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FINANCIAL STATEMENTS

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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.

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 July 2025 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 116 to 163, prepared on the going concern basis, were approved and signed by me on 31 July 2024 on behalf of the AGSA.

Vonani Chauke
Deputy Auditor-General

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 3 to 42, which comprise the statement of financial position as at 31 March 2024, 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 2024, 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	KEY AUDIT MATTER
EXPECTED CREDIT LOSSES ALLOWANCE ON TRADE RECEIVABLES (IFRS 9)	
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 2024 gross trade receivables amounted to R1.2 billion against which an expected credit loss (ECL) of R231 million was raised. As included in notes 5 and 26, the ECL on trade receivables amounting to R231 million (2023: R219 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. 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 1.4 (Trade and other receivables) and note 26.2 (Credit risk) to the annual financial statements for the related disclosure.	Our audit procedures comprised, amongst 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. • 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 is consistent with the requirement of IFRS 9. Based on the procedures performed above, we are 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 judgment 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 seven 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 2024, as set out on pages 48 to 93 of the integrated annual report 2023-2024.

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:
- Shift public sector culture
- Insight

- Influence
- Enforcement
- Efficiently
- Sustainability

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 2023-2026 Strategic plan and budget and the 2023-2024 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 2023-2026 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
Rivonia
31 July 2024

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2024

	Notes	2024 R'000	2023 R'000
ASSETS			
Non-current assets		385 679	449 318
Property, plant and equipment	2	118 549	112 341
Intangible assets	3	33 797	13 972
Right-of-use assets	4	233 333	323 005
Current assets		2 150 711	1 619 240
Trade and other receivables	5	996 208	912 711
Cash and cash equivalents	6	1 154 503	706 529
Total assets		**2 536 390**	**2 068 558**
EQUITY AND LIABILITIES			
Reserves		1 502 002	1 131 746
General reserve	7	1 126 782	863 621
Special audit services reserve	8	4 964	4 964
Accumulated surplus	9	370 256	263 161
Liabilities			
Non-current liabilities		279 570	379 224
Lease liabilities	10	243 483	343 918
Post-retirement benefit obligations	11	10 923	11 808
Provisions	12	19 791	19 790
Trade and other payables	13	5 373	3 708
Current liabilities		754 818	557 588
Lease liabilities	10	100 818	92 333
Post-retirement benefit obligations	11	1 078	1 096
Provisions	12	1 913	3 742
Trade and other payables	13	651 009	460 417
Total equity and liabilities		**2 536 390**	**2 068 558**

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 R'000	2023 R'000
Revenue	14	4 850 526	4 582 578
Local services rendered		4 848 614	4 582 578
International services rendered		1 912	–
Direct audit cost		(2 925 363)	(3 015 485)
Recoverable staff cost	15	(2 054 714)	(1 921 080)
Contract work	16	(648 575)	(900 792)
Subsistence and travel	17	(222 074)	(193 613)
Gross profit		**1 925 163**	**1 567 093**
Government grant and other income	18	44 717	47 275
Contributions to overheads		**1 969 880**	**1 614 368**
Operating expenditure		(1 713 882)	(1 404 908)
Non-recoverable staff cost	15	(1 196 191)	(883 970)
Depreciation expense – property, plant and equipment	2	(36 252)	(49 579)
Amortisation expense – intangible assets	3	(5 246)	(1 766)
Depreciation expense – right-of-use assets	4	(92 958)	(99 982)
Adjustment of allowance for impairment of receivables	5	(15 950)	–
Other operational expenditure	19	(367 253)	(368 275)
Post-retirement benefit obligations – current service cost and loss on settlement	11	(32)	(1 336)
Operating surplus before finance charges		**255 998**	**209 460**
Interest income	21	155 225	102 714
Interest expense	21	(42 122)	(52 439)
Surplus for the year		**369 101**	**259 735**
Other comprehensive income			
Items that will not be reclassified to surplus or deficit			
Post-retirement benefit obligations – actuarial gains	11	1 155	3 426
Total comprehensive surplus for the year		**370 256**	**263 161**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	General reserve R'000	Special audit services reserve R'000	Accumulated (deficit) / surplus R'000	Total equity R'000
Balance at 31 March 2022		**823 366**	**4 964**	**40 255**	**868 585**
Transfer of accumulated deficit 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		**863 621**	**4 964**	**263 161**	**1 131 746**
Transfer of accumulated surplus to reserves		263 161	–	(263 161)	–
Total comprehensive surplus		–	–	370 256	370 256
Surplus for the year		–	–	369 101	369 101
Other comprehensive income					
– Actuarial gains		–	–	1 155	1 155
Balance at 31 March 2024		**1 126 782**	**4 964**	**370 256**	**1 502 002**
	Notes	7	8	9	

