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PART F

FINANCIAL INFORMATION

This part of the report provides insight into the financial wellness of the CGS and covers the following information:

- Report of the Chief Financial Officer, which includes the general financial review and matters related to the proposed activities, retention of surplus, supply chain management, audit report and plans for the future.
- Report of the Auditor-General to Parliament on the CGS. This report gives an opinion regarding the fairness of the annual financial statements in presenting the organisation's financial position, financial performance, cash flow in accordance with South African GRAP standards and requirements of the PFMA in all material aspects. It reports on performance on legal and regulatory compliance, internal control and related matters.
- Annual financial statements, comprising the statement of financial position, statement of financial performance, statement of changes in net assets, cash flow statement and notes to the financial statements.

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CHIEF FINANCIAL OFFICER'S REPORT



Mr Thabo Molikoe
Chief Financial Officer
(Acting)

Good financial management is at the heart of any business. The CGS recognises that maintaining its financial health has helped to propel the organisation forward.

Background

The Council for Geoscience is listed as a Schedule 3A Public Entity in terms of the Public Finance Management Act, Act No. 1 of 1999. The objectives underlying the establishment of the CGS are to develop and publish world-class geoscience knowledge products and to render geoscience-related services to the South African public and industry.

Financial position

A steady balance sheet position with an average growth rate of 7% has been maintained over the last 12 years. The CGS boasts total assets to the value of R610.9 million and a liquidity ratio of 1:1 in the reported financial year.

Property and equipment

An investment to the amount of R59.5 million was made in property, equipment and intangible assets during the year.

Continued investment in scientific infrastructure and equipment remains a priority to ensure that world-class facilities and equipment are acquired and maintained.

Cash flow management

The cash and cash equivalents decreased from R292.9 million in 2023 to R170.2 million in 2022, resulting in a net cash outflow of R122.8 million. This investment was made to support the acceleration of economic recovery through the implementation of the geoscience mapping programme.

Going concern

The CGS's annual financial statements have been prepared on the going-concern basis. Executive management has performed a formal review of the CGS's ability to continue as a going concern in the foreseeable future and based on this review, considers that the presentation of the financial statements on this basis is appropriate.

Events after the reporting date

South Africa seeks to engage member states on the purpose underpinning the proposal for the establishment of the BRICS Geological Forum and the CGS will play a pivotal role. Member countries will equally create and develop programmes of common interest to focus on, among others, mineral development, water security, societal safety, economic development, energy security and the advancement of geoscience in general.

South Africa will assume the role of chair in 2023. The multilateral platform will provide the BRICS nations with opportunities to utilise and exchange data and technical expertise among member countries and empower them to compete in the full value chain of the globalised economy.

Request for the retention of surplus

In terms of Section 53(3) of the PFMA of 1999, the CGS has to obtain approval from National Treasury to retain surpluses. Approval was obtained for the use of accumulated surpluses for the maintenance of and investment in scientific equipment and infrastructure, and the implementation of the repositioning strategy. A new request will be made for the year under review.

Supply chain management

The Supply Chain Management Unit is operational under the division of the Chief Financial Officer. This business unit provides an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective, and is established in accordance with Section 54 of the PFMA of 1999 (as amended by Act No. 29 of 1999). In terms of the B-BBEE, Section 13G (1) of the B-BBEE Act, the CGS complied with management control and enterprise supplier development.

Audit report matters

Matters raised in the audit report of the Auditor-General are given due attention to ensure attainment of unqualified audit opinions. The CGS obtained an unqualified audit opinion from the Auditor-General for the year ended 31 March 2023 and will continue to enhance the internal control environment.

Financial sustainability

In order to ensure financial sustainability, the CGS is deliberate in exploiting its vast geoscience information, knowledge and scientific prowess to develop apposite value propositions worthy of both fiscal and commercial investment.

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REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE COUNCIL FOR GEOSCIENCE

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Council for Geoscience (CGS) set out on pages 125 to 160, which comprise the Statement of Financial Position as at 31 March 2023, Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council for Geoscience as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practise (Standards of GRAP) and the requirements of the Public Finance Management 1 of 1999 (PFMA).

Basis for opinion

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

Other matter

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

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

7. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of Section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 22 and note 23 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the Annual Financial Statements of Council for Geoscience. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the Annual Report of the auditees. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the Annual Report.

Responsibilities of the accounting authority for the financial statements

8. The Accounting Authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP; and the requirements of the PFMA and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the Accounting Authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to a going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

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

Report on the annual performance report

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the Annual Performance Report. The Accounting Authority is responsible for the preparation of the Annual Performance Report.

13. I selected the following material performance indicators related to Delivery of the Mandate presented in the Annual Performance Report for the year ended 31 March 2023. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

- Onshore geoscience map coverage
- Offshore geoscience map coverage
- Applied geoscience outputs for minerals and energy
- Applied geoscience outputs for infrastructure, land use, groundwater and the environment.

14. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an Annual Performance Report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

15. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
- the targets linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the Annual Performance Report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the Annual Performance Report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

16. I performed the procedures for the purpose of reporting material findings only.

17. I did not identify any material findings on the reported performance information for the selected indicators following selected material performance indicators.

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. The Annual Performance Report includes information on reported achievements against planned targets and provides explanations for over- and underachievements.

Report on compliance with legislation

20. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
21. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
22. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
23. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

24. The Accounting Authority is responsible for the other information included in the Annual Report, which includes the the audit committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in programme presented in the Annual Performance Report that have been specifically reported on in this auditor's report.
25. My opinion on the financial statements, the report on the audit of the Annual Performance Report and the report on compliance with legislation do not cover the other information included in the Annual Report and I do not express an audit opinion or any form of assurance conclusion on it.
26. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programme presented in the Annual Performance Report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

27. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

28. I considered internal control relevant to my audit of the financial statements, Annual Performance Report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
29. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, and the material findings on compliance with legislation included in this report.
30. I did not identify any significant deficiencies in internal control.

Other reports

31. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
32. Various investigations were initiated by the public entity into allegations of possible unethical behaviour and allegations of procurement and contract management irregularities. These investigations were at various stages of completion at the date of this auditor's report.

Auditor General

Pretoria

31 July 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the Accounting Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Accounting Authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999 (PFMA)	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 54(2)(c); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 57(b)
Treasury Regulations (TR)	Treasury Regulation 8.2.1; 8.2.2 Treasury Regulation 16A3.1; 16A3.2; 16A3.2(a); 16A6.1; 16A6.2(a) & (b); 16A6.2(e); 16A6.3(a); 16A6.3(a)(i); 16A6.3(b); 16A6.3(c); 16A6.3(d); 16A6.3(e); 16A6.4; 16A6.5; 16A6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A8.2(1); 16A8.2(2); 16A8.3; 16A8.3(d); 16A8.4; 16A9.1(b)(ii); 16A9.1; 16A9; 16A9.1(c); 16A9.1(d); 16A9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Treasury Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Treasury Regulation 31.1.2(c') Treasury Regulation 31.2.1; 31.2.5; 31.2.7(a) Treasury Regulation 31.3.3 Treasury Regulation 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Preferential Procurement Regulations of 2022 (PPR)	3(1) 4(1) 4(2) 4(3) 4(4) 5(1) 5(2) 5(3) 5(4) 5(4)
PFMA instruction note no. 3 of 2021/22	Definition Par. 4.2(b) Par. 4.4 Par. 4.3 Par. 4.4(c) Par. 4.4(d)
SCM Instruction Note 03 of 2021-22	Par. 3.2.1 Par. 4.1 Par. 7.2 Par. 3.3.1 Par. 4.2(b)
SCM Instruction No. 2 of 2021/22	Par. 3.2.1 Par. 3.2.4 Par. 3.2.4(b)
NT Instruction 07 of 2017/18	Par. 4.3
NT Instruction 4A of 2016/17	Par. 6
NT Instruction note 4 of 2015/16	Par. 3.4

