHB has been the auditor of the AGSA for six years.

REPORT ON PREDETERMINED OBJECTIVES

INTRODUCTION

We have audited the report on performance against predetermined objectives of the AGSA for the year ended 31 March 2023, as set out on pages 54 to 108 of the integrated annual report 2022-2023.

THE DEPUTY AUDITOR-GENERAL'S RESPONSIBILITIES

The DAG is responsible for the preparation and fair presentation of the report on performance against predetermined objectives as required by the PAA, and for such internal controls as determined necessary to enable the preparation of a report on performance against predetermined objectives that is useful and reliable.

AUDITOR'S RESPONSIBILITY

As required by the PAA, our responsibility is to express an audit conclusion on the report on performance against predetermined objectives.

ASSURANCE WORK PERFORMED

We conducted our audit in accordance with the International Standards on Assurance Engagements (ISAE) 3000 (Revised): Assurance engagements other than audits or reviews of historical financial information.

We report on whether we have received all the information and explanations required to conduct the engagement, or if we became aware of additional information, the omission of which may result in the report on performance against predetermined objectives being materially misstated or misleading.

We provide reasonable assurance with respect to the usefulness of the information contained in the annual performance report.

We further provide reasonable assurance with respect to the reliability of the following selected material objectives as set out in the annual performance report:

- Insight
- Influence
- Enforcement
- Shift public sector culture
- Sustainably
- Efficiently

The criteria used as a basis for the audit conclusion are as follows:

USEFULNESS OF INFORMATION

Presentation:

Performance against predetermined objectives is reported using the relevant provisions from the Public Audit Act.

Consistency:

Objectives, indicators and targets are consistent between the 2022-2025 Strategic plan and budget and the 2022-2023 IAR as required by the Public Audit Act.

Measurability:

Indicators are well defined and verifiable, and targets are specific, measurable and time bound, as required by best practice.

Relevance:

The indicators relate logically and directly to aspects of the AGSA's mandate and the realisation of strategic goals and objectives, as required by the Public Audit Act and the 2022-2025 Strategic plan and budget tabled in Parliament.

RELIABILITY OF INFORMATION

Validity:

Reported performance has occurred and relates to the AGSA.

Accuracy:

Amounts, numbers and other data relating to reported performance have been recorded and reported correctly.

Completeness:

All actual performance that should have been recorded has been included in the report on performance against predetermined objectives.

The audit involves performing procedures to obtain audit evidence about the usefulness of the annual performance report and reliability of the objectives as set out in the annual performance report. The procedures selected depend on the auditor's judgement, including our assessment of the risks of material misstatement of the annual performance report. Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some, even material, misstatements may not be detected, even though the audit is properly planned and performed in accordance with the ISAE 3000 (Revised). The procedures performed include the following:

- Understanding and testing the internal policies, procedures and controls relating to the management of, and reporting on, performance information.
- Evaluating and testing processes, systems, controls and review of documentation in place at a detailed level to support the generation, collation, aggregation, monitoring and reporting of the performance indicators and targets.
- Evaluating, testing and confirmation of the existence and consistency of planned and reported performance information as well as the presentation and disclosure thereof in accordance with applicable requirements and guidance.
- Conducting detailed audit testing and obtaining sufficient appropriate audit evidence to verify the validity, accuracy and completeness of reported indicators and targets.

We believe that the evidence obtained from the work performed provides an appropriate basis for the reasonable assurance conclusions expressed below.

CONCLUSION

On the basis of our procedures described in this report, we conclude that in our opinion the report on performance against predetermined objectives is fairly stated, in all material respects, in accordance with the predetermined criteria.

Crowe JHB

RAAKESH KHANDOO
PARTNER
REGISTERED AUDITOR

Sandton
31 July 2023

STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Notes	2023 R'000	2022 R'000
ASSETS			
Non-current assets		449 318	540 471
Property, plant and equipment	2	112 341	124 813
Intangible assets	3	13 972	13 718
Right-of-use assets	4	323 005	401 940
Current assets		1 619 240	1 655 402
Trade and other receivables	5	912 711	885 058
Cash and cash equivalents	6	706 529	770 344
Total assets		**2 068 558**	**2 195 873**
EQUITY AND LIABILITIES			
Reserves		1 131 746	868 585
General reserve	7	863 621	823 366
Special audit services reserve	8	4 964	4 964
Accumulated surplus	9	263 161	40 255
Liabilities			
Non-current liabilities		379 224	489 783
Lease liabilities	10	343 918	420 493
Post-retirement benefit obligations	11	11 808	46 214
Provisions	12	19 790	20 998
Trade and other payables	13	3 708	2 078
Current liabilities		557 588	837 505
Lease liabilities	10	92 333	84 753
Post-retirement benefit obligations	11	1 096	2 749
Provisions	12	3 742	1 480
Trade and other payables	13	460 417	748 523
Total equity and liabilities		**2 068 558**	**2 195 873**