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 R'000	2023 R'000
Cash flows from operating activities			
Cash receipts from auditees	22.1	4 830 703	4 597 470
Total direct audit cost payments	22.2	(2 947 617)	(3 092 844)
Operational expenditure payments	22.3	(1 314 803)	(1 435 807)
Interest received	21	85 961	49 498
Interest paid	21	(40 644)	(49 246)
Net cash inflow from operating activities		**613 600**	**69 071**
Cash flows from investing activities			
Cash payments for property, plant and equipment	2	(46 070)	(44 766)
Cash payments for intangible assets	3	(25 071)	(2 020)
Proceeds from sale of property, plant and equipment	2	1 834	971
Net cash outflow from investing activities		**(69 307)**	**(45 815)**
Cash flow from financing activities			
Payment of lease liabilities	10	(96 319)	(87 071)
Net cash outflow from financing activities		**(96 319)**	**(87 071)**
Net increase / (decrease) in cash and cash equivalents		**447 974**	**(63 815)**
Cash and cash equivalents at the beginning of the year		706 529	770 344
Cash and cash equivalents at the end of the year	6	**1 154 503**	**706 529**

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 the 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
IFRS 18 – Presentation and disclosure in financial statements	1 Jan 2027	Replaces IAS 1 Presentation of financial statements. It carries forward many requirements from IAS 1 unchanged and introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analysing and comparing companies: • Improved comparability in the statement of profit or loss through the introduction of three defined categories for income and expenses – operating, investing and financing – to improve the structure of the income statement, and a requirement for all companies to provide new defined subtotals, including operating profit. • Enhanced transparency of management-defined performance measures with a requirement for companies to disclose explanations of those company-specific measures that are related to the income statement. • More useful grouping of information in the financial statements through enhanced guidance on how to organise information and whether to provide it in the primary financial statements or in the notes, as well as a requirement for companies to provide more transparency about operating expenses.	Impact on the AGSA financial statements to be determined

1.2 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:

	Useful life	
Item	2024	2023
Computer equipment	8 – 12 years	8 – 12 years
Notebooks	4 years	3 years
Motor vehicles	7 – 12 years	7 – 12 years
Furniture and fittings	6 – 23 years	6 – 23 years
Office equipment	5 – 15 years	5 – 15 years
Leasehold improvements	Over the period of the lease	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.

To review property, plant and equipment 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.

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

1.3 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)
Computer software – purchased	8 – 14 years
Licences	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 outsourced services, 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.

To review intangible assets 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.

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.

1.4 Trade and other receivables

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.

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.

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.

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.

Amortised cost of ringfenced debtors

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

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.

1.5 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.

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, capital investment programmes on the digitisation of the AGSA 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 is 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, and
- 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.

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.

1.8 Leases (continued)

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).

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.

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.

1.8 Leases (continued)

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.

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.

1.9 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.

NOTES TO THE FINANCIAL STATEMENTS

1.9 Provisions (continued)

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.

1.10 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 obligations 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 recognised in surplus or deficit.

1.11 Revenue

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.

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 debts owed and due to the AGSA.

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 contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

1.11 Revenue (continued)

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.

1.12 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 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.

NOTES TO THE FINANCIAL STATEMENTS

1.12 Employee benefits (continued)

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.

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.

1.13 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.

1.14 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.

NOTES TO THE FINANCIAL STATEMENTS

2 Property, plant and equipment

2024	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Computer equipment	70 208	(65 228)	4 980
Notebooks	124 508	(71 642)	52 866
Motor vehicles	7 705	(3 917)	3 788
Office equipment	5 187	(4 697)	490
Furniture and fittings	64 306	(56 784)	7 522
Leasehold improvements	84 129	(35 226)	48 903
	356 043	**(237 494)**	**118 549**

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	3 639	3 510	148	(2 317)	4 980
Notebooks	53 794	24 183	(1 582)	(23 529)	52 866
Motor vehicles	4 168	–	–	(380)	3 788
Office equipment	531	588	(32)	(597)	490
Furniture and fittings	7 462	1 166	–	(1 106)	7 522
Leasehold improvements	42 747	14 479	–	(8 323)	48 903
	112 341	**43 926**	**(1 466)**	**(36 252)**	**118 549**

The useful lives of property, plant and equipment was revised during the year (refer to note 30).

	2024 R'000
Proceeds on disposal of property, plant and equipment	**1 834**

NOTES TO THE FINANCIAL STATEMENTS

2 Property, plant and equipment (continued)

2023	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
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**

[1] Included in additions is R134 000 (2023: R2 278 000) accrued at year end but not yet paid.

	2023 R'000
Proceeds on disposal of property, plant and equipment	**971**

3 Intangible assets

2024	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Computer software – purchased	29 824	(11 553)	18 271
Licenses	42 257	(34 503)	7 754
Intangible assets under development [2]	7 772	–	7 772
	79 853	**(46 056)**	**33 797**

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	10 211	10 516	–	(2 456)	18 271
Licenses	3 761	6 783	–	(2 790)	7 754
Intangible assets under development [2]	–	7 772	–	–	7 772
	13 972	**25 071**	**–**	**(5 246)**	**33 797**

[2] The AGSA has been investing in digital transformation initiatives during the financial year, which include the acquisition and development of new computer software. These initiatives are aimed at replacing existing audit software and introducing new digital tools to enhance the AGSA's operations.