Legislation	Sections or regulations
NT Instruction No. 5 of 2020/21	Par. 4.8 Par. 4.9 Par. 5.3
Preferential Procurement Regulations (PPR), 2011	PPR 2011 4(1) PPR 2011 4(3) PPR 2011 4(4) PPR 2011 4(5) PPR 2011 5(1) PPR 2011 5(2) PPR 2011 5(3) PPR 2011 5(5) PPR 2011 6(1) PPR 2011 6(2) PPR 2011 6(3) PPR 2011 6(5) PPR 2011 6(4) PPR 2011 7(1) PPR 2011 10 PPR 2011 11(2) PPR 2011 11(4) PPR 2011 11(5) PPR 2011 11(8)
Treasury Instruction note 11 of 2020/21	Par. 3.1 Par. 3.4(b) and 3.9
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	PPPFA Section 2(1)(a) PPPFA Section 2(1)(f)
Second amendment NT Instruction No. 5 of 2020/21	Par. 1
Erratum NT Instruction note No. 5	Par. 2
Preferential Procurement Regulations (PPR), 2017	PPR 2017 5(1) PPR 2017 5(3) PPR 2017 5(6) PPR 2017 5(7) PPR 2017 6(1) PPR 2017 6(2) PPR 2017 6(3) PPR 2017 6(5) PPR 2017 6(6) PPR 2017 6(8) PPR 2017 7(1) PPR 2017 7(2) PPR 2017 7(3) PPR 2017 7(5) PPR 2017 7(6) PPR 2017 7(8) PPR 2017 8(2) PPR 2017 8(5) PPR 2017 9(1) PPR 2017 10(1) PPR 2017 10(2) PPR 2017 11(1)
Public Service Act	18(1), (2)

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

STATEMENT OF FINANCIAL POSITION as at 31 March 2023

	Notes	2023 R'000	2022 (Restated) R'000
Assets			
Non-current assets		381 181	364 667
Property and equipment	4	359 579	341 464
Intangible assets	5	4 039	5 641
Heritage assets	28	17 562	17 562
Current assets		231 585	360 189
Inventories	6	5	5
Trade and other receivables from exchange transactions	8	61 395	67 186
Cash and cash equivalents	9	170 186	292 997
Total assets		612 767	724 856
Net assets and liabilities			
Accumulated surplus		333 249	421 019
Non-current liabilities			
Post-employment benefit liabilities	7	5 979	11 530
Current liabilities		273 540	292 308
Trade and other payables	10	71 989	52 334
Deferred income	11	168 869	205 182
Accruals	12	32 683	34 792
Total net assets and liabilities		612 767	724 856

STATEMENT OF FINANCIAL PERFORMANCE

for the period ended 31 March 2023

	Notes	2023 R'000	2022 (Restated) R'000
Total revenue		572 248	583 212
Revenue from exchange transactions	13	172 732	256 969
Revenue from non-exchange transactions	13	399 516	326 243
Total cost of projects		(259 744)	(268 543)
Cost of commercial projects	13	(117 139)	(83 215)
Cost of statutory projects	13	(142 605)	(185 328)
Gross surplus		312 503	314 669
Administrative expenses		(398 620)	(328 840)
Other operating expenses	13	(1 624)	(905)
Deficit from operations		(87 741)	(15 076)
Finance cost	14	(29)	(20)
Net (deficit)/surplus for the year		(87 770)	(15 096)

STATEMENT OF CHANGES IN NET ASSETS

for the period ended 31 March 2023

	Notes	Accumulated surplus R'000	Total R'000
Opening balance at 31 March 2021		449 181	449 181
Net surplus for the period		(13 066)	(13 066)
Restated balance at 31 March 2021		436 115	436 115
Net loss for the period		(12 175)	(12 175)
Correction of prior period error	26	(2 921)	(2 921)
Restated net loss for the period		(15 096)	(15 096)
Restated balance at 31 March 2022		421 019	421 019
Net loss for the period		(87 770)	(87 770)
Balance at 31 March 2023		333 249	333 249

CASH FLOW STATEMENT

for the period ended 31 March 2023

	Notes	2023 R'000	2022 (Restated) R'000
Cash outflow from operating activities		(64 348)	(22 102)
Cash receipts from customers		560 179	525 052
Cash paid to suppliers and employees		(634 553)	(556 980)
Cash generated from operations	16	(74 374)	(31 928)
Interest received	13	10 055	9 846
Finance cost	14	(29)	(20)
Cash outflow from investing activities		(58 464)	(43 264)
Acquisition of:			
Property and equipment	16.1	(59 397)	(43 697)
Intangible assets	16.2	(183)	(187)
Proceeds from sale of asset	13	-	-
Insurance proceeds for property and equipment	4.1	1 116	620
Net increase/(loss) in cash and cash equivalents		(122 812)	(65 365)
Cash and cash equivalents at beginning of period	9	292 997	358 362
Cash and cash equivalents at end of period	9	170 186	292 997

1 ACCOUNTING POLICIES

for the period ended 31 March 2023

1.1 Basis of preparation

Statement of compliance

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

The financial statements have been prepared on a historic cost basis and accounting policies are consistent with prior years.

These Annual Financial Statements have been prepared on a going concern basis, i.e. the assumption that the Council for Geoscience will continue to operate as a going concern for at least the next 12 months.

2. The Cash Flow Statement has been prepared in accordance with the direct method.

3. Specific information is presented separately on the Statement of Financial Position such as:

- a) receivables from non-exchange transactions, including taxes and transfers;
- b) taxes and transfers payable; and
- c) trade and other payables from non-exchange transactions.

The budget reporting standard does not apply to the Council for Geoscience as our budget is tabled as part of the Department of Mineral Resources and Energy budget.

1.2 Revenue recognition

Revenue comprises the revenue from non-exchange transactions recognised as income in the current year, contract income and sales of publications.

The CGS measures revenue at the fair value of the consideration received or receivable. Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the CGS, and the amount of revenue and associated costs incurred or to be incurred can be measured reliably.

1.2.1 Revenue from non-exchange transactions

The Council for Geoscience receives grants in the form of a baseline allocation from the Department of Mineral Resources and Energy.

Revenue from non-exchange transactions is recorded as deferred income when it is received. It is then recognised as income proportionate to the costs incurred or to the extent that CGS has complied with any of the criteria, conditions or obligations embodied in the grant.

Other baseline allocation funds are recognised as revenue upon receipt.