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

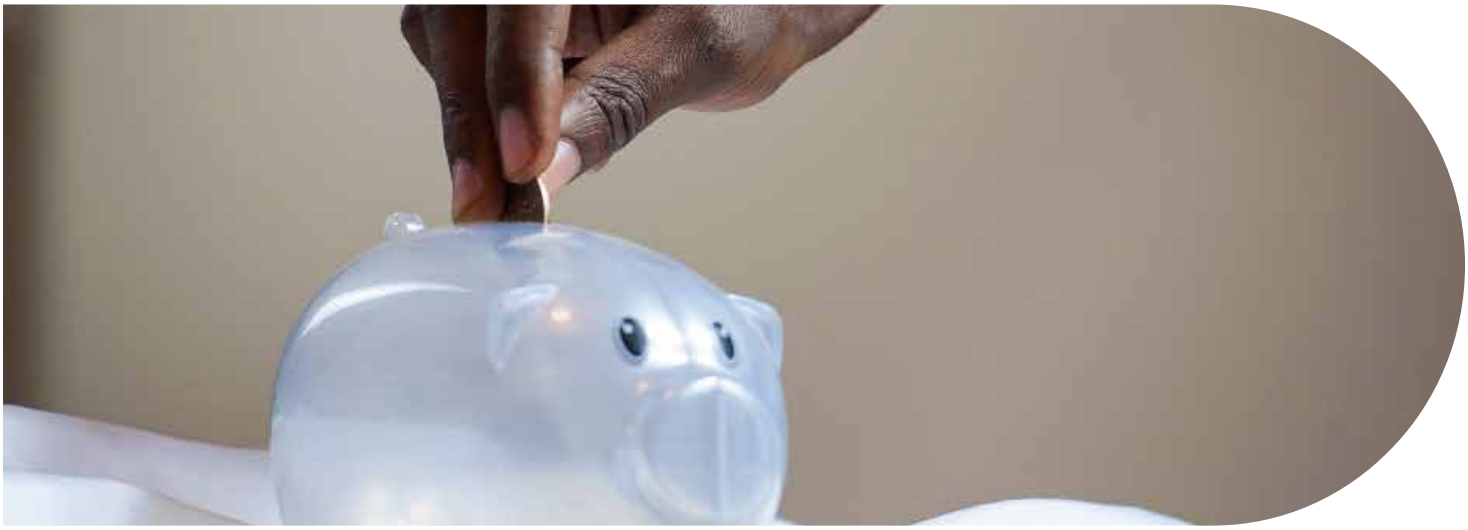
for the year ended 31 March 2023

	Notes	2023 R'000	2022 R'000
Revenue			
Local services rendered	14	4 582 578	4 394 732
Direct audit cost		(3 015 485)	(2 962 070)
Recoverable staff cost	15	(1 921 080)	(1 833 904)
Contract work	16	(900 792)	(983 019)
Subsistence and travel	17	(193 613)	(145 147)
Gross surplus		**1 567 093**	**1 432 662**
Government grant and other income	18	47 275	44 162
Contributions to overheads		**1 614 368**	**1 476 824**
Operating expenditure		(1 404 908)	(1 447 070)
Non-recoverable staff cost	15	(883 970)	(1 015 875)
Depreciation expense - property, plant and equipment	2	(49 579)	(36 517)
Amortisation expense - intangible assets	3	(1 766)	(2 102)
Depreciation expense - right-of-use assets	4	(99 982)	(100 264)
Other operational expenditure	19	(368 275)	(291 706)
Post-retirement benefit obligations - current service cost and loss on settlement	11	(1 336)	(606)
Operating surplus before finance charges		**209 460**	**29 754**
Interest income	21	102 714	65 026
Interest expense	21	(52 439)	(64 160)
Surplus for the year		**259 735**	30 620
Other comprehensive income			
Items that will not be reclassified to surplus or deficit			
Post-retirement benefit obligations - actuarial gains	11	3 426	9 635
Total comprehensive surplus for the year		**263 161**	**40 255**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	General reserve R'000	Special audit services reserve R'000	Accumulated (deficit)/ surplus R'000	Total equity R'000
Balance at 31 March 2021	**1 116 366**	**4 964**	**(293 000)**	**828 330**
Transfer of accumulated deficit to reserves	(293 000)	-	293 000	-
Total comprehensive surplus	-	-	40 255	40 255
Surplus for the year	-	-	30 620	30 620
Other comprehensive income				
- Actuarial gains	-	-	9 635	9 635
Balance at 31 March 2022	**823 366**	**4 964**	**40 255**	**868 585**
Transfer of accumulated surplus to reserves	40 255	-	(40 255)	-
Total comprehensive surplus	-	-	263 161	263 161
Surplus for the year	-	-	259 735	259 735
Other comprehensive income				
- Actuarial gains	-	-	3 426	3 426
Balance at 31 March 2023	**863 261**	**4 964**	**263 161**	**1 131 746**
Notes	7	8	9	



STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Notes	2023 R'000	2022 R'000
Cash flows from operating activities			
Cash receipts from auditees	22.1	4 597 470	4 443 486
Total direct audit cost payments	22.2	(3 092 844)	(2 963 335)
Operational expenditure payments	22.3	(1 435 807)	(1 128 614)
Interest received	21	49 498	35 407
Interest paid	21	(49 246)	(57 475)
Net cash inflow from operating activities		**69 071**	**329 469**
Cash flows from investing activities			
Cash payments for property, plant and equipment	2	(44 766)	(66 820)
Cash payments for intangible assets	3	(2 020)	(237)
Proceeds from sale of property, plant and equipment	2	971	2 272
Net cash outflow from investing activities		**(45 815)**	**(64 785)**
Cash flow from financing activities			
Payment of lease liabilities	10	(87 071)	(70 592)
Net cash outflow from financing activities		**(87 071)**	**(70 592)**
Net (decrease)/increase in cash and cash equivalents		**(63 815)**	**194 092**
Cash and cash equivalents at the beginning of the year	6	770 344	576 252
Cash and cash equivalents at the end of the year		**706 529**	**770 344**

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies

1. Presentation of financial statements

The financial statements have been prepared on the going concern basis in accordance with the IFRS issued by IFRS Foundation, and in line with the requirements of the PAA. The financial statements are presented in South African rand, which is the AGSA's functional currency. All financial information has been rounded to the nearest thousand unless stated otherwise.

The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at amortised cost or unless stated otherwise, and incorporate the principal accounting policies set out below. These accounting policies are consistent with the previous year, unless otherwise stated.

1.1 New standards and interpretations

Standards, amendments and interpretations relevant to the operations of the AGSA not yet effective and not early adopted:

Standard / Interpretation	Effective date	Details	Impact
IAS 1 - Presentation of financial statements	1 Jan 2024	Classification of liabilities as current or non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	No impact on the AGSA financial statements
	1 Jan 2023	Disclosure of accounting policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	Impact on the AG financial statements to be determined
IAS 8 - Accounting policies, changes in accounting estimates and errors	1 Jan 2023	Definition of accounting estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.	No impact on the AGSA financial statements

NOTES TO THE FINANCIAL STATEMENTS

1.2 Significant judgements and accounting estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. In addition, management is required to exercise its judgement in the process of applying the AGSA's accounting policies. Using available information and applying judgement is inherent in forming estimates.

Significant judgements:

The following judgements are made by management in applying the accounting policies that have the most significant effect on these financial statements.

Revenue from contracts with customers

In accordance with IFRS 15, management is required to make an assessment of the collectability of amounts recorded as revenue. When management identifies that there is doubt on the collectability of revenue, that portion of revenue is only recognised when the amount is received by the AGSA. This adjustment does not affect the legal nature of the transaction; any amounts invoiced to auditees remain due and payable in the ordinary course of business and payable in terms of the PAA within 30 days of invoice. The AGSA is entitled under law to pursue the collection of any debt owed and due to the AGSA.

In determining the collectability of amounts recorded as revenue, management has taken into account the payment history of the related auditees over the past 2 - 3 years when no payments have been received, or whether current circumstances suggest that an auditee will not be able to meet its obligation to the AGSA. These amounts will only be recognised as revenue once they have been received by the AGSA.

Amortised cost of ring-fenced debtors

The amortised cost of ring-fenced debtors is calculated using the prescribed interest rate and the remaining periods of the outstanding ring-fenced agreements. Since the amount was insignificant and considered immaterial, no adjustment was made to the amount owed by ring-fenced debtors.

Determining the lease term of contracts with renewal options

For lease contracts that include an option to renew the lease for a further period, management considers all facts and circumstances to determine whether it is likely that an extension option will be exercised. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The AGSA applies judgement in assessing whether it is reasonably likely that extension options will be exercised. Factors considered include past history of renewing leases, how far in the future an option occurs and the AGSA's business plan.

The assessment is reviewed if a significant event or a significant change in circumstances occurs that affects this assessment and that is within the control of the AGSA.

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results in the future could differ from these estimates, which may be material to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1.2 Significant judgements and accounting estimates (continued)

Post-retirement medical care benefits

The costs and liabilities of the post-retirement medical care benefits are determined using methods relying on actuarial estimates and assumptions. Advice on the appropriateness of the assumptions is taken from independent actuaries. Changes in the assumptions used may have a significant effect on the statement of surplus or deficit and other comprehensive income, and statement of financial position (refer to note 1.9).

Allowance for impairment of receivables

An allowance for impairment of trade receivables accounts for expected credit losses, and changes thereto, to reflect changes in credit risk since initial recognition of financial assets. The calculation of the amount to be allowed for impairment of receivables requires the use of estimates and judgements (refer to note 1.5).

The AGSA measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Annual evaluation of property, plant and equipment and intangibles

To review property, plant and equipment and intangibles for possible impairment, changes in useful lives and changes in residual values at the end of each financial year, reference is made to historical information and the intended use of assets (refer to notes 1.3 and 1.4).

Estimating incremental borrowing rate used for leases

Where the interest rate implicit in the lease cannot be readily determined, the AGSA uses the incremental borrowing rate, which is the rate that the AGSA would have to pay to borrow the funds to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the AGSA holds for its own use and which are expected to be used for more than one year. An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the AGSA, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition of the asset and costs incurred subsequently to add to or replace part of it, if it is probable that future economic benefits associated with the replacement will flow to the AGSA and the cost can be measured reliably. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in surplus or deficit to bring the carrying amount in line with the recoverable amount.

Estimates are mainly based on historical information relating to use, and the intended use, of the asset. Depreciation is calculated on the straight-line method to write off the cost, less residual value, of each asset over its estimated useful life as follows:

Item	Useful life (current and comparative period)
Computer equipment	8 - 12 years
Notebooks	3 years
Motor vehicles	7 - 12 years
Furniture and fittings	6 - 23 years
Office equipment	5 - 15 years
Leasehold improvements	Over the period of the lease

The depreciation charge for each period is recognised in surplus or deficit.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any changes to residual values, useful lives and depreciation methods are accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in surplus or deficit when the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

1.4 Intangible assets

Computer software

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Intangible assets are initially recognised at cost.

Acquired computer software licences are carried at cost less any accumulated amortisation and any impairment losses. Estimates relating to useful lives are mainly based on historical information relating to the use of the assets. Amortisation on these costs is provided to write down the intangible assets, on a straight-line basis, over their useful lives as follows:

Item	Useful life (current and comparative period)
Enterprise resource management system - PeopleSoft Licences	14 years 8 - 10 years

The amortisation charge for each period is recognised in surplus or deficit.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the AGSA and that will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and overheads directly attributed to preparing the asset for use. Other development expenditures are recognised as an expense as incurred.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any changes to residual values, useful lives and amortisation methods are accounted for on a prospective basis.