2023	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Computer software – purchased	19 308	(9 097)	10 211
Licenses	35 474	(31 713)	3 761
	54 782	**(40 810)**	**13 972**

NOTES TO THE FINANCIAL STATEMENTS

3 Intangible assets (continued)

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	9 355	2 020	–	(1 164)	10 211
Licenses	4 363	–	–	(602)	3 761
	13 718	**2 020**	**–**	**(1 766)**	**13 972**

4 Right-of-use assets

2024	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Office buildings	**621 385**	**(388 052)**	**233 333**

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	**323 005**	**909**	**2 377**	**–**	**(92 958)**	**233 333**

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

4 Right-of-use assets (continued)

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

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:

Office buildings	Remaining lease term	Extension option	Option to purchase	Variable payment linked to an index	Termination option
Eastern Cape	2 months	No	No	No	No
Free State	111 months	Yes	No	No	No
Gauteng	50 months	No	No	No	No
Head Office	23 months	Yes	No	No	No
KwaZulu-Natal	85 months	Yes	No	No	No
Limpopo	53 months	No	No	No	No
Mpumalanga	12 months	Yes	No	No	No
Northern Cape	53 months	No	No	No	No
North West	39 months	Yes	No	No	No
Western Cape	9 months	Yes	No	No	No

The Eastern Cape lease will be extended for a period of 3 months, whereafter a new building will be sourced. The Western Cape lease will be extended at the end of the current term.

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).

NOTES TO THE FINANCIAL STATEMENTS

		2024 R'000	2023 R'000
5	**Trade and other receivables**		
	Trade receivables (refer to note 26.2)	1 165 305	1 080 003
	Allowance for impairment of receivables [3]	**(231 807)**	**(219 642)**
	Net trade receivables	933 498	860 361
	Staff debtors	12 675	7 250
	Prepayments	49 828	44 889
	Other debtors	207	211
	Balance at the end of the year (refer to note 26.3)	**996 208**	**912 711**
[3]	Allowance for impairment of receivables		
	Balance at the beginning of the year	(219 642)	(213 322)
	Amount written off during the year	3 785	18 213
	Adjustment of allowance for impairment of receivables (refer to note 22.3)	(15 950)	(24 533)
	Balance at the end of the year (refer to note 26.2)	**(231 807)**	**(219 642)**

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

	2024	2023
Investment reserved for specific liabilities [4]	219 627	189 830
Overnight call account	259 942	35 058
Notice deposits	228 580	209 262
Current bank account	446 354	272 379
Balance at the end of the year (refer to notes 26.3 and 26.4)	**1 154 503**	**706 529**

6 Cash and cash equivalents (continued)

		2024 R'000	2023 R'000
[4]	Investment reserved for specific liabilities		
	The liabilities covered by this investment include the following:		
	Post-retirement medical care benefits (refer to note 11) [5]	12 001	12 904
	13th cheque accrual (refer to note 13) [6]	8 393	8 424
	Leave pay accrual (refer to note 13) [7]	177 908	190 010
	Repayment to former TBVC states employees – deductions of salary over-payments	195	195
		198 497	**211 533**

[5] The future service liability for post-retirement medical care benefits totalling R177 000 (2023: R222 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.

[6] 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 2024.

[7] Only R136 620 581 (2023: R139 769 673) of the leave pay accrual is ringfenced through the investment reserved for specific liabilities. The balance of R41 287 074 (2023: R50 240 388) is covered through the current account as this can be encashed within the current year.

7 General reserve

	2024 R'000	2023 R'000
Balance at the beginning of the year	863 621	823 366
Transfer of accumulated surplus to general reserve (refer to note 9)	263 161	40 255
Balance at the end of the year	**1 126 782**	**863 621**

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, capital investment programmes on the digitisation of the AGSA and general reserve requirements of the AGSA.

NOTES TO THE FINANCIAL STATEMENTS

		2024 R'000	2023 R'000
8	**Special audit services reserve**		
	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.

		2024 R'000	2023 R'000
9	**Accumulated surplus**		
	Balance at the beginning of the year	263 161	40 255
	Transfer of accumulated surplus to general reserve (refer to note 7)	(263 161)	(40 255)
	Total comprehensive surplus for the year	370 256	263 161
	Balance at the end of the year	**370 256**	**263 161**
10	**Lease liabilities**		
	Maturity analysis of future lease payments (discounted)		
	Due within one year	132 642	133 858
	Between one and five years	238 204	341 479
	More than five years	69 908	98 836
	Total future lease payments (refer to note 26.4)	**440 754**	**574 173**
	Total future finance costs	(96 453)	(137 922)
	Lease liabilities (refer to notes 26.3 and 26.4)	**344 301**	**436 251**
	Non-current portion	243 483	343 918
	Current portion	100 818	92 333
	Expenses related to leases		
	Low-value lease expense – recognition exemption	–	–