1.2.2 Revenue from exchange transactions

Revenue from exchange transactions comprises sales and contract revenue as follows:

Sales revenue

Sales revenue represents the invoiced value of goods and services supplied by the Council for Geoscience. This revenue is recognised when the revenue recognition criteria are met.

Contract revenue

Revenue from contracts is recognised by means of progress payments over the duration of the contracts. Revenue from contracts in progress is recognised when the revenue criteria are met. When the outcome of a contract can be estimated reliably, revenue is recognised by referring to the stage of completion of the contract outcome.

1.3 Interest received

Interest is recognised on a time proportionate basis with reference to the principal amount receivable and the effective interest rate applicable.

1.4 Property and equipment

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

1 ACCOUNTING POLICIES (continued)

The cost of an item of property and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Council for Geoscience; and
- the cost of the item can be measured reliably.

Land and buildings were valued at initial recognition and subsequently only the building is depreciated on a straight-line method.

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

Property and equipment are carried at cost less accumulated depreciation and any impairment losses.

Day-to-day expenses incurred on property and equipment are expensed directly to surplus or deficit for the period.

Where an asset is acquired at no cost or at a nominal cost, its cost is its fair value as at the date of acquisition.

Major refurbishment that meets the recognition criteria of an asset is capitalised.

Depreciation is provided on all property and equipment other than freehold land to write down the cost, less residual value, on a straight-line basis over their average useful lives, as follows:

Land	Not depreciable
Buildings	30 years
Motor vehicles	5 to 14 years
Equipment	5 to 14 years
Aircraft and Helicopter – Body	15 to 18 years
Aircraft and Helicopter – Components	Useful hours as per Civil Aviation Authority
Boat	10 years
Office furniture	20 to 27 years
Computer equipment*	3 to 15 years
Specialised equipment	15 years
Electronic devices	2 years

* All existing computer equipment continue to depreciate for 6 years from date of purchase. New computer equipment procured on or later than 1 April 2022 will adopt the new useful life of 3 years.

The depreciation charges for each period are recognised in the Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The average useful lives and residual values are reviewed on an annual basis and changes are reflected as a change in accounting estimates on a prospective basis.

The residual value of motor vehicles is 10% of cost. The residual value of land and buildings is the market value at the end of the useful life. The residual value of the aircraft body is 10%. The residual value of boats is 10%.

1.5 Intangible assets

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.

Capitalised computer software is carried at cost less accumulated amortisation and less accumulated impairment losses. Computer software is tested annually for impairment or changes in estimated future benefits. Amortisation is provided to write down the intangible assets to their residual value, on a straight-line basis, being two to eleven years.

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from research and development is recognised as part of intangible assets only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Internally generated assets are amortised on a straight-line basis over their useful lives.

1.6 Heritage assets

Heritage assets are assets held for their cultural, environmental or historical significance. Heritage assets are initially recognised at deemed cost which has been determined, due to the nature of heritage assets, by specialist valuers.

1 ACCOUNTING POLICIES (continued)

Heritage assets are reflected at deemed cost and are not depreciated. At each reporting date heritage assets are assessed for indications of impairment. If any such indication exists, an estimate of the recoverable amount or the recoverable service amount of the heritage assets will be determined and tested against the carrying amount.

1.7 Inventories

The Council for Geoscience is a custodian of scientific information that produces publications in the form of books, maps and map explanations etc. These publications are distributed to the public for free or at a nominal charge.

Inventories are initially measured at deemed costs (fair value).

1.8 Translation of foreign currencies

Foreign currency transactions

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

At each balance sheet date:

- foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Annual Financial Statements are recognised in the Statement of Financial Performance in the period in which they arise.

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

1.9 Deferred income

Deferred income is accounted for in the Statement of Financial Position. The related revenue is recognised on an accrual basis in the Statement of Financial Performance in the period in which it satisfies the revenue recognition criteria.

1.10 Retirement benefit costs

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as bonuses, paid vacation leave and sick leave) is recognised in the period in which the service is rendered and is 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.

Defined contribution and defined benefit plans

The Council for Geoscience operates both a defined contribution pension and provident fund and a defined benefit plan in respect of post-retirement medical aid contributions. For the defined benefit plan, the defined benefit obligation and the related current service cost, is determined by using the projected unit credit method. The defined benefit plan is subject to an annual actuarial valuation. The qualifying plan asset of this scheme is held and administered by Momentum Group Limited.

The actuarial gains or losses are further limited to the extent that the net cumulative unrecognised actuarial gains or losses (before recognition of that actuarial gain or loss) exceed the unrecognised part of the transactional liability. Payments to defined contribution retirement benefit plans are charged to the Statement of Financial Performance in the year to which they relate.

1.11 Provisions and contingent liabilities

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

1 ACCOUNTING POLICIES (continued)

Commitments

The CGS classifies commitments as contracted future transactions that are non-cancellable or only cancellable at significant cost, and that will normally result in the outflow of cash.

This excludes steady routine transactions such as salary commitments relating to employment contracts or social security benefits.

A distinction is made between operational and capital commitments.

Disclosure is made of the aggregate amount of operational and capital expenditure contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements.

If a commitment is for a period longer than a year, it is stated in the note to the commitments.

Disclosure of expenditure that has been approved as per our delegation of authority, but that has not yet been contracted for, is made.

1.12 Financial instruments

Initial recognition

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and liabilities are recognised on the entity's Statement of Financial Position when the CGS becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value.

Derecognition of financial instruments

The entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The entity derecognises financial liabilities when the entity's obligations are discharged, cancelled or they expire.

Impairment of loans and receivables

Financial assets are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of trade receivables is reduced through the use of an allowance account (bad debt provision). When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit.

Fair values of trade and other payables are determined at a price charged at transaction date and impaired when indicators of impairment are present. At year end there were no differences between the book value and the fair values of trade and other payables.

Fair value of trade and other receivables

Fair values of trade and other receivables are determined at a price charged at transaction date and impaired when indicators of impairment are present. At year end there were no differences between the book value and the fair values of trade and other receivables because of the short-term maturity.

Financial assets carried at amortised cost

Loans and receivables are measured at amortised cost less any impairment losses recognised to reflect irrecoverable amounts. Impairment is determined on a specific basis, whereby each asset is individually evaluated for impairment indicators. Write-offs of these assets are expensed in surplus or deficit.

Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Cash and cash equivalents are measured at fair value.

Financial liabilities carried at amortised cost

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost.

1 ACCOUNTING POLICIES (continued)

1.13 Operating leases

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

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

1.14 Impairment

The CGS identifies cash generating assets as assets that are managed with the objective of generating a commercial return, and non-cash generating assets as assets that do not generate market related cash flows from that asset.

The entity assesses at each Statement of Financial Position date whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. The recoverable amount of an asset is the higher of fair value less assumed costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss recognised immediately in surplus or deficit.

At each reporting date the entity assesses impairment losses recognised in prior years for continued existence or decreases. If such indication exists, the recoverable amounts of those assets are estimated. The increase in the carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.15 Critical accounting estimates and judgements

Provision for bad debts

Past experience indicates a reduced prospect of collecting debtors over the age of four months. Debtor balances are

regularly assessed by management and provided for in line with the policy.

Provisions

Provisions were raised and management determined an estimate based on the information available and in line with the policy.