An item of intangible asset is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. The gain or loss arising from the derecognition of an intangible asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, is included in surplus or deficit when the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

1.5 Financial instruments

Financial instruments are recognised when the AGSA becomes party to the contractual provisions of the instrument. Financial instruments carried in the statement of financial position include cash and bank balances, trade and other receivables and trade and other payables. These instruments are carried at their amortised cost.

Financial assets

The AGSA group its financial assets into one of the categories discussed below, depending on the business model assessment, which centres on whether financial assets are held to collect contractual cash flows. The accounting policy for each category is as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and deposits held at call that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are initially recognised at fair value, and are subsequently carried at amortised cost using the effective interest method.

Receivables measured at amortised cost

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through providing services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets.

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less allowance for impairment.

Impairment

IFRS 9 requires an expected credit loss model to be used in impairing financial assets. This model requires the AGSA to account for expected credit losses and changes thereto at each reporting date, to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit loss event to have occurred before impairments are recognised. The AGSA has elected to apply the simplified approach for measuring the loss allowance at an amount equal to lifetime credit losses for trade receivables. For trade receivables, which are reported net, such amounts are recorded in a separate allowance account with the loss being recognised within operational expenditure in surplus or deficit. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the allowance. Reversals of impairment losses are recognised in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS

1.5 Financial instruments (continued)

Derecognition of financial assets

The AGSA derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. Gains or losses arising from changes in financial assets carried at amortised cost are recognised in surplus or deficit when the financial asset is derecognised or impaired, and through the amortisation process.

Financial liabilities

Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Derecognition of financial liabilities

The AGSA derecognises financial liabilities when, and only when, the AGSA's obligation are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is regognised in surplus or deficit.

1.6 General reserve

The general reserve relates to the retention of accumulated surpluses that is transferred to the general reserve in the statement of financial position. The reserve can be used for working capital and general reserve requirements of the AGSA.

1.7 Special audit services reserve

The special audit services reserve is a fund set aside to finance special investigations or audits, where the AGSA may be unable to recover the costs from a specific auditee. Increases in and utilisation of the reserve are recognised through the statement of surplus or deficit and other comprehensive income.

1.8 Leases

At inception of a contract, the AGSA assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the AGSA assesses whether:

The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

The AGSA has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.

The AGSA has the right to direct the use of the asset. The AGSA has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the AGSA has the right to direct the use of the asset if either:

- the AGSA has the right to operate the asset, or
- the AGSA designed the asset in a way that predetermined how and for what purpose it will be used.

NOTES TO THE FINANCIAL STATEMENTS

1.8 Leases (continued)

Some lease contracts include both lease and non-lease components. The AGSA has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in surplus or deficit as they are incurred.

For the leases of land and buildings, the AGSA has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The AGSA recognises a right-of-use asset and a lease liability at the lease commencement date for most leases. However, the AGSA has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (e.g. office equipment) and for short-term leases (leases that at commencement date have lease terms of 12 months or less). The AGSA recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease liability

The lease liability is presented as a separate line item on the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the AGSA's incremental borrowing rate. Generally the AGSA uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the fixed lease payments and lease payments in an optional renewal period if the AGSA is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate or if the AGSA changes its assessment of whether it will exercise a renewal option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in surplus or deficit if the carrying amount of the right-of-use asset has been reduced to zero.

Interest costs are charged to the statement of surplus or deficit and other comprehensive income over the lease period so as to produce a constant periodic interest on the remaining balance of the liability for each period.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in interest expense (refer to note 21).

NOTES TO THE FINANCIAL STATEMENTS

1.8 Leases (continued)

Right-of-use assets

The right-of-use assets are presented as a separate line in the statement of financial position. Lease payments included in the measurement of the lease liability comprise the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred, any estimated costs to restore the underlying asset when the AGSA incurs an obligation to do so and less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The depreciation charge for each period is recognised in surplus or deficit. For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item	Useful life (current and comparative period)
Office buildings	2 to 12 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The gain or loss arising from the derecognition of a right-of-use asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of a right-of-use asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

NOTES TO THE FINANCIAL STATEMENTS

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The expected bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Pension plan - defined contribution plan

Contributions to a pension plan of the employee's choice, in respect of service in a particular period, are included in the employee's total cost of employment and are charged to surplus or deficit in the year to which they relate as part of the cost of employment. Certain employees on the staff rules terms and conditions, who transitioned under the Audit Arrangements Act 122 of 1992, chose to retain membership of the Government Employees Pension Fund (GEPF). The AGSA has no legal or constructive obligation in respect of normal retirements to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and previous periods. With respect to early retirements, the AGSA is required to incur the cost of early retirement penalties.

Post-retirement medical care benefits - defined benefit plan

The AGSA provides post-retirement medical care benefits to certain employees and their legally recognised spouse at time of death. The entitlement to post-retirement medical care benefits is based on the employee being on the staff rules terms and conditions, remaining in service up to retirement age of 65 (or when reaching 50 in the case of early retirement) and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Actuarial gains and losses arising from experience adjustments are recognised in other comprehensive income in the statement of surplus or deficit and other comprehensive income in the period in which they occur. Interest cost and service cost are recognised in surplus or deficit in the period in which they occur. The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation. Valuations of these obligations are carried out annually by independent qualified actuaries.

Leave liability

The AGSA calculates the value of leave not taken at year-end based on the guaranteed package or basic salary, dependent on the category of leave. The value of leave is recognised in the statement of financial position as a short-term employee benefit.

NOTES TO THE FINANCIAL STATEMENTS

1.10 Provisions

Provisions are recognised when the AGSA has a present obligation (legal or constructive) as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure taking risks and uncertainties into account. Provisions are discounted where the time value of money is material using a rate that reflects current market assessments of the time value of money.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligations, the provision will be reversed.

1.11 Contingencies

Contingent liabilities are not recognised until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is recognised.

1.12 Revenue

IFRS 15 establishes a single, comprehensive and robust framework for the recognition, measurement and disclosure of revenue. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The AGSA generates revenue by rendering audit services to the public sector. The AGSA has three main revenue streams:

- Own hours - audit services performed by the AGSA
- Contracted work recoverable - audit services contracted out to third parties and performed on behalf of the AGSA
- Subsistence and travel - amounts recovered from auditees for the costs of the AGSA audit staff's subsistence and travelling while performing their duties.

Revenue is recognised for the three revenue streams mentioned above, over time as the services are rendered and is measured based on the consideration specified in a contract with an auditee to the extent that the amounts are collectable. Revenue consists of amounts net of value-added tax. In terms of the PAA, amounts are due and payable within 30 days of the invoice date.

NOTES TO THE FINANCIAL STATEMENTS

1.13 Interest income

Interest is recognised based on the effective interest rate, which takes into account the effective yield on the asset over the period it is expected to be held.

1.14 Government grants

Government grants are accounted for through the statement of financial position and statement of surplus or deficit and other comprehensive income in accordance with IAS 20. Grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants received as a compensation for costs already incurred or for immediate financial support, with no future related costs, are recognised as income in the period in which they are receivable. Grants related to future obligations are presented as deferred income in the statement of financial position. This will be amortised as and when the expenses are incurred.