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

		2024 R'000	2023 R'000
10	**Lease liabilities (continued)**		
	Total cash outflows relating to leases		
	Presented under financing activities		
	Cash payments for capital portion of lease liabilities	96 319	87 071
	Presented under operating activities		
	Cash payments for interest portion of lease liabilities	40 644	49 231
	Cash payments for low-value leases	–	–
	Total cash outflow relating to leases	**136 963**	**136 302**

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:

Office buildings	Remaining lease term	Extension option	Option to purchase	Variable payment linked to an index	Termination option
Eastern Cape	2 months	No	No	No	No
Free State	111 months	Yes	No	No	No
Gauteng	50 months	No	No	No	No
Head Office	23 months	Yes	No	No	No
KwaZulu-Natal	85 months	Yes	No	No	No
Limpopo	53 months	No	No	No	No
Mpumalanga	12 months	Yes	No	No	No
Northern Cape	53 months	No	No	No	No
North West	39 months	Yes	No	No	No
Western Cape	9 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%

2023-24 financial year – between 10,66% and 11,31%

		2024 R'000	2023 R'000
11	**Post-retirement benefit obligation**		
	Post-retirement medical care benefits	**12 001**	**12 904**
	The liability is reconciled as follows:		
	Balance at the beginning of the year	12 904	48 963
	Current year provision	263	(34 056)
	Current service costs	32	222
	Actuarial gain	(1 155)	(3 426)
	Remeasurements due to experience adjustments	(772)	(1 496)
	Remeasurements due to financial assumptions	(383)	(1 930)
	Interest expense adjustment on retirement benefit obligations (refer to note 21)	1 478	3 193
	Effect of settlement	(92)	(35 159)
	Loss of settlement	–	1 114
	Less: Payments made	(1 166)	(2 003)
	Balance at the end of the year (refer to note 6)	**12 001**	**12 904**
	Non-current portion	10 923	11 808
	Current portion	1 078	1 096
		12 001	**12 904**

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 2024 by Alexander Forbes Financial Services (Pty) Ltd using the projected unit credit method.

The valuation is based on the following most recent principal actuarial assumptions:

	2024	2023
The discount rate reflects the timing of benefit payments and is based on market bond yields	13,4%	12,0%
Subsidy increase rate (based on the inflation rate)	7,4%	6,4%
Expected retirement age	63	63
Number of continuation members	94	95
Average age of continuation members	75,0	74,0
Percentage continuation members married	45%	47%
Number of in-service members	9	10
Average age of in-service members	54,5	53,8
Percentage in-service members married	90%	90%
Average years of past service of in-service members	31,7	30,8

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.

2024

Discount rate	Assumption 13,40%	-1%	+1%
Accrued liability 31 March 2024 (R'000)	12 001	13 004	11,133
% change		8,4%	-7,2%

Inflation rate	Assumption 7,40%	+1%	-1%
Accrued liability 31 March 2024 (R'000)	12 001	13 000	11,126
% change		8,3%	-7,3%

Expected retirement age	Assumption 63 years	1 year younger	1 year older
Accrued liability 31 March 2024 (R'000)	12 001	12 075	11,934
% change		0,6%	-0,6%

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%

NOTES TO THE FINANCIAL STATEMENTS

		2024 R'000	2023 R'000
12	**Provisions**		
	Reinstatement cost [8]		
	Opening balance	23 532	22 478
	Provision raised	–	1 054
	Payments made	(528)	–
	Provision reversal	(1 300)	–
	Closing balance	**21 704**	**23 532**
	Non-current portion	19 791	19 790
	Current portion	1 913	3 742
		21 704	**23 532**

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

		2024 R'000	2023 R'000
13	**Trade and other payables**		
	Trade payables [9]	31 879	41 144
	Accruals	56 941	120 794
	Deferred compensation [10]	5 373	3 708
	13th cheque accrual (refer to note 6)	8 394	8 424
	Leave pay accrual (refer to note 6)	177 908	190 010
	Performance bonus accrual	261 797	–
	Staff creditors	3 197	1 576
	VAT and PAYE	110 893	98 469
	Balance at the end of the year (refer to notes 26.3 and 26.4)	**656 382**	**464 125**
	Non-current portion	5 373	3 708
	Current portion	651 009	460 417
		656 382	**464 125**

[9] Ageing of trade payables:

13 Trade and other payables (continued)

2024	Total R'000	Current R'000	30-60 R'000	60-90 R'000	90-120 R'000	120+ R'000
Trade payables	**31 879**	**16 766**	**8 616**	**2 394**	**1 293**	**2 810**
2023						
Trade payables	**41 144**	**17 005**	**15 657**	**2 587**	**3 324**	**2 571**

[10] 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.