Property and equipment

Management has made certain estimations with regard to the determination of estimated useful lives and residual values of items of property and equipment.

Leases

Management has applied its judgement to classify all lease agreements that the entity is party to as operating leases, as they do not transfer substantially all risks and ownership to the entity. Furthermore, as the operating lease in respect of premises is only for a relatively short period of time, management has made a judgement that it would not be meaningful to classify the lease into separate components for the land and for the buildings for the Polokwane office's current lease, and the agreement will be classified in its entirety as an operating lease.

1.16 Sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date that could have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.17 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes. Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written off as irrecoverable.

Irregular expenditure must be removed from the balance of the irregular expenditure notes when it is either:

1 ACCOUNTING POLICIES (continued)

- a) condoned by the relevant authority if no official was found to be liable in law;
- b) recovered from an official liable in law;
- c) written off if it is irrecoverable from an official liable in law; or
- d) written off if it is not condoned and not recoverable.

1.18 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure where identified is accounted for in the related year. The expenditure is accordingly classified with its nature, and where subsequently recovered or written off, it is accounted for accordingly in surplus or deficit.

1.19 Post-reporting date events

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

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

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

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

1.20 Related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Board members and Senior management. Related party transfers/payments of appropriated funds, specific-purpose allocations, etc. would generally fall under the disclosure exemption in GRAP 20, and such transfers and allocations are therefore part of the normal supplier and/or client/recipient relationships and are therefore not disclosed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

2 New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The Council for Geoscience has not applied the following standards and interpretations, which have been approved but are not yet effective for accounting periods 2022/23:

GRAP statement	Description	Impact	Effective date
GRAP 25	Employee Benefits	None	To be determined
GRAP 104	Financial Instruments (Revised)	None	1 April 2025
IGRAP 7	Limit on a Defined Benefit Asset Min Fund Requirement and Interact	None	To be determined
IGRAP 21	The Effect of Past Decisions on Materiality	None	1 April 2023

3 Going concern assessment

Management has considered the following matters relating to the Going Concern:

In the year under review the CGS recognised a deficit of R87.8 million, negative cash outflow of R 22.1 million and current liabilities marginally exceeding current assets. This performance may cast doubt on the CGS's ability to continue as a going concern. However, the budget compiled for the 2023/24 financial year supports the ongoing execution of the CGS mandate. Further to the above there has been no change in any legislation to suggest that the entities objectives are threatened and as a result, its ability to continue as a going concern. The CGS has also received a significant grant allocation over the current MTEF period. There are no legal or court claims or litigations against the CGS which could threaten the entity's ability to operate as a going concern. There are no material uncertainties related to events or conditions that may cast significant doubt about the CGS's ability to continue as a going concern.

Under the going concern assumption, the CGS is viewed as continuing inter-operations for the foreseeable future and therefore accounts for its assets and liabilities on the basis that it will be able to realise and discharge them in the normal course of operations. Taking the aforementioned into account, management has prepared the Annual Financial Statements on the going concern basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

4 Property and equipment

2023	Buildings and fixtures							Total R'000
	Land R'000	fixtures R'000	Equipment* R'000	Office furniture R'000	Aircraft and boat R'000	Motor vehicles R'000	Computer equipment R'000	
Gross carrying amount	18 231	254 227	209 552	14 134	24 792	30 713	68 497	620 146
Accumulated depreciation at the beginning of the period	(1 600)	(81 015)	(138 609)	(9 098)	(10 439)	(17 576)	(20 345)	(278 682)
Opening net carrying amount at 31 March 2022	16 631	173 212	70 942	5 036	14 353	13 137	48 152	341 464
Movements during the period:								
Work in progress (refer to note 4.2)	-	(83 295)	(141)	-	-	-	2 599	(80 837)
Acquisitions	-	110 878	18 895	836	-	790	8 835	140 235
Disposals	-	-	(226)	(18)	-	(27)	(396)	(666)
Disposals – Cost	-	-	(3 665)	(325)	-	(57)	(2 329)	(6 376)
Disposals – Depreciation	-	-	3 439	308	-	30	1 933	5 710
Depreciation	-	(7 610)	(21 673)	(493)	(526)	(2 546)	(7 769)	(40 618)
Closing net carrying amount at 31 March 2023	16 631	193 186	67 797	5 361	13 827	11 355	51 421	359 579
Gross carrying amount	18 231	281 810	224 640	14 645	24 792	31 446	77 602	673 166
Accumulated depreciation/impairment	(1 600)	(88 624)	(156 843)	(9 283)	(10 965)	(20 091)	(26 181)	(313 587)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

4 Property and equipment (continued)

2022	Land R'000	Buildings and fixtures R'000	Equipment* R'000	Office furniture R'000	Aircraft and boat R'000	Motor vehicles R'000	Computer equipment R'000	Total R'000
Gross carrying amount	18 231	233 716	202 459	14 265	24 859	26 899	62 934	583 363
Accumulated depreciation at the beginning of the period	(1 600)	(74 644)	(121 646)	(9 331)	(9 760)	(15 624)	(16 064)	(248 669)
Opening net carrying amount at 31 March 2021	16 631	159 072	80 813	4 934	15 099	11 275	46 870	334 694
Movements during the period:								-
Work in progress (refer to note 4.2)	-	20 511	(195)	-	-	-	(2 988)	17 328
Reversal of impairment	-	-	-	-	-	-	-	-
Acquisitions	-	-	11 726	721	-	4 133	9 789	26 369
Disposals	-	-	(72)	(134)	(4)	(32)	(108)	(350)
Disposals – Cost	-	-	(4 438)	(852)	(67)	(319)	(1 238)	(6 914)
Disposals – Depreciation	-	-	4 366	718	63	287	1 130	6 564
Depreciation	-	(6 371)	(21 329)	(485)	(742)	(2 239)	(5 411)	(36 577)
Closing net carrying amount at 31 March 2022	16 631	173 212	70 942	5 037	14 354	13 137	48 152	341 464
Gross carrying amount	18 231	254 227	209 552	14 134	24 792	30 713	68 497	620 146
Accumulated depreciation/impairment	(1 600)	(81 015)	(138 609)	(9 098)	(10 439)	(17 576)	(20 345)	(278 682)

* Equipment in the tables above include the following categories of equipment: Specialised Equipment, Audio and Visual, Technical Equipment, Office Equipment and Scientific Equipment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

4 Property and equipment (continued)

The transfer of the following land and buildings as stipulated under Section 26 of the Geoscience Act (No. 100 of 1993) has not yet been completed.

Location	Fair value at date of transfer R'000
474 Carl Street, Town Lands 351JR, Pretoria West	2 800
280 Pretoria Street, Silverton, Pretoria	94 000

The value of these properties has been included in the carrying amount of land and buildings as at 31 March 2023 and was determined by an independent valuator.

Details regarding land and buildings are kept at the Council for Geoscience head office and will be supplied upon written request.