2. Property, plant and equipment

	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
2023			
Computer equipment	68 118	(64 479)	3 639
Notebooks	129 809	(76 015)	53 794
Motor vehicles	7 705	(3 537)	4 168
Office equipment	4 820	(4 289)	531
Furniture and fittings	63 397	(55 935)	7 462
Leasehold improvements	69 650	(26 903)	42 747
	343 499	**(231 158)**	**112 341**

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Additions [1] R'000	Disposals R'000	Depreciation R'000	Balance at the end of the year R'000
Computer equipment	7 620	2 610	(551)	(6 040)	3 639
Notebooks	50 195	32 992	(628)	(28 765)	53 794
Motor vehicles	4 306	-	-	(138)	4 168
Office equipment	1 348	703	(1 259)	(261)	531
Furniture and fittings	8 915	538	(150)	(1 841)	7 462
Leasehold improvements	52 429	2 852	-	(12 534)	42 747
	124 813	**39 695**	**(2 588)**	**(49 579)**	**112 341**

	R'000
Proceeds on disposal of property, plant and equipment	**971**

NOTES TO THE FINANCIAL STATEMENTS

2. Property, plant and equipment (continued)

	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
2022			
Computer equipment	72 870	(65 250)	7 620
Notebooks	119 598	(69 403)	50 195
Motor vehicles	7 705	(3 399)	4 306
Office equipment	5 741	(4 393)	1 348
Furniture and fittings	63 298	(54 383)	8 915
Leasehold improvements	66 832	(14 403)	52 429
	336 044	**(211 231)**	**124 813**

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Additions [1] R'000	Disposals R'000	Depreciation R'000	Balance at the end of the year R'000
Computer equipment	8 883	685	(19)	(1 929)	7 620
Notebooks	25 373	53 972	(1 711)	(27 439)	50 195
Motor vehicles	4 474	-	-	(168)	4 306
Office equipment	1 561	10	(17)	(206)	1 348
Furniture and fittings	9 163	302	(301)	(249)	8 915
Leasehold improvements	60 462	59	(1 566)	(6 526)	52 429
	109 916	**55 028**	**(3 614)**	**(36 517)**	**124 813**

[1] Included in additions is R2 278 000 (2022: R8 752 000) accrued at year-end but not yet paid.

	R'000
Proceeds on disposal of property, plant and equipment	**2 272**

NOTES TO THE FINANCIAL STATEMENTS

3. Intangible assets

2023	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Computer software - purchased			
Enterprise resource management system - PeopleSoft	17 288	(9 077)	8 211
Licences	37 494	(31 733)	5 761
	54 782	**(40 810)**	**13 972**

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Additions R'000	Disposals R'000	Amortisation R'000	Balance at the end of the year R'000
Computer software - purchased					
Enterprise resource management system - PeopleSoft	9 355	-	-	(1 144)	8 211
Licences	4 363	2 020	-	(622)	5 761
	13 718	**2 020**	**-**	**(1 766)**	**13 972**

2022	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Computer software - purchased			
Enterprise resource management system - PeopleSoft	17 288	(7 933)	9 355
Licences	35 474	(31 111)	4 363
	52 762	**(39 044)**	**13 718**

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Additions R'000	Disposals R'000	Amortisation R'000	Balance at the end of the year R'000
Computer software - purchased					
Enterprise resource management system - PeopleSoft	10 466	-	-	(1 111)	9 355
Licences	4 991	237	126	(991)	4 363
	15 457	**237**	**126**	**(2 102)**	**13 718**

NOTES TO THE FINANCIAL STATEMENTS

4. Right-of-use assets

2023	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Office buildings	628 793	(305 788)	323 005
	628 793	**(305 788)**	**323 005**

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	New leases R'000	Adjustments for lease modifications R'000	Disposals R'000	Depreciation R'000	Balance at the end of the year R'000
Office buildings	401 940	20 238	809	-	(99 982)	323 005
	401 940	**20 238**	**809**	**-**	**(99 982)**	**323 005**

2022	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Office buildings	622 980	(221 040)	401 940
	622 980	**(221 040)**	**401 940**

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Adjustments for lease modifications R'000	Disposals R'000	Depreciation R'000	Balance at the end of the year R'000
Office buildings	482 097	20 107	-	(100 264)	401 940
	482 097	**20 107**	**-**	**(100 264)**	**401 940**

NOTES TO THE FINANCIAL STATEMENTS

4. Right-of-use assets (Continued)

The AGSA leases all the premises occupied by its head office and regionally based staff in the major centres of the country. The table below describes the nature of the AGSA's leasing activities by type of right-of-use asset recognised:

	Remaining lease term	Extension option	Option to purchase	Variable payment linked to an index	Termination index option
Office buildings					
Eastern Cape	5 months	No	No	No	No
Free State	120 months	Yes	No	No	No
Gauteng	62 months	Yes	No	No	No
Head Office	35 months	Yes	No	No	No
KwaZulu-Natal	97 months	Yes	No	No	No
Limpopo	7 months	Yes	No	No	No
Mpumalanga	9 months	No	No	No	No
Northern Cape	62 months	Yes	No	No	No
North West	51 months	Yes	No	No	No
Western Cape	21 months	Yes	No	No	No

The AGSA leases office equipment that are low-value assets. The lease payments are recognised in surplus or deficit on a straight-line basis over the period of the lease (refer to note 10).

5. Trade and other receivables

	2023 R'000	2022 R'000
Trade receivables (refer to note 26.2)	1 080 003	1 059 892
Allowance for impairment of receivables [2]	(219 642)	(213 322)
Net trade receivables	860 361	846 570
Staff debtors	7 250	5 470
Prepayments	44 889	32 811
Other debtors	211	207
Balance at the end of the year (refer to note 26.3)	**912 711**	**885 058**

NOTES TO THE FINANCIAL STATEMENTS

5. Trade and other receivables (continued)

[2] Allowance for impairment of receivables

	2023 R'000	2022 R'000
Balance at the beginning of the year	(213 322)	(198 079)
Amount written off during the year	18 213	5 809
Adjustment of allowance for impairment of receivables (refer to notes 19 and 22.3)	(24 533)	(21 052)
Balance at the end of the year (refer to note 26.2)	**(219 642)**	**(213 322)**

In determining the recoverability of trade receivables, the AGSA considered the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

6. Cash and cash equivalents

	2023 R'000	2022 R'000
Investment reserved for specific liabilities [3]	189 830	212 906
Overnight call account	35 058	111 557
Notice deposits	209 262	131 547
Current bank account	272 379	314 334
Balance at the end of the year (refer to notes 26.3 and 26.4)	**706 529**	**770 344**

[3] Investment reserved for specific liabilities

	2023 R'000	2022 R'000
The liabilities covered by this investment include the following:		
Post-retirement medical care benefits (refer to note 11) [4]	12 904	48 963
13th cheque accrual (refer to note 13) [5]	8 424	8 664
Leave pay accrual (refer to note 13) [6]	190 010	178 961
Repayment to former TBVC states employees - deductions of salary over-payments	195	195
	211 533	**236 783**

NOTES TO THE FINANCIAL STATEMENTS

6. Cash and cash equivalents (continued)

[4] The future service liability for post-retirement medical care benefits totalling R222 000 (2022: R3 168 000) is not included in the investment reserved for specific liabilities. Future service costs are recognised when the services are delivered by the employees during the employment terms.

[5] Employees have the option of structuring their packages to include a 13th cheque (equal to one month's basic salary) that is paid in their birthday month. The accrual relates to the bonus portion of the packages due to employees at 31 March 2023.

[6] Only R139 769 673 (2022: R137 242 050) of the leave pay accrual is ring-fenced through the investment reserved for specific liabilities. The balance of R50 240 388 (2022: R41 718 717) is covered through the current account as this can be encashed within the current year.

7. General reserve

	2023 R'000	2022 R'000
Balance at the beginning of the year	823 366	1 116 366
Transfer of accumulated surplus/(deficit) to general reserve (refer to note 9)	40 255	(293 000)
Balance at the end of the year	**863 621**	**823 366**

Accumulated surplus that was recommended by the Standing Committee on the Auditor-General (Scoag) and approved by Parliament (in terms of section 38(4) of the PAA) to be retained for working capital and general reserve requirements of the AGSA.

8. Special audit services reserve

	2023 R'000	2022 R'000
Balance at the beginning and end of the year	**4 964**	**4 964**

A fund set aside to finance special investigations or audits, for which the AGSA may be unable to recover the costs from a specific auditee. The former audit commission instructed that the reserve should not be increased before further guidance is provided by Scoag, established in terms of section 55(2)(b)(ii) of the Constitution.