	2024 R'000	2023 R'000
14 Revenue		
Local services rendered [11]	4 848 614	4 582 578
Own hours	3 967 587	3 501 771
Contract work recoverable (refer to note 16)	659 517	887 194
Subsistence and travel recoverable (refer to note 17)	221 510	193 613
International services rendered [12]	1 912	–
Own hours	1 293	–
Contract work recoverable (refer to note 16)	55	–
Subsistence and travel recoverable (refer to note 17)	564	–
	4 850 526	**4 582 578**

[11] The amount of revenue invoiced but not recognised for the current period is R5 437 000 (2023: R15 905 000) and R34 436 000 (2023: R25 754 000) income previously not recognised was recovered and included in revenue in the current period.

[12] International income relates to the International Centre For Genetic Engineering And Biotechnology (ICGEB), African Organization Of Public Accounts Committees (Afropac) and United Nations Educational, Scientific and Cultural Organization (Unesco) audits.

NOTES TO THE FINANCIAL STATEMENTS

		2024 R'000	2023 R'000
15	**Staff cost**		
	Management salaries (refer to note 25.1)	40 493	34 907
	Other non-recoverable staff salaries	697 079	598 251
	Other staff expenditure	307 609	53 408
	Performance bonus [13]	256 960	(4 011)
	Group life scheme	38 758	46 206
	Other employer contributions	11 891	11 213
	Course fees and study assistance	86 916	111 580
	Adjustment of leave pay accrual	64 075	78 792
	Incentive on settlement of post-retirement obligation	19	7 032
	Total non-recoverable staff cost	**1 196 191**	**883 970**
	Recoverable staff cost (part of direct audit cost)	2 054 714	1 921 080
	Total staff cost	**3 250 905**	**2 805 050**
	Average number of staff	3 818	3 727

[13] This amount excludes the performance bonus of R5 million for key management personnel, which is included under management salaries (refer to note 25.1)

		2024 R'000	2023 R'000
16	**Contract work**		
	Contract work recoverable (refer to note 14)	659 572	887 194
	Contract work non-recoverable	(10 997)	13 598
		648 575	**900 792**

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

		2024 R'000	2023 R'000
17	**Subsistence and travel**		
	Subsistence and travelling recoverable (refer to note 14)	**222 074**	**193 613**

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

		2024 R'000	2023 R'000
18	**Government grant and other income**		
	Government grant received [14]	43 478	43 478
	Sundry income [15]	874	498
	Profit on sale of property, plant and equipment (refer to note 22.3)	365	–
	Gain on lease modification [16]	–	3 299
		44 717	**47 275**

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

[15] Sundry income consist mainly of income from the AGSA's gift shop.

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

NOTES TO THE FINANCIAL STATEMENTS

		2024 R'000	2023 R'000
19	**Other operational expenditure**		
	Auditor's remuneration – statutory audit services	5 211	5 044
	Adjustment of allowance for impairment of receivables (refer to notes 5 and 22.3) [17]	–	24 533
	Fruitless and wasteful expenditure (refer to note 20)	–	130
	Governance costs	2 074	1 984
	ICT services	115 794	107 580
	Internal audit fees	3 423	2 568
	Legal costs	15 932	13 056
	Loss on disposal of property, plant and equipment (refer to note 22.3)	–	1 617
	Service costs – land and buildings	36 310	32 291
	Low-value leases – office equipment	3 202	2 621
	Other operational expenses (excluding staff cost)	26 166	19 787
	Publications	2 072	1 868
	Refreshments	4 508	3 707
	Repairs and maintenance	15 586	11 053
	Bank charges	604	517
	Labour and staff relations	872	896
	Insurance	2 524	1 746
	Outsourced services	47 863	55 240
	Recruitment costs	22 327	20 219
	Stakeholder relations	30 592	30 671
	Stationery and printing	3 774	5 268
	Subsistence and travelling non-audit	43 093	34 932
	Telephone and postage	11 492	10 734
		367 253	**368 275**

[17] The adjustment of allowance for impairment of receivables has been moved to the face of the statement of surplus or deficit and other comprehensive income.

20	**Fruitless and wasteful expenditure**		
	Salary payment into fraudulent bank account (refer to note 19)	**–**	**130**

		2024 R'000	2023 R'000
21	**Interest**		
	Interest income		
	Interest income on bank and investments	77 172	39 796
	Interest on overdue debtors accounts – received	8 789	9 702
		85 961	49 498
	Interest on overdue debtors accounts – accrued	69 264	53 216
		155 225	**102 714**
	Interest expense		
	Interest on lease liabilities	(40 644)	(49 231)
	Interest on overdue accounts	–	(15)
		(40 644)	(49 246)
	Interest expense adjustment on retirement benefit obligations (refer to note 11)	(1 478)	(3 193)
		(42 122)	**(52 439)**
22	**Notes to the cash flow statement**		
22.1	**Cash receipts from auditees**		
	Revenue	4 850 526	4 582 578
	Net (increase) / decrease in trade receivables	(19 823)	14 892
		4 830 703	**4 597 470**
22.2	**Total direct audit cost payments**		
	Direct audit cost	(2 925 363)	(3 015 485)
	Net decrease in trade payables	(22 254)	(77 359)
		(2 947 617)	**(3 092 844)**