4.1 Compensation from third parties for property and equipment lost

	2023 R'000	2022 R'000
Proceeds from insurance	1 116	620

4.2 Property and equipment in the process of being constructed

Cumulative expenditure recognised in the carrying value of property and equipment being developed/constructed

	Buildings and fixtures R'000	Equipment* R'000	Aircraft and boat R'000	Total R'000
Gross carrying amount	91 580	20 751	1 040	113 371
Opening net carrying amount at 31 March 2022	91 580	20 751	1 040	113 371
Movement	(84 152)	2 457	-	(81 695)
Closing net carrying amount at 31 March 2023	7 428	23 208	1 040	31 676

* Equipment in the tables above include the following categories of equipment: Specialised Equipment, Audio and Visual, Technical Equipment, Office Equipment and Scientific Equipment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

4 Property and equipment (continued)

Property and equipment in the process of being constructed with delays

Included in the work in progress for buildings and fixtures is a carrying amount of R83.605 million in respect of a ventilation system in the Silverton building that has been delayed. The work was found to be technically not acceptable and needed remediation.

	Buildings and fixtures R'000
Gross carrying amount	83 605
Opening net carrying amount at 31 March 2022	83 605
Movement	(83 605)
Closing net carrying amount at 31 March 2023	-

Repairs and maintenance

Repairs and maintenance expenditure incurred for the year to repair and maintain property and equipment.

	2023 R'000	2022 R'000
Land and buildings	8 966	8 413
Office equipment and furniture	39	77
Technical and scientific equipment	2 669	1 910
Computer equipment	158	55
Aircraft	2 260	210
	14 092	10 665

5 Intangible assets

	2023 R'000	2022 R'000
Computer software		
Gross carrying amount	16 752	16 833
Accumulated amortisation	(11 110)	(9 666)
Opening net carrying amount at 31 March 2022	5 641	7 168
Movements during the period:		
Acquisitions	183	187
Disposals	(72)	(9)
Disposals – Cost	(3 803)	(269)
Disposals – Amortisation	3 731	259
Amortisation	(1 714)	(1 704)
Closing net carrying amount at 31 March 2023	4 039	5 641
Gross carrying amount	13 132	16 752
Accumulated amortisation	(9 093)	(11 111)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

6 Inventories

	2023 R'000	2022 R'000
Publication inventories	5	5

7 Retirement benefit

7.1 Post-retirement medical aid fund (PRM)

The Council for Geoscience has made provision for the medical aid fund covering all its qualifying employees. All eligible employees are members of the defined benefit scheme. To improve management of this defined benefit scheme the CGS established a qualifying plan asset in October 2010 which is held and administered by Momentum Group Limited and evaluated annually as at 31 March.

The amount recognised in the Statement of Financial Performance is determined as follows:

	2023 R'000	2022 R'000
Current service costs	54	52
Interest charge	2 471	2 350
Expected return on planned assets	(1 513)	(1 306)
Actuarial (gain)/loss recognised	(2 607)	(434)
Recognition of loss on asset realisation	(3 956)	(392)
	(5 551)	270

The amount included in the Statement of Financial Position arising from the CGS' obligation in respect of PRM is as follows:

	2023 R'000	2022 R'000	2021 R'000	2020 R'000	2019 R'000
Present value of fund obligations	22 210	25 894	26 070	24 348	(15 094)
Fair value of planned assets	(16 231)	(14 364)	(14 810)	(15 094)	8 035
Liability recognised in the Statement of Financial Position	5 979	11 530	11 260	9 254	(7 059)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

7 Retirement benefit (continued)

Movement in net liability during the period is as follows:

	2023			2022		
	Liability R'000	Planned asset R'000	Net R'000	Liability R'000	Planned asset R'000	Net R'000
Liability at beginning of period	25 894	-	25 894	26 070	-	26 070
Value of planned assets at beginning of period	-	(14 364)	(14 364)	-	(14 810)	(14 810)
	25 894	(14 364)	11 530	26 070	(14 810)	11 260
Interest charge/expected return of planned asset	2 471	(1 513)	958	2 350	(1 306)	1 044
Contributions received	-	(3 956)	(3 956)	-	(392)	(392)
Current service costs	54	-	54	52	-	52
Benefits paid	(2 360)	2 360	-	(2 373)	2 373	-
Actuarial (gain)/loss	(3 849)	1 242	(2 607)	(205)	(229)	(434)
Closing balance	22 210	(16 231)	5 979	25 894	(14 364)	11 530

Contributions expected to be paid

Top up payments are expected to be made during the 2024 financial year.

Expected rate of return on assets 10.89%

Assumptions

Discount rates 10.89%

Basis of discount rates: JSE zero coupon bond yield after the market closed on 31 March 2023

Return on assets 10.89%

Expected salary increases 6.50%

Healthcare cost inflation rate 7.64%

Sensitivity analysis on accrued liability (R Millions) for the year ending 31 March 2023

Assumption	Change	In service	Continuation	Total	Change
Central assumptions	-	1 574	20 636	22 210	-
Healthcare inflation	1%	1 839	22 038	23 877	8%
	-1%	1 357	19 372	20 729	-7%
Discount rate	1%	1 362	19 382	20 744	-7%
	-1%	1 836	22 049	23 885	8%
Post-retirement mortality	-1 year	1 618	21 508	23 126	4%
Average retirement date	-1 year	1 658	20 636	22 294	0%
Continuation of membership at retirement	-10%	1 424	20 636	22 060	-1%

The preceding table indicates, for example that if medical inflation is 1% greater than the long-term assumptions made, the liability will be 8% higher than that shown.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

7 Retirement benefit (continued)

Sensitivity analysis for current service and interest cost (R Millions) for the year ending 31 March 2023

Assumption	Change	Current service	Interest cost	Total	Change
Central assumptions	-	36 767	2 281 468	2 318 235	-
Healthcare inflation	1%	44 906	2 462 951	2 507 857	8%
	-1%	30 247	2 120 333	2 150 580	-7%
Discount rate	1%	30 689	2 316 941	2 347 630	1%
	-1%	44 397	2 237 456	2 281 853	-2%
Post-retirement mortality	-1 year	37 689	2 381 122	2 418 811	4%
Average retirement date	-1 year	40 463	2 290 680	2 331 143	1%
Continuation of membership at retirement	-10%	33 091	2 265 418	2 298 509	-1%

The preceding table indicates, for example that if medical inflation is 1% greater than the long-term assumptions made, the liability will be 8% higher than that shown.

7.2 Pension and provident fund benefits

The CGS and its employees contribute to a defined contribution plan. The assets of the scheme are held separately from the CGS in funds under the control of trustees. The total cost charged to income of R16.274 million (2022: R16.072 million) represents equal contributions of 7.5% by the employer and employee.

8 Trade and other receivables from exchange transactions

	2023 R'000	2022 R'000
Trade receivables	27 670	31 493
Contract customers	30 082	28 182
Other receivables	9 478	9 763
	67 231	69 438
Less – Provision for bad debts	(5 836)	(2 252)
	61 395	67 186
Provision for bad debts		
Opening balance	2 252	2 026
Movement	3 584	226
Closing balance	5 836	2 252
Analysis of impairment		
Long overdue debtors considered impaired	5 836	2 252
	5 836	2 252

There is no difference between the fair value of trade and other receivables and their book value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

9 Cash and cash equivalents

Cash and cash equivalents at the end of the period are represented by the following balances:

	2023 R'000	2022 R'000
Cash at bank	143 566	116 907
Call accounts	26 620	176 091
	170 186	292 997

There is no difference between the fair value of cash and cash equivalents and their book value.