NOTES TO THE FINANCIAL STATEMENTS

9. Accumulated surplus

	2023 R'000	2022 R'000
Balance at the beginning of the year	40 255	(293 000)
Transfer of accumulated (surplus)/deficit to general reserve (refer to note 7)	(40 255)	293 000
Total comprehensive surplus for the year	263 131	40 255
Balance at the end of the year	**263 161**	**40 255**

10. Lease liabilities

	2023 R'000	2022 R'000
Maturity analysis of future lease payments (discounted)		
Due within one year	133 858	134 133
Between one and five years	341 479	425 323
More than five years	98 836	120 835
Total future lease payments (refer to note 26.4)	**574 173**	**680 291**
Total future finance costs	(137 922)	(175 045)
Lease liabilities (refer to notes 26.3 and 26.4)	**436 251**	**505 246**
Non-current portion	343 918	420 493
Current portion	92 333	84 753

	2023 R'000	2022 R'000
Expenses related to leases		
Low-value lease expense - recognition exemption	–	**476**

The AGSA elected the recognition exemption on low-value leases of office equipment (refer to note 4).

NOTES TO THE FINANCIAL STATEMENTS

10. Lease liabilities (continued)

	2023 R'000	2022 R'000
Total cash outflows relating to leases		
Presented under financing activities		
Cash payments for capital portion of lease liabilities	87 071	70 592
Presented under operating activities		
Cash payments for interest portion of lease liabilities	49 231	56 769
Cash payments for low-value leases	–	476
Total cash outflow relating to leases	136 302	127 837

The AGSA leases all the premises occupied by its head office and regionally based staff in the major centres of the country. The table below describes the nature of the AGSA's leasing activities by type of right-of-use asset recognised:

	Remaining lease term	Extension option	Option to purchase	Variable payment linked to an index	Termination index option
Office buildings					
Eastern Cape	5 months	No	No	No	No
Free State	120 months	Yes	No	No	No
Gauteng	62 months	Yes	No	No	No
Head Office	35 months	Yes	No	No	No
KwaZulu-Natal	97 months	Yes	No	No	No
Limpopo	7 months	Yes	No	No	No
Mpumalanga	9 months	No	No	No	No
Northern Cape	62 months	Yes	No	No	No
North West	51 months	Yes	No	No	No
Western Cape	21 months	Yes	No	No	No

The incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 11,15%. The incremental borrowing rates for new leases and lease modifications entered into after initial recognition are as follows:

- 2020-21 financial year - between 6,95% and 10,16%
- 2021-22 financial year - between 5,83% and 5,94%
- 2022-23 financial year - between 7,55% and 10,91%

NOTES TO THE FINANCIAL STATEMENTS

11. Post-retirement benefit obligation

	2023 R'000	2022 R'000
Post-retirement medical care benefits	**12 904**	**48 963**
The liability is reconciled as follows:		
Balance at the beginning of the year	48 963	53 962
Current year provision	(34 056)	(2 344)
Current service costs	222	606
Actuarial gain	(3 426)	(9 635)
Remeasurements due to experience adjustments	(1 496)	(6 850)
Remeasurements due to financial assumptions	(1 930)	(2 785)
Interest expense adjustment on retirement benefit obligations (refer to note 21)	3 193	6 685
Effect of settlement	(35 159)	-
Loss of settlement	1 114	-
Less: Payments made	(2 003)	(2 655)
Balance at the end of the year (refer to note 6)	**12 904**	**48 963**
Non-current portion	11 808	46 214
Current portion	1 096	2 749
	12 904	**48 963**

The obligation in respect of the medical care contributions for post-retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed as at 31 March 2023 by Alexander Forbes Health (Pty) Ltd using the projected unit credit method.

	2023	2022
The valuation is based on the following most recent principal actuarial assumptions:		
The discount rate reflects the timing of benefit payments and is based on market bond yields	12,0%	11,3%
Subsidy increase rate (based on the inflation rate)	6,4%	6,4%
Expected retirement age	63	63
Number of continuation members	95	223
Average age of continuation members	74,0	71,7
Percentage continuation members married	47%	60%
Number of in-service members	10	146
Average age of in-service members	53,8	55,5
Percentage in-service members married	90%	90%
Average years of past service of in-service members	30,8	30,8

NOTES TO THE FINANCIAL STATEMENTS

11. Post-retirement benefit obligation (continued)

Sensitivity analysis

Below is the recalculated liability, as per the actuarial report, showing the effect of:

- A one percentage point decrease or increase in the discount rate;
- A one percentage point decrease or increase in the inflation rate;
- A one-year decrease or increase in the expected retirement age.

2023

Discount rate	Assumption 12,00%	-1%	+1%
Accrued liability 31 March 2023 (R'000)	12 904	14 053	11 916
% change		8,9%	-7,7%

Inflation rate	Assumption 6,40%	+1%	-1%
Accrued liability 31 March 2023 (R'000)	12 904	14 048	11 909
% change		8,9%	-7,7%

Expected retirement age	Assumption 63 years	1 year younger	1 year older
Accrued liability 31 March 2023 (R'000)	12 904	12 983	12 832
% change		0,6%	-0,6%

2022

Discount rate	Assumption 11,30%	-1%	+1%
Accrued liability 31 March 2022 (R'000)	48 963	54 818	44 092
% change		12,0%	-9,9%

Inflation rate	Assumption 6,40%	+1%	-1%
Accrued liability 31 March 2022 (R'000)	48 963	54 822	44 030
% change		12,0%	-10,1%

Expected retirement age	Assumption 63 years	1 year younger	1 year older
Accrued liability 31 March 2022 (R'000)	48 963	50 172	47 795
% change		2,5%	-2,4%

NOTES TO THE FINANCIAL STATEMENTS

12. Provisions

	2023 R'000	2022 R'000
Reinstatement cost [7]		
Opening balance	22 478	29 160
Provision raised	1 054	-
Payments made	-	(6 490)
Provision reversal	-	(192)
Closing balance	**23 532**	**22 478**
Non-current portion	19 790	20 998
Current portion	3 742	1 480
	23 532	**22 478**

[7] Provision for reinstatement costs relating to the AGSA's leased premises.

13. Trade and other payables

	2023 R'000	2022 R'000
Trade payables [8]	41 144	141 140
Accruals	120 794	59 062
Deferred compensation [9]	3 708	2 078
13th cheque accrual (refer to note 6)	8 424	8 664
Leave pay accrual (refer to note 6)	190 010	178 961
Performance bonus accrual	-	269 692
Staff creditors	1 576	2 441
VAT and PAYE	98 469	88 563
Balance at the end of the year (refer to notes 26.3 and 26.4)	**464 125**	**750 601**
Non-current portion	3 708	2 078
Current portion	460 417	748 523
	464 125	**750 601**

NOTES TO THE FINANCIAL STATEMENTS

13. Trade and other payables (continued)

[8] Aging of trade payables:

	Total R'000	Current R'000	30-60 R'000	60-90 R'000	90-120 R'000	120+ R'000
2023 Trade payables	41 144	17 005	15 657	2 587	3 324	2 571
2022 Trade payables	141 140	37 599	31 944	32 010	20 805	18 782

[9] The Auditor-General is entitled to a termination benefit (deferred compensation) at the completion of her term. The deferred compensation is accrued over the 7-year term, based on past service.

14. Revenue [10]

	2023 R'000	2022 R'000
Local services rendered		
Own hours	3 501 771	3 270 733
Contract work recoverable (refer to note 16)	887 194	978 852
Subsistence and travel recoverable (refer to note 17)	193 613	145 147
	4 582 578	**4 394 732**

[10] The amount of revenue invoiced but not recognised for the current period is R15 905 000 (2022: R7 858 000) and R25 754 000 (2022: R14 343 000) in income previously not recognised was recovered and included in revenue in the current period.

NOTES TO THE FINANCIAL STATEMENTS

15. Staff cost

	2023 R'000	2022 R'000
Management salaries (refer to note 25.1)	34 907	39 969
Other non-recoverable staff salaries	598 251	558 984
Other staff expenditure	53 408	311 485
Performance bonus	(4 011)	261 454
Group life scheme	46 206	39 683
Other employer contributions	11 213	10 348
Course fees and study assistance	111 580	54 512
Adjustment of leave pay accrual	78 792	50 925
Incentive on settlement of post-retirement obligation	7 032	-
Total non-recoverable staff cost	**883 970**	**1 015 875**
Recoverable staff cost (part of direct audit cost)	1 921 080	1 833 904
Total staff cost	**2 805 050**	**2 849 779**
Average number of staff	**3 727**	**3 734**

16. Contract work

	2023 R'000	2022 R'000
Contract work recoverable (refer to note 14)	887 194	978 852
Contract work non-recoverable	13 598	4 167
	900 792	**983 019**

This represents work done by external audit firms on behalf of the AGSA. Work is allocated to audit firms based on a tender process. No mark-up is applied to contract work.

