



# Western Cape Liquor Authority

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Annual Report  
2018/2019

Western Cape Province



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**PART A:**

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**GENERAL INFORMATION**

# a 1. PUBLIC ENTITY'S GENERAL INFORMATION

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<b>REGISTERED NAME:</b>	Western Cape Liquor