10 Trade and other payables

	2023 R'000	2022 R'000
Trade payables	29 304	21 430
Other payables	42 685	30 904
	71 989	52 334

There is no difference between the fair value of trade payables and their book value.

11 Deferred income

Exchange revenue

	2023 R'000	2022 R'000
11.1 Deferred income arising as a result of an agreement entered into with the Department of Science and Innovation to develop an intellectual property management office (Geoscience Act Par 5(1)(g))		
Carrying amount at the beginning of period	2 607	2 607
Amounts used during the period	-	-
Carrying amount at the end of period	2 607	2 607
11.2 Deferred income arising as a result of an agreement with the Organisation of African Geological Surveys		
Carrying amount at the beginning of period	335	293
Amounts received	1 036	42
Carrying amount at the end of period	1 371	335

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

11 Deferred income (continued)

	2023 R'000	2022 R'000
11.3 Deferred income arising as a result of an agreement entered into with the Department of Mineral Resources and Energy to develop and implement various measures to mitigate the effect of mining-induced contamination and integrated research into mine closure		
Carrying amount at the beginning of period	52 271	-
Amounts used during the period	(19 792)	-
Carrying amount at the end of period	32 479	-
11.4 Deferred income arising as a result of an agreement entered into with the National Research Foundation		
Carrying amount at the beginning of period	110	110
Amounts received	-	-
Amounts used during the period	-	-
Carrying amount at the end of period	110	110
11.5 Deferred income arising as a result of the Carbon Capture, Storage and Utilisation Project		
Carrying amount at the beginning of period	57 441	81 810
Amounts received	-	-
Amounts used during the period	(37 975)	(24 369)
Carrying amount at the end of period	19 466	57 441
11.6 Deferred income arising as a result of the Carbon Capture, Storage and Utilisation Project funded by the World Bank		
Amounts received	101 000	101 000
Amounts used during the period	(5 292)	-
Carrying amount at the end of period	95 708	101 000
11.7 Deferred income arising as a result of an agreement with the Department of Mineral Resources and Energy		
Carrying amount at the beginning of period	43 690	106 518
Amounts received	-	50 819
Amounts used during the period	(26 562)	(113 647)
Carrying amount at the end of period	17 128	43 690
Total deferred income	168 869	205 182

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

12 Accruals

	2023 R'000	2022 R'000
Accruals for leave pay		
Carrying amount at the beginning of period	28 698	27 216
Provision current period	1 795	4 003
Amounts used during the current period	(3 540)	(2 521)
Carrying amount at the end of period	26 954	28 698
<p>The leave pay provision relates to the estimated liabilities as a result of leave days due to employees.</p>		
Accruals for 13th cheque		
Carrying amount at the beginning of period	6 094	6 256
Provision current period	(365)	(162)
Carrying amount at the end of period	5 729	6 094
<p>The 13th cheque accrual relates to the structuring of the employee costs to company and is paid out on employees' birthdays.</p>		
Total accruals	32 683	34 792

13 Surplus/Deficit from operations

Operating surplus/deficit is arrived at after taking the following items into account:

	2023 R'000	2022 R'000
Revenue	572 248	583 212
Non-exchange revenue		
Total grant received	355 761	377 062
Project related revenue	-	(50 819)
Contracting revenue	43 755	-
Total non-exchange revenue	399 516	326 243
Exchange revenue		
Department of Mineral Resources and Energy project related revenue	2 599	113 647
Contracting revenue	110 494	104 726
Publication revenue	2 868	3 198
Carbon, capture, storage and utilisation	37 975	24 369
	153 936	245 939

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

13 Surplus/Deficit from operations (continued)

	2023 R'000	2022 R'000
Other exchange revenue		
Foreign currency gains	881	44
Proceeds from sale of asset	-	-
Recovery of asset losses	1 116	620
Sundry income	6 694	912
	8 692	1 576
Interest received		
- Interest income on call accounts	5 487	7 006
- Interest income on current accounts*	4 618	2 447
	10 104	9 453
* Includes interest accrued to the amount of R394 040		
Total exchange revenue	172 732	256 969
Total cost of contracts	259 744	268 543
Cost of commercial projects		
Direct cost	80 979	64 621
Personnel expenditure	36 160	18 594
	117 139	83 215
Cost of statutory projects		
Direct cost	30 668	55 618
Personnel expenditure	111 937	129 710
	142 605	185 328
Administrative expenses include:		
Audit fees	3 117	3 672
- Current period	2 448	2 895
- Internal audit	591	219
- Fee for other services	78	558
Provision for bad debts	3 584	-
Depreciation – On owned assets	40 617	36 576
- Buildings	7 610	6 371
- Equipment	21 673	21 329
- Office furniture	493	484
- Motor vehicles	2 546	2 239
- Aircraft	299	443
- Boat	227	299
- Computer equipment	7 769	5 411

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

13 Surplus/Deficit from operations (continued)

	2023 R'000	2022 R'000
Reversal of impairment	-	-
Amortisation – Intangible assets		
- Computer software	1 714	1 704
Rentals in respect of operating leases		
- Land and buildings	1 400	6 614
- Multifunctional printers	1 695	887
Other operating expenses		
Net loss on disposal of equipment	226	72
Net loss on disposal of vehicles	27	32
Net loss on disposal of intangible assets	72	9
Net loss on disposal of computer equipment	396	108
Net loss on disposal of office furniture	18	134
Net loss on disposal of boat	-	3
Write-off work in progress – HVAC	-	-
Foreign currency losses	886	548
	1 624	905
Staff costs	345 924	340 464
Included in staff costs are:		
Defined benefit plan expense for the post-retirement medical aid fund	(5 551)	270
- Current service cost	54	52
- Interest cost	2 471	2 350
- Expected return on plan assets	(1 513)	(1 306)
- Recognised actuarial (gain)/loss	(2 607)	(434)
- Recognition of loss on asset realisation	(3 956)	(392)
Defined contribution plan expenses for the pension and provident fund	16 274	16 072

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

13 Surplus/Deficit from operations (continued)

Emoluments

Senior management	2022/23					
	Pensionable salary R'000	Performance bonus R'000	Provident/ Pension fund contributions R'000	Other contributions* R'000	Termination benefits R'000	Total R'000
Mr Mabuza M	3 811	368	232	147	-	4 557
Mr Matsepe LD	2 686	256	163	579	-	3 685
Ms Monoko PR	2 023	183	132	115	-	2 453
Dr Tshipa J	796	-	48	558	2 273	3 675
Dr Khoza TD	2 032	177	124	115	-	2 447
Ms Mbatha ZB	240	-	18	11	-	269
Dr Khumalo TN	242	-	18	11	-	271

Senior management	2021/22					
	Pensionable salary R'000	Performance bonus R'000	Provident/ Pension fund contributions R'000	Other contributions* R'000	Termination benefits R'000	Total R'000
Mr Mabuza M	3 656	404	222	921	-	5 203
Mr Matsepe LD	2 577	304	157	130	-	3 168
Ms Monoko PR	1 941	220	127	550	-	2 839
Dr Tshipa J	2 057	195	123	279	-	2 655
Dr Khoza TD	1 949	213	119	108	-	2 389

* Other contributions relate to employer contributions towards statutory deductions and leave.