NOTES TO THE FINANCIAL STATEMENTS

17. Subsistence and travel

	2023 R'000	2022 R'000
Subsistence and travelling recoverable (refer to note 14)	**193 613**	**145 147**

This represents subsistence and travel cost of AGSA staff while performing their duties. No mark-up is applied to subsistence and travel.

18. Government grant and other income

	2023 R'000	2022 R'000
Government grant received [11]	43 478	43 478
Sundry income [12]	498	317
Profit on sale of property, plant and equipment (refer to note 22.3)	-	367
Gain on lease modification [13]	3 299	-
	47 275	**44 162**

[11] Non-refundable grant received from National Treasury to assist with the implementation cost of the revised PAA which has already been incurred.

[12] Sundry income consists mainly of income from the AGSA's gift shop.

[13] The gain on lease modification relates to the reduction of the extension period for the Mpumalanga lease.

NOTES TO THE FINANCIAL STATEMENTS

19. Other operational expenditure

	2023 R'000	2022 R'000
Auditor's remuneration - statutory audit services	5 044	4 844
Adjustment of allowance for impairment of receivables (refer to notes 5 and 22.3)	24 533	21 052
Fruitless and wasteful expenditure (refer to note 20)	130	–
Governance costs	1 984	1 013
ICT services	107 580	101 913
Internal audit fees	2 568	3 168
Legal costs	13 056	10 086
Loss on disposal of property, plant and equipment (refer to note 22.3)	1 617	–
Service costs - land and buildings	32 291	30 695
Low-value leases - office equipment	2 621	1 435
Other operational expenses (excluding staff cost)	19 787	17 193
Publications	1 868	1 664
Refreshments	3 707	2 236
Repairs and maintenance	11 053	10 576
Bank charges	517	482
Labour and staff relations	896	310
Insurance	1 746	1 925
Outsourced services	55 240	42 424
Recruitment costs	20 219	13 061
Stakeholder relations	30 671	14 623
Stationery and printing	5 268	3 498
Subsistence and travelling non-audit	34 932	16 323
Telephone and postage	10 734	10 378
	368 275	**291 706**

20. Fruitless and wasteful expenditure

	2023 R'000	2022 R'000
Salary payment into fraudulent bank account (refer to note 19)	**130**	**–**

NOTES TO THE FINANCIAL STATEMENTS

21. Interest

	2023 R'000	2022 R'000
Interest income		
Interest income on bank and investments	39 796	25 078
Interest on overdue debtors accounts - received	9 702	10 329
	49 498	**35 407**
Interest on overdue debtors accounts - accrued	53 216	29 619
	102 714	**65 026**
Interest expense		
Interest on lease liabilities	(49 231)	(56 769)
Interest on staff debt [14]	–	(706)
Interest on overdue accounts	(15)	–
	(49 246)	**(57 475)**
Interest expense adjustment on retirement benefit obligations (refer to note 11)	(3 193)	(6 685)
	(52 439)	**(64 160)**

[14] The termination bonus was paid to the deceased estate of the former auditor-general Thembekile Makwetu in July 2021 and included an interest amount of R564 365.

22. Notes to the cash flow statement

	2023 R'000	2022 R'000
22.1 Cash receipts from auditees		
Revenue	4 582 578	4 394 732
Net decrease in trade receivables	14 892	48 754
	4 597 470	**4 443 486**

	2023 R'000	2022 R'000
22.2 Total direct audit cost payments		
Direct audit cost	(3 015 485)	(2 962 070)
Net decrease in trade payables	(77 359)	(1 265)
	(3 092 844)	**(2 963 335)**

NOTES TO THE FINANCIAL STATEMENTS

22. Notes to the cash flow statement (continued)

	2023 R'000	2022 R'000
22.3 Operational expenditure payments		
Surplus for the year	259 735	30 620
Adjusted for:		
Revenue	(4 582 578)	(4 394 732)
Direct audit cost	3 015 485	2 962 070
Interest income	(102 714)	(65 026)
Interest expense	52 439	64 160
Depreciation - property, plant and equipment	49 579	36 517
Depreciation - right-of-use assets	99 982	100 264
Amortisation - intangible assets	1 766	2 102
Increase in allowance for impairment of receivables (refer to notes 5 and 19)	24 533	21 052
Decrease in 13th cheque accrual	(240)	(94)
Increase/(decrease) in leave pay accrual	11 049	(13 322)
(Decrease)/increase in performance bonus accrual	(269 692)	136 729
Decrease in liability for post-retirement medical care benefits	(35 826)	(2 049)
Increase/(decrease) in accruals	52 990	(8 868)
Loss/(profit) on the disposal of property, plant and equipment (refer to notes 19 and 18)	1 617	(367)
	(1 421 875)	(1 130 944)
	(13 932)	2 330
Other working capital changes	(13 862)	5 264
(Increase)/decrease in other receivables	(70)	(2 934)
Decrease in other payables		
	(1 435 807)	**(1 128 614)**

23. Notebook losses

	2023 R'000	2022 R'000
Notebook computers stolen and written off at the carrying amount: 42 (2022: 64)	**274**	**482**

The AGSA policy is to self-insure notebook computers as this has proven to be more economical.

NOTES TO THE FINANCIAL STATEMENTS

24. Commitments

24.1 Other commitments

Thuthuka

The AGSA has committed to fund 130 undergraduate students for a period of three years while they complete their studies, at a rate per student that is determined every year by the Thuthuka Bursary Fund trustees and on condition that the AGSA can stop its financial contribution by written notice.

As the rate per student is determined yearly, the commitment cannot be quantified; however, the yearly commitment at current rates amounts to R14 317 160 (130 students x R110 132 per student).

External bursaries

External bursaries are awarded annually to full-time students for undergraduate and postgraduate studies until they complete the qualification and on condition that all subjects are passed.

Failed subjects are repeated at the student's own expense. If a student fails repeatedly, the bursary agreement is terminated and the amounts advanced must be repaid to the AGSA, or in certain instances redeemed through employment at the AGSA if the student already has a degree.

Due to the uncertainties around the varying costs of studies across the universities and the pass rate, the amount cannot be quantified, but will be managed within the budgeted amount of R5 438 210 for approximately 46 students for the 2023-24 financial year.

24.2 Capital commitments

	2023 R'000	2022 R'000
Approved and contracted [15]	–	73 512
Source of funding		
Internal resources	–	73 512

[15] Property, plant and equipment approved and contracted for in 2022-23, for implementation in the 2023-24 financial year.

NOTES TO THE FINANCIAL STATEMENTS

25. Related parties

Transactions with related parties are on an arm's length basis at market-related prices.

25.1 Key management personnel compensation

Total short-term, long-term and termination benefits paid to management.