NOTES TO THE FINANCIAL STATEMENTS

22 Notes to the cash flow statement (continued)

22.3 Operational expenditure payments

	2024 R'000	2023 R'000
Surplus for the year	369 101	259 735
Adjusted for:		
Revenue	(4 850 526)	(4 582 578)
Direct audit cost	2 925 363	3 015 485
Interest income	(155 225)	(102 714)
Interest expense	42 122	52 439
Depreciation – property, plant and equipment	36 252	49 579
Depreciation – right-of-use assets	92 958	99 982
Amortisation – intangible assets	5 246	1 766
Increase in allowance for impairment of receivables (refer to notes 5)	15 950	24 533
Decrease in 13th cheque accrual	(30)	(240)
(Decrease) / increase in leave pay accrual	(12 102)	11 049
Increase / (decrease) in performance bonus accrual	261 797	(269 692)
Decrease in liability for post-retirement medical care benefits	(1 226)	(35 826)
(Decrease) / increase in accruals	(52 549)	52 990
(Profit) / loss on the disposal of property, plant and equipment (refer to notes 18 and 19)	(365)	1 617
	(1 323 234)	(1 421 875)
Other working capital changes	8 431	(13 932)
(Increase) / decrease in other receivables	(10 360)	(13 862)
Decrease in other payables	18 791	(70)
	(1 314 803)	**(1 435 807)**

23 Notebook losses

	2024 R'000	2023 R'000
Notebook computers stolen and written off at the carrying amount: 83 (2023: 42)	**673**	**274**

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 135 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 R16 057 170 (135 students x R118 942 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 767 895 for approximately 45 students for the 2024-25 financial year.

	2024 R'000	2023 R'000
24.2 Capital commitments		
Approved and contracted [18]	**295 413**	–
Source of funding		
Internal resources	**295 413**	–

[18] Property, plant and equipment and intangible assets approved and contracted for in 2023-24, for implementation in the 2024-25 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.

2024				Short-term benefits		Long term benefits	
Position	Name	Appoint-ment date	Term end date	Gross remune-ration R'000	Perfor-mance bonus R'000	Deferred compen-sation R'000	Total remune-ration R'000
Auditor-General	T Maluleke	1 Dec 2020		5 552	–	1 665	7 217
Deputy Auditor-General	V Chauke	1 Jul 2021		4 962	1 488	–	6 450
Head of Audit National	SS Ngoma	1 Jun 2021		4 079	816	–	4 895
Head of Audit Provincial	MM Sedikela	1 Jun 2021		4 079	–	–	4 079
Head of Specialised Audits	T Mahlamvu	1 Jan 2024		1 200	–	–	1 200
Chief Financial Officer	P Sokombela	1 Mar 2022		3 087	617	–	3 704
Chief People Officer	L Miyambu	1 Apr 2023		4 200	642	–	4 842
Chief Risk Officer	MS Segooa	1 Jul 2021		3 605	721	–	4 326
Chief Technology Officer	P Ndarana	1 Jun 2022		3 150	630	–	3 780
Total management compensation				**33 914**	**4 914**	**1 665**	**40 493**

NOTES TO THE FINANCIAL STATEMENTS

25 Related parties (continued)

25.1 Key management personnel compensation (continued)

2023				Short-term benefits		Long term benefits	
Position	Name	Appoint-ment date	Term end date	Gross remune-ration R'000	Perfor-mance bonus R'000	Deferred compen-sation R'000	Total remune-ration 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 [19]	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				**33 278**	**–**	**1 629**	**34 907**

[19] The corporate executive, JH van Schalkwyk, is now part of the leadership committee and does not form part of the executive committee.

25 Related parties (continued)

25.2 Members of governing boards

Total board fees paid to members of governing boards

Name	Role	Appointment date	Term end date	2024 R'000	2023 R'000
Mr J Biesman-Simons	Audit Committee	17 Mar 2014	31 Oct 2022	–	364
Ms G Motau	Audit Committee	1 Nov 2022		293	208
Ms CL Roskruge	Audit Committee	17 Mar 2016		323	293
Mr C Mampuru	Audit Committee	1 Dec 2018		323	334
Ms T Maluleke	Quality Control Assessment Committee	1 Jun 2021		–	–
Ms L de Beer	Quality Control Assessment Committee	1 Apr 2015		29	42
Mr J Biesman-Simons	Quality Control Assessment Committee	1 Apr 2013	28 Jun 2022	–	42
Mr V Chauke	Quality Control Assessment Committee	1 Jun 2022		–	–
Ms G Motau	Quality Control Assessment Committee	1 Nov 2022		76	–
Mr Z Wadee	Quality Control Assessment Committee	1 Sep 2023		81	–
Dr M Bussin	Remuneration Committee	17 Mar 2014	30 Jun 2022	–	10
Ms M Nkeli	Remuneration Committee	1 Mar 2021		–	–
Mr B Nkomo	Remuneration Committee	17 Mar 2014	30 Jun 2022	–	5
Ms M Tlhabane	Remuneration Committee	19 May 2020	30 Jun 2022	–	–
Mr VES Cele	Remuneration Committee	1 Aug 2023		121	–
Ms N Samodien	Remuneration Committee	17 Mar 2014		161	13
Mr V Chauke	Remuneration Committee	1 Jul 2021		–	–
Ms T Fubu	Remuneration Committee	1 Jun 2022		174	96
				1 581	**1 407**