Board emoluments

Non-executive Board Members	2023 R'000	2022 R'000
Dr Mathe H	147	45
Mr Mvinjelwa X	189	129
Mr Mokoena S*	-	113
Adv. Maake N	181	126
Ms Chowan A	89	96
Dr Mirembe J	-	-
Mr Malaza S	-	-
Mr Nel P	-	-
Ms Mdubeki R	-	-
Ms Mochothli D	-	-
Ms Tsotetsi P	-	-
Ms Madiba L	-	-
Mr Moatshe A	-	-
Mr Gerrys B	-	-
Dr Gwaze P	-	-
	606	509

* Deceased March 2022.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

14 Finance cost

	2023 R'000	2022 R'000
Finance cost on motor vehicle fleet cards	29	20

15 Reconciliation of net surplus/(loss) for the period to cash generated from operations

	2023 R'000	2022 R'000
Net surplus for the period	(87 770)	(15 096)
Interest	29	20
Depreciation on property and equipment	40 617	36 576
Amortisation – Intangible assets	1 714	1 704
Reversal of impairment of assets	-	-
Proceeds from sale of assets	-	-
Compensation from third parties for property and equipment lost	(1 116)	(620)
Net loss on disposal of fixed assets	738	358
Interest earned	(10 055)	(9 846)
Provision for post-retirement medical aid benefits	(5 551)	270
Operating cash flows before working capital changes	(61 394)	13 365
Working capital changes:		
Increase in provision for accumulated leave pay and 13 th cheque	(2 109)	1 321
(Increase)/Decrease in trade and other receivables	5 792	(44 658)
Increase/(Decrease) in trade and other payables	19 655	(15 801)
Increase/(Decrease) in deferred income	(36 314)	13 845
Cash generated from operations (including finance costs)	(74 374)	(31 928)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

16 Acquisitions of:

	2023 R'000	2022 R'000
16.1 Property and equipment		
Land and buildings	110 878	-
Equipment	18 895	11 726
Office furniture	836	721
Aircraft and boat	-	-
Motor vehicles	790	4 133
Computer equipment	8 835	9 789
	<u>140 235</u>	<u>26 369</u>
Work in progress – Acquisitions		
Land and buildings	(83 295)	20 511
Computer equipment	2 599	(2 988)
Equipment	(141)	(195)
Aircraft and boat	-	-
	<u>(80 837)</u>	<u>17 328</u>
Total acquisitions	<u>59 397</u>	<u>43 697</u>
16.2 Intangible assets		
Computer software	183	187
	<u>183</u>	<u>187</u>

17 Contingent liability

17.1 Pending legal action

	2023 R'000	2022 R'000
The Council for Geoscience has an estimated legal liability due to pending labour cases	529	476
	<u>529</u>	<u>476</u>

18 Taxation

No provision for income tax was made as the Council for Geoscience is exempted in terms of Section 10(1)(Ca)(i) of the Income Tax Act.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

19 Operating lease commitments

	2023 R'000	2022 R'000
19.1 Lease of office space		
The operating lease between a supplier and the Council for Geoscience entered into from 1 December 2017 to 30 November 2023.		
At the reporting date the outstanding commitments under non-cancellable operating leases, which fall due are as follows:		
Up to 1 year	493	562
2 to 5 years	-	495
Total lease commitments	493	1 057
19.2 Lease of office printing equipment		
The operating lease contracts with suppliers from 1 May 2021 to 30 January 2025.		
At the reporting date the outstanding commitments under non-cancellable operating leases, which fall due are as follows:		
Up to 1 year	2 631	2 847
2 to 5 years	749	3 480
Total lease commitments	3 380	6 327
19.3 Lease of office generators		
The operating lease between AGP Electrical and Instrumentation and the Council for Geoscience entered into on 30 January 2023 to 31 July 2023		
At the reporting date the outstanding commitments under non-cancellable operating leases, which fall due are as follows:		
Up to 1 year	1 778	-
2 to 5 years	-	-
Total lease commitments	1 778	-
19.4 Commitments		
Operating expenditure		
Approved and contracted	110 137	146 824
Approved but not yet contracted	3 030	28 201
Capital expenditure		
Approved and contracted – Property and equipment	57 679	71 858
Approved but not yet contracted – Property and equipment	5 997	-
Total commitments	176 843	246 882

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

19 Operating lease commitments (continued)

	2023 R'000	2022 R'000
Commitments		
Up to 1 year	41 548	35 405
2 to 5 years	135 295	211 478
Total commitments	176 843	246 882

The Council for Geoscience has usage-based contracts for the provision of the following:

- Sampling Services Geophysics
- Accommodation and travel
- Courier services

20 Financial instruments

Financial instruments consist of cash and cash equivalents, investments with financial institutions, trade and other receivables, and trade and other payables.

20.1 Credit risk

Financial assets, which potentially subject the Council for Geoscience to concentrations of credit risk, consist principally of cash, short-term deposits, and trade receivables. The Council for Geoscience's cash equivalents and short-term deposits are placed with high credit quality financial institutions. Trade receivables are presented net of the allowance for doubtful debts. Credit risk with respect to trade receivables is limited due to the large number of customers being dispersed across different industries and geographical areas. Accordingly, the CGS has no significant concentration of credit risk.

The carrying amounts of financial assets included in the Statement of Financial Position represent the Council for Geoscience's exposure to credit risk in relation to those assets.

Trade and other receivables are controlled by well-established policies and procedures which are reviewed and updated on an on-going basis. The CGS does not have any significant exposure to any individual customer or counterparty.

Trade receivables and other payables are carried at amortised costs. Refer to notes 8 and 10.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

20 Financial instruments (continued)

20.2 Interest rate risk

The organisation's exposure to interest rate risk and the effective interest rates on the financial instruments at the reporting date are: 31 March 2023.

	Weighted average effective interest rate %	Weighted average effective interest rate %
Assets		
Cash	1.00%	1.00%
Call accounts	4.88%	3.94%

Short-term deposits

The risk is perceived to be low due to the following factors:

- Funds are only invested with approved financial institutions according to the policy of the Council for Geoscience.
- Short-term deposits are only reinvested or invested after Management's approval.

20.3 Foreign currency risk

The CGS undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. It is not the CGS' policy to take out cover on these outstanding foreign currency transactions due to the fact that these transactions take place on an ad hoc basis. The Council for Geoscience's exposure as at 31 March 2023 is disclosed in note 21.

20.4 Airborne operations risk

It is the policy of the Council for Geoscience to transfer risk in respect of airborne operations to third parties, namely insurers and an external operator.

21 Foreign currency exposure

	2023			2022		
	Exchange rate	Foreign amount '000	Rand amount R'000	Exchange rate	Foreign amount '000	Rand amount R'000
21.1 Trade receivables						
Foreign currency						
US\$	R17.52660	\$41	726	R14.39330	\$28	399
21.2 Banks						
Foreign funds						
Euro	R18.96690	€240	4 552	R15.86860	€240	3 808

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

22 Related-party transactions

During the period the following related-party transactions took place between the Council for Geoscience and the Department of Mineral Resources and Energy:

	2023 R'000	2022 R'000
Total grant received	355 761	377 062

Relationships:

Parent National Department: Department of Mineral Resources and Energy

Refer to note 11 for further details regarding transactions with the Department of Mineral Resources and Energy.