2023

Position	Name	Appointment date	Term end date	Short-term benefits: Gross remuneration R'000	Short-term benefits: Performance bonus R'000	Long-term benefits: Deferred compensation R'000	Total remuneration R'000
Auditor-General	T Maluleke	1 Dec 2020	-	5 432	-	1 629	7 061
Deputy Auditor-General	V Chauke	1 Jul 2021	-	4 725	-	-	4 725
Head of Audit National	SS Ngoma	1 Jun 2021	-	3 885	-	-	3 885
Head of Audit Provincial	MM Sedikela	1 Jun 2021	-	3 885	-	-	3 885
Corporate Executive	JH v Schalkwyk	1 Nov 2010	-	3 434	-	-	3 434
Head of Specialised Audits	SL Ndaba	1 Jul 2018	31 Aug 2022	1 484	-	-	1 484
Chief Financial Officer	P Sokombela	1 Mar 2022	-	2 940	-	-	2 940
Chief People Officer	MM Mabaso	1 Aug 2016	27 Sep 2022	1 559	-	-	1 559
Chief Risk Officer	MS Segooa	1 Jul 2021	-	3 434	-	-	3 434
Chief Technology Officer	P Ndarana	1 Jun 2022	-	2 500	-	-	2 500
Total management compensation (refer to note 15)				**33 278**	**-**	**1 629**	**34 907**

NOTES TO THE FINANCIAL STATEMENTS

25. Related parties (continued)

25.1 Key management personnel compensation (continued)

2022

Position	Name	Appointment date	Term end date	Short-term benefits: Gross remuneration R'000	Short-term benefits: Performance bonus R'000	Long-term benefits: Deferred compensation R'000	Total remuneration R'000
Auditor-General	T Maluleke	1 Dec 2020	-	5 233	-	1 570	6 803
Deputy Auditor-General	JH v Schalkwyk **A**	1 Mar 2021	30 Jun 2021	942	-	-	942
Deputy Auditor-General	V Chauke	1 Jul 2021	-	3 375	1 012	-	4 387
National Leader [16]	AH Muller **A**	1 Feb 2019	31 May 2021	591	-	-	591
National Leader	MS Segooa **A**	1 Jun 2021	30 Jun 2021	273	-	-	273
Head of Audit National	SS Ngoma	1 Jun 2021	-	3 083	1 451	-	4 534
Head of Audit Provincial	MM Sedikela	1 Jun 2021	-	3 083	726	-	3 809
Corporate Executive	JH v Schalkwyk	1 Nov 2010	-	2 468	654	-	3 122
Corporate Executive [16]	OH Duda **A**	1 Feb 2019	31 May 2021	426	-	-	426
Corporate Executive	MS Segooa	1 Aug 2014	31 May 2021	545	-	-	545
Corporate Executive	MM Sedikela	1 Jan 2016	31 May 2021	545	-	-	545
Corporate Executive [16]	SL Lubambo	1 Aug 2017	31 May 2021	472	-	-	472
Corporate Executive [16]	V Maharaj	1 Aug 2017	31 May 2021	498	-	-	498
Head of Specialised Audits	SL Ndaba	1 Jul 2018	-	3 110	679	-	3 789
Chief Financial Officer	SS Ngoma	1 Nov 2012	31 May 2021	545	-	-	545
Chief Financial Officer	P Sokombela	1 Mar 2022	-	222	-	-	222
Chief People Officer	MM Mabaso	1 Aug 2016	-	3 009	-	-	3 009
Chief Risk Officer	MS Segooa	1 Jul 2021	-	2 453	654	-	3 107
Chief Technology Officer	SL Ndaba **A**	1 Jun 2021	30 Jun 2021	283	-	-	283
Chief Technology Officer	V Pillay	1 Aug 2021	31 Mar 2022	2 067	-	-	2 067
Total management compensation (refer to note 15)				**33 223**	**5 176**	**1 570**	**39 969**

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NOTES TO THE FINANCIAL STATEMENTS

25 Related parties (continued)

25.1 Key management personnel compensation (continued)

[16] The AGSA changed the composition of the executive management team in line with a new reporting structure from 1 June 2021. As a result, some key management personnel not included in the current year appear for two months in the prior year.

25.2 Members of governing boards

Total board fees paid to members of governing boards

Name	Role	Appointment date	Term end date	2023 R'000	2022 R'000
Mr J Biesman-Simons	Audit Committee	17 Mar 2014	31 Oct 2022	364	243
Ms G Motau	Audit Committee	1 Nov 2022	-	208	-
Ms C Roskruge	Audit Committee	17 Mar 2016	-	293	150
Mr C Mampuru	Audit Committee	1 Dec 2018	-	334	146
Ms T Maluleke	Quality Control Assessment Committee	1 Jun 2021	-	-	-
Ms L de Beer	Quality Control Assessment Committee	1 Apr 2015	-	42	25
Mr JH van Schalkwyk	Quality Control Assessment Committee	1 Mar 2021	30 Jun 2021	-	-
Mr J Biesman-Simons	Quality Control Assessment Committee	1 Apr 2013	28 Jun 2022	42	25
Mr V Chauke	Quality Control Assessment Committee	1 Jun 2022	-	-	-
Dr M Bussin	Remuneration Committee	17 Mar 2014	30 Jun 2022	10	30
Ms M Nkeli	Remuneration Committee	1 Mar 2021	-	-	-
Mr B Nkomo	Remuneration Committee	17 Mar 2014	30 Jun 2022	5	44
Ms M Tlhabane	Remuneration Committee	19 May 2020	30 Jun 2022	-	33
Ms N Samodien	Remuneration Committee	17 Mar 2014	-	13	27
Mr V Chauke	Remuneration Committee	1 Jul 2021	-	-	-
Ms T Fubu	Remuneration Committee	1 Jun 2022	-	96	-
				1 407	723

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments

The carrying amount of financial assets and liabilities reasonably approximate their fair value due to the short-term nature of the financial instruments.

26.1 Market risk

Interest rate risk management

The exposure to changes in interest rates relates primarily to the AGSA's current and investment accounts.

Interest rate sensitivity

Below are the recalculated financial assets and liabilities showing the effect of:

- A one percentage point decrease or increase in the current account interest rate
- A one percentage point decrease or increase in the investment account interest rates

2023

Current and investment accounts interest rates	Current balance	+1%	-1%
Net surplus (R'000)	263 161	270 138	256 077
% change		2,7%	-2,7%
Current bank and investment accounts balances (R'000)	706 529	713 506	699 445
% change		1,0%	-1,0%

2022

Current and investment accounts interest rates	Current balance	+1%	-1%
Net surplus (R'000)	40 255	47 072	33 451
% change		16,9%	-16,9%
Current bank and investment accounts balances (R'000)	770 344	777 104	763 589
% change		0,9%	-0,9%

26.2 Credit risk

Financial assets that potentially subject the AGSA to concentrations of credit risk consist principally of cash and short-term deposits placed with financial institutions that have the following national short-term credit ratings:

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.2 Credit risk (continued)

Financial institution	2023 (2022)		
	Fitch	Moody's	S&P
Standard Bank	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
Investec	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
Nedbank	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
First National Bank	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
ABSA	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)

Trade receivables are presented net of the allowance for impairment. Credit risk with respect to trade receivables is limited to some degree due to the AGSA's constitutionally conferred audit mandate. However, the AGSA has a significant concentration of credit risk with local government debtors.

All financial assets are unsecured. The carrying amount of financial assets included in the statement of financial position represents the AGSA's exposure to credit risk in relation to these assets.

AGSA expected credit loss rates 2022-23

	Current	30 days	60 days	90 days	120 days	150 days	180 days	181+ days
National	1%	5%	28%	61%	45%	45%	45%	100%
Provincial	2%	5%	19%	34%	36%	43%	47%	100%
Local								
Local municipality	16%	27%	39%	46%	46%	53%	61%	100%
District municipality	4%	8%	15%	24%	24%	29%	38%	100%
Metro	2%	8%	45%	80%	45%	45%	45%	100%
Statutory	6%	12%	28%	43%	45%	49%	51%	100%
Other debtors	4%	10%	24%	34%	37%	44%	52%	100%
Non-audit debtors	95%	100%	100%	100%	83%	84%	84%	100%

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.2 Credit risk (continued)

AGSA expected credit loss rates 2021-22

	Current	30 days	60 days	90 days	120 days	150 days	180 days	181+ days
National	1%	3%	21%	50%	48%	49%	27%	100%
Provincial	1%	3%	11%	17%	23%	31%	35%	100%
Local								
Local municipality	11%	18%	25%	29%	32%	36%	45%	100%
District municipality	1%	2%	5%	11%	16%	26%	23%	100%
Metro	1%	4%	39%	50%	47%	47%	26%	100%
Statutory	2%	9%	11%	12%	11%	13%	15%	100%
Other debtors	10%	24%	55%	70%	72%	68%	77%	100%
Non-audit debtors	55%	69%	86%	82%	83%	85%	85%	100%

An analysis of the ageing of trade receivables that are 30 days and over is as follows:

2023

Debtor type	Total R'000	Current R'000	30 - 120 R'000	120 - 180 R'000	180+ R'000
National	85 523	82 831	2 686	-	6
Provincial	154 453	145 672	3 372	-	5 409
Local	487 497	87 343	165 058	73 000	162 096
Local municipality	426 380	57 275	145 729	64 908	158 468
District municipality	26 692	14 274	8 546	2 885	987
Metro	34 425	15 794	10 783	5 207	2 641
Statutory	65 987	35 693	2 529	5 130	22 635
Other [17]	286 543	170 311	13 443	7 004	95 785
Total trade receivables (refer to note 5)	**1 080 003**	**521 850**	**187 088**	**85 134**	**285 931**

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.2 Credit risk (continued)

2022

Debtor type	Total R'000	Current R'000	30 - 120 R'000	120 - 180 R'000	180+ R'000
National	79 834	79 834	-	-	-
Provincial	129 809	126 326	1 356	2 127	-
Local	548 229	131 171	214 124	48 646	154 288
Local municipality	468 516	91 409	189 629	40 794	146 684
District municipality	41 118	17 009	18 743	3 221	2 145
Metro	38 595	22 753	5 752	4 631	5 459
Statutory	59 299	26 523	2 882	7 624	22 270
Other [17]	242 721	132 998	33 525	9 054	67 144
Total trade receivables (refer to note 5)	**1 059 892**	**496 852**	**251 887**	**67 451**	**243 702**

R558 153 000 (2022: R563 040 000) of receivables, comprising 51,7% (2022: 53,1%) of total receivables, are in arrears. Local government debtors' arrears stand at R400 154 000 (2022: R417 058 000), which is 71,7% (2022: 74,1%) of total arrears and 37,1% (2022: 39,3%) of total receivables.

Financial assets subject to credit risk

2023

Debtor type	Trade receivables R'000	Allowance for impairment of receivables R'000	Net trade receivables R'000
National	85 523	(1 623)	83 900
Provincial	154 453	(9 185)	145 268
Local	487 497	(140 862)	346 635
Local municipality	426 380	(132 038)	294 342
District municipality	26 692	(4 326)	22 366
Metro	34 425	(4 498)	29 927
Statutory	65 987	(368)	65 619
Other [17]	286 543	(67 604)	218 939
	1 080 003	**(219 642)**	**860 361**

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.2 Credit risk (continued)

2022

Debtor type	Trade receivables R'000	Allowance for impairment of receivables R'000	Net trade receivables R'000
National	79 834	(754)	79 080
Provincial	129 809	(3 329)	126 480
Local	548 229	(131 875)	416 354
Local municipality	468 516	(126 716)	341 800
District municipality	41 118	(4 466)	36 652
Metro	38 595	(693)	37 902
Statutory	59 299	(1 413)	57 886
Other [17]	242 721	(75 951)	166 770
	1 059 892	**(213 322)**	**846 570**

[17] Other receivables include unlisted public entities, municipal entities and utility agency corporations.

26.3 Liquidity risk

Liquidity risk is the risk that the AGSA will not be able to meet its financial obligations as they fall due.

The AGSA has adequate cash balances at its disposal and minimal long-term debt, which limits liquidity risk. Budgets and cash flow forecasts are prepared annually to ensure liquidity risks are monitored and controlled.

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.3 Liquidity risk (continued)

Maturity profile of financial instruments

2023

	Within 1 year R'000	1 to 5 years R'000	Later than 5 years R'000	Total R'000
Assets				
Trade and other receivables (refer to note 26.4)	867 822	-	-	867 822
Total trade and other receivables (refer to note 5)	912 711	-	-	912 711
Prepayments	(44 889)	-	-	(44 889)
Cash (refer to notes 6 and 26.4)	706 529	-	-	706 529
Current account	272 379	-	-	272 379
Overnight call account	35 058	-	-	35 058
Notice deposits	399 092	-	-	399 092
Total financial assets	**1 574 351**	**-**	**-**	**1 574 351**
Liabilities				
Lease liabilities (refer to note 10)	92 333	262 714	81 204	436 251
Trade and other payables (refer to note 26.4)	171 938	-	3 708	175 646
Total trade and other payables (refer to note 13)	460 417	-	3 708	464 125
Leave pay accrual	(190 010)	-	-	(190 010)
VAT and PAYE	(98 469)	-	-	(98 469)
Total financial liabilities	**264 271**	**262 714**	**84 912**	**611 897**
Net financial assets	**1 310 080**	**(262 714)**	**(84 912)**	**962 454**

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.3 Liquidity risk (continued)

2022

	Within 1 year R'000	1 to 5 years R'000	Later than 5 years R'000	Total R'000
Assets				
Trade and other receivables (refer to note 26.4)	852 247	-	-	852 247
Total trade and other receivables (refer to note 5)	885 058	-	-	885 058
Prepayments	(32 811)	-	-	(32 811)
Cash (refer to notes 6 and 26.4)	770 344	-	-	770 344
Current account	314 334	-	-	314 334
Overnight call account	111 557	-	-	111 557
Notice deposits	344 453	-	-	344 453
Total financial assets	1 622 591	-	-	1 622 591
Liabilities				
Lease liabilities (refer to note 10)	84 753	320 753	99 740	505 246
Trade and other payables (refer to note 26.4)	480 999	-	2 078	483 077
Total trade and other payables (refer to note 13)	748 523	-	2 078	750 601
Leave pay accrual	(178 961)	-	-	(178 961)
VAT and PAYE	(88 563)	-	-	(88 563)
Total financial liabilities	565 752	320 753	101 818	988 323
Net financial assets	**1 056 839**	**(320 753)**	**(101 818)**	**634 268**

26.4 Classification of financial instruments

Line items presented in the statement of financial position summarised per category of financial instrument

2023

Financial assets	Loans and receivables R'000	Non-financial assets R'000	Total R'000
Financial assets measured at amortised cost			
Trade and other receivables (refer to note 26.3)	867 822	44 889	912 711
Cash and cash equivalents (refer to notes 6 and 26.3)	706 529	-	706 529
	1 574 351	**44 889**	**1 619 240**

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.4 Classification of financial instruments (continued)

Financial liabilities	Financial liabilities R'000	Non-financial assets R'000	Total R'000
Financial liabilities measured at amortised cost			
Lease liabilities (refer to note 10)	436 251	-	436 251
Trade and other payables (refer to notes 13 and 26.3)	175 646	288 479	464 125
	611 897	**288 479**	**900 376**

2022

Financial assets	Loans and receivables R'000	Non-financial assets R'000	Total R'000
Financial assets measured at amortised cost			
Trade and other receivables (refer to note 26.3)	852 247	32 811	885 058
Cash and cash equivalents (refer to notes 6 and 26.3)	770 344	-	770 344
	1 622 591	**32 811**	**1 655 402**

Financial liabilities	Financial liabilities R'000	Non-financial liabilities R'000	Total R'000
Financial liabilities measured at amortised cost			
Lease liabilities (refer to note 10)	505 246	-	505 246
Trade and other payables (refer to notes 13 and 26.3)	483 077	267 524	750 601
	988 323	**267 524**	**1 255 847**

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.4 Classification of financial instruments (continued)

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities is as follows:

Minimum lease payments due

2023

	Within 1 year R'000	1 to 5 years R'000	Later than 5 years R'000
Lease payments (refer to note 10)	133 858	341 479	98 836
Finance charges	(41 525)	(78 765)	(17 632)
Net present value	**92 333**	**262 714**	**81 204**

2022

	Within 1 year R'000	1 to 5 years R'000	Later than 5 years R'000
Lease payments (refer to note 10)	134 133	425 323	120 835
Finance charges	(49 380)	(104 570)	(21 095)
Net present value	**84 753**	**320 753**	**99 740**

NOTES TO THE FINANCIAL STATEMENTS

27. Taxation

No provision is made for income tax as the AGSA is exempt in terms of section 10(1)(cA)(i) of the Income Tax Act 58 of 1962.

28. Events after the reporting period

No other matters or circumstances arose after the end of the financial year and up to the date of the signing of these financial statements that will materially affect these financial statements.

29. Going concern

Based on the AGSA's cash flow forecast for the next 12 months to 31 July 2024 and the year to date performance, the AGSA will continue to operate as a going concern for the foreseeable future.

NOTES

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