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

2024

Current and investment accounts interest rates	Current balance	+1%	-1%
Net surplus (R'000)	370 256	380 458	360 172
% change		2,8%	-2,7%
Current bank and investment accounts balances (R'000)	1 154 503	1 164 705	1 144 419
% change		0,9%	-0,9%

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%

26 Financial instruments (continued)

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:

	2024 (2023)		
Financial institution	**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.

26 Financial instruments (continued)

26.2 Credit risk (continued)

AGSA expected credit loss rates 2023-24

	Current	30 days	60 days	90 days	120 days	150 days	180 days	181+ days
National	1%	7%	36%	75%	50%	51%	51%	100%
Provincial Local	2%	5%	18%	35%	41%	48%	52%	100%
Local municipality	16%	27%	39%	47%	46%	52%	59%	100%
District municipality	4%	7%	13%	21%	25%	32%	41%	100%
Metro	6%	15%	57%	100%	50%	50%	50%	100%
Statutory	5%	11%	27%	40%	40%	44%	46%	100%
Other debtors	4%	10%	25%	37%	40%	47%	55%	100%
Non audit debtors	100%	100%	100%	100%	86%	87%	87%	100%

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 Local	2%	5%	19%	34%	36%	43%	47%	100%
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%

26 Financial instruments (continued)

26.2 Credit risk (continued)

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

2024 Debtor type	Total R'000	Current R'000	30 – 120 R'000	120 – 180 R'000	180+ R'000
National	88 110	83 729	3 408	196	777
Provincial	167 498	158 140	6 103	911	2 344
Local	488 455	111 612	140 954	65 622	170 267
Local municipality	424 487	73 275	129 895	57 668	163 649
District municipality	20 695	5 894	7 310	4 537	2 954
Metro	43 273	32 443	3 749	3 417	3 664
Statutory	51 152	28 698	2 094	5 168	15 192
Other [20]	370 090	185 300	29 030	25 057	130 703
Total trade receivables (refer to note 5)	**1 165 305**	**567 479**	**181 589**	**96 954**	**319 283**

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 [20]	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**

R597 826 000 (2023: R558 153 000) of receivables, comprising 51,3% (2023: 51,7%) of total receivables, are in arrears. Local government debtors' arrears is R376 843 000 (2023: R400 154 000), which is 63,0% (2023: 71,7%) of total arrears and 32,3% (2023: 37,1%) of total receivables.

NOTES TO THE FINANCIAL STATEMENTS

26 Financial instruments (continued)

26.2 Credit risk (continued)

Financial assets subject to credit risk

2024 Debtor type	Trade receivables R'000	Allowance for impairment of receivables R'000	Net trade receivables R'000
National	88 110	(1 063)	87 047
Provincial	167 498	(7 975)	159 523
Local	488 455	(132 217)	356 238
Local municipality	424 487	(127 578)	296 909
District municipality	20 695	(3 147)	17 548
Metro	43 273	(1 492)	41 781
Statutory	51 152	(7 207)	43 945
Other [20]	370 090	(83 345)	286 745
	1 165 305	**(231 807)**	**933 498**

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 [20]	286 543	(67 604)	218 939
	1 080 003	**(219 642)**	**860 361**

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

26 Financial instruments (continued)

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.

Maturity profile of financial instruments 2024	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)	946 380	–	–	946 380
Total trade and other receivables (refer to note 5)	996 208	–	–	996 208
Prepayments	(49 828)	–	–	(49 828)
Cash (refer to notes 6 and 26.4)	1 154 503	–	–	1 154 503
Current account	446 354	–	–	446 354
Overnight call account	259 942	–	–	259 942
Notice deposits	448 207	–	–	448 207
Total financial assets	**2 100 883**	**–**	**–**	**2 100 883**
Liabilities				
Lease liabilities (refer to note 10)	100 818	183 404	60 079	344 301
Trade and other payables (refer to note 26.4)	362 208	–	5 373	367 581
Total trade and other payables (refer to note 13)	651 009	–	5 373	656 382
Leave pay accrual	(177 908)	–	–	(177 908)
VAT and PAYE	(110 893)	–	–	(110 893)
Total financial liabilities	**463 026**	**183 404**	**65 452**	**711 882**
Net financial assets	**1 637 857**	**(183 404)**	**(65 452)**	**1 389 001**