Income received from related parties

During the year funds were received and revenue recognised for services rendered by the CGS from the following related parties that are related to the entity as indicated below. The balances at year-end contained in deferred income and debtors is disclosed. Amounts receivable from these entities are subject to the same terms and conditions as normal trade receivables.

	2023 R'000	2022 R'000
Debtors balances		
Department of Defence	3 376	-
National Research Foundation	-	-
Petroleum Agency SA	-	-
Eskom	19 892	6 463
Petroleum Agency SA	-	3 340
Housing Development Agency*	3 584	-
Deffered income balance		
Department of Science and Innovation	2 607	2 607

* A provision for bad debt of an equal amount has been recognised due to the amount outstanding for longer than 60 days.

Relationship: National sphere of government

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

22 Related-party transactions (continued)

Services rendered by related parties

During the year expenses were incurred and recognised for services rendered to the CGS from the following related parties that are related to the entity as indicated below. The balances at year-end contained in trade payables are disclosed. Amounts due to these entities are subject to the same terms and conditions as normal trade payables.

	2023 R'000	2022 R'000
Creditors balances		
Department of Public Works and Infrastructure	-	-

Relationship: National sphere of government

All other related-party transactions were concluded at arm's length.

23 Irregular expenditure

	2023 R'000	2022 R'000
Opening balance	-	1 695
Irregular expenses identified in the current year	-	-
Expenditure condoned	-	(1 695)
	<u>-</u>	<u>-</u>

Details of irregular expenditure identified in the current year

Non-compliance with National Treasury's instruction note 5 of 2020/21 'Emergency Procurement in Response to National State of Disaster'. National Treasury Practice note number 5 was repealed by National Treasury Practice note 11 with effect from 1 September 2020. The contract variation of 25% for internet services was concluded after instruction note 5 of 2020/21 was repealed on 26 August 2020. No loss has been incurred as services were rendered. National Treasury condoned the irregular expenditure on 30 April 2021.

Disciplinary steps were taken against the employee that caused the irregular expenditure and they have since resigned.

24 Fruitless and wasteful expenditure

	2023 R'000	2022 R'000
Opening balance	18 496	18 496
Fruitless and wasteful expenditure identified in the current year	-	-
	<u>18 496</u>	<u>18 496</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

24 Fruitless and wasteful expenditure (continued)

Determination

Fruitless and wasteful expenditure was identified with regards to the implementation of the humidity, ventilation and airconditioning (HVAC) system up to 2017. The work was found to be technically not acceptable and needed remediation. Management remains committed to eliminating and avoiding any fruitless and wasteful expenditure.

Investigation

The Council for Geoscience has commenced with investigative procedures and has engaged legal services to recover the costs and damages.

25 Events after reporting date

Non-adjusting events

Eminent acquisition of assets

Acquisition of equipment in support of the upgrade and safety of the Council for Geoscience head office building. The estimated cost for this acquisition is R9 million.

26 Correction of prior year error

		2023 R'000	2022 R'000
Nature	Period		
A correction was made to payables in the prior period relating to the allocation of payments.	31 March 2022	-	176
A correction was made to the financial statements to debtors for the prior period.	31 March 2022	-	(19)
A correction was made to the financial statements to depreciation/amortisation for prior period.	31 March 2022	-	(341)
A correction was made to the financial statement to prepaid expenses for the prior period.	31 March 2022	-	2 014
A correction was made to leave liability recognised in the correct period.	31 March 2022	-	233
An adjustment was made to property plant and equipment in the prior period relating to a construction project retention.	31 March 2022	-	858
		-	2 921
Effect			
Statement of Financial Performance for the period ended 31 March 2022			
Administrative expenses		-	2 940
Revenue from exchange transactions		-	(19)
		-	2 921

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

26 Correction of prior year error (continued)

	2023 R'000	2022 R'000
Effect		
Statement of Financial Position as at 31 March 2022		
Trade and other receivables from exchange transactions	-	19
Trade and other payables	-	(3 048)
Accruals	-	(233)
Property and equipment	-	341
Statement of Net Assets for the Period Ended 31 March 2022		
Accumulated surpluses	-	(2 921)
Correction of prior year disclosure		
Nature		
Disclosure as at 31 March 2022		
Restatement of closing balances of cumulative expenditure recognised in the carrying value of property and equipment being developed/constructed and cost:		
Buildings and fixtures	-	2 515
Office furniture	-	-
Restatement of accumulated depreciation		
Vehicles – Other	-	-
Boat	-	-
Restatement of closing balances of commitments		
Approved and contracted	-	-
Effect		
None (only disclosure item)		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

27 Change in accounting estimate

The useful lives of property and equipment were reassessed. This resulted in a change of estimated remaining lives of certain assets in the categories listed below:

Useful lives

	Old	New
Equipment	5–7 years	5–14 years
Office furniture	20 years	20–27 years
Motor vehicles	5–8 years	5–12 years
Computer equipment	6 years	6–15 years
Computer software	2–5 years	2–11 years
Aircraft	15 years	18 years

The effect of the change in accounting estimate has resulted in depreciation amounting to R867 888 in 2022/23.

The change of R1 414 120 will be reflected in future periods.

	2023 R'000	2022 R'000
Due to the change in accounting estimate regarding the useful life and residual values of assets the depreciation expense is reported at:	34 493	31 500
Equipment	21 673	21 329
Office furniture	493	484
Motor vehicles	2 546	2 571
Computer equipment	7 769	5 411
Computer software	1 714	1 704
Aircraft	299	-
Depreciation expense using the previous rates would have been reported at:	35 361	33 587
Equipment	22 130	22 909
Office furniture	497	595
Motor vehicles	2 720	2 658
Computer equipment	7 852	5 640
Computer software	1 719	1 784
Aircraft	443	-
Difference – Useful lives	867	2 087
Equipment	457	1 580
Office furniture	4	111
Motor vehicles	174	87
Computer equipment	83	229
Computer software	5	80
Aircraft	144	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

28 Heritage assets disclosure

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

	2023 R'000	2022 R'000
Nature		
The Council for Geoscience has the following classes of heritage assets:		
- Gemstone collections	1 445	1 445
- Meteorite collections	2 804	2 804
- Mineral collections	13 313	13 313
	17 562	17 562

The heritage assets were initially recognised at fair value using valuers with the following credentials:

- Fossils – Professor for Paleontological Research, University of the Witwatersrand
- Mineral collections – MSc Geology and Professor and Chairman of the Department of Geology, University of the Witwatersrand
- Meteorite collections – Author of “Meteorites”, private collector of meteorites
- Gemstones – MSc Geology

Various valuation methods were used taking into account the different types of heritage assets held by the CGS.

The valuation reports are held at the Council for Geoscience offices and are available for inspection.

The Palaeontological (fossil) assets have no monetary value as legislation does not permit the purchase or sale of fossils. (National Heritage Resources Act 1999 Par 35(4)(c)).

The Council for Geoscience is in possession of old scientific equipment for display purposes only. This equipment does not carry any value.