NOTES TO THE FINANCIAL STATEMENTS

26 Financial instruments (continued)

26.3 Liquidity risk (continued)

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**

26 Financial instruments (continued)

26.4 Classification of financial instruments

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

2024

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)	946 380	49 828	996 208
Cash and cash equivalents (refer to notes 6 and 26.3)	1 154 503	–	1 154 503
	2 100 883	**49 828**	**2 150 711**

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)	344 301	–	344 301
Trade and other payables (refer to notes 13 and 26.3)	367 581	288 801	656 382
	711 882	**288 801**	**1 000 683**

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**

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)	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**

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	Within 1 year	1 to 5 years	Later than 5 years
2024			
Lease payments (refer to note 10)	132 642	238 204	69 908
Finance charges	(31 824)	(54 800)	(9 829)
Net present value	**100 818**	**183 404**	**60 079**
2023			
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**

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 2025 and the year to date performance, the AGSA will continue to operate as a going concern for the foreseeable future.

30 Comparative information

The classification of intangible assets were restated for better presentation. The effect of the reclassification in the prior year was as follows:

Effect in the notes Intangible assets (note 3)	2023					
	Restated			Originally disclosed		
2023	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Enterprise resource management system – PeopleSoft				17 288	(9 077)	8 211
Computer software – purchased	19 308	(9 097)	10 211			
Licenses	35 474	(31 713)	3 761	37 494	(31 733)	5 761
	54 782	**(40 810)**	**13 972**	**54 782**	**(40 810)**	**13 972**

	Restated				
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	9 355	2 020	–	(1 164)	10 211
Licenses	4 363	–	–	(602)	3 761
	13 718	**2 020**	**–**	**(1 766)**	**13 972**

	Originally disclosed				
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 – PeopleSoft	9 355	–	–	(1 144)	8 211
Licenses	4 363	2 020	–	(622)	5 761
	13 718	**2 020**	**–**	**(1 766)**	**13 972**

NOTES TO THE FINANCIAL STATEMENTS

31 Change in estimates

The useful lives of certain property, plant and equipment were revised during 2023-24. The useful lives used in 2023-24 are as follows:

Property, plant and equipment

Item	Useful life Revised	Original
Computer equipment	8 – 12 years	8 – 12 years
Notebooks	4 years	3 years
Motor vehicles	7 – 12 years	7 – 12 years
Furniture and fittings	6 – 23 years	6 – 23 years
Office equipment	5 – 15 years	5 – 15 years
Leasehold improvements	Over the period of the lease	Over the period of the lease

The effect of the change in estimate is as follows:

	2024 Net impact R'000	After change R'000	Before change R'000
Effect in the statement of financial position			
Non-current assets			
Property, plant and equipment	7 663	118 549	110 886
Effect in the statement of comprehensive income			
Depreciation expense – property, plant and equipment	**(7 663)**	**(36 252)**	**(43 915)**
Effect in the notes			

Property, plant and equipment (note 2)

31 Change in estimates (continued)

	After change			Before change		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
2024	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	70 208	(65 228)	4 980	70 208	(65 228)	4 980
Notebooks	124 508	(71 642)	52 866	124 508	(79 305)	45 203
Motor vehicles	7 705	(3 917)	3 788	7 705	(3 917)	3 788
Office equipment	5 187	(4 697)	490	5 187	(4 697)	490
Furniture and fittings	64 306	(56 784)	7 522	64 306	(56 784)	7 522
Leasehold improvements	84 129	(35 226)	48 903	84 129	(35 226)	48 903
	356 043	**(237 494)**	**118 549**	**356 043**	**(245 157)**	**110 886**

	After change				
	Balance at the beginning of the year	Additions	Disposals	Depreciation	Balance at the end of the year
The carrying amounts are reconciled as follows:	R'000	R'000	R'000	R'000	R'000
Computer equipment	3 639	3 510	148	(2 317)	4 980
Notebooks	53 794	24 183	(1 582)	(23 529)	52 866
Motor vehicles	4 168	–	–	(380)	3 788
Office equipment	531	588	(32)	(597)	490
Furniture and fittings	7 462	1 166	–	(1 106)	7 522
Leasehold improvements	42 747	14 479	–	(8 323)	48 903
	112 341	**43 926**	**(1 466)**	**(36 252)**	**118 549**

	Before change				
	Balance at the beginning of the year	Additions	Disposals	Depreciation	Balance at the end of the year
The carrying amounts are reconciled as follows:	R'000	R'000	R'000	R'000	R'000
Computer equipment	3 639	3 510	148	(2 317)	4 980
Notebooks	53 794	24 183	(1 582)	(31 192)	45 203
Motor vehicles	4 168	–	–	(380)	3 788
Office equipment	531	588	(32)	(597)	490
Furniture and fittings	7 462	1 166	–	(1 106)	7 522
Leasehold improvements	42 747	14 479	–	(8 323)	48 903
	112 341	**43 926**	**(1 466)**	**(43 915)**	**110 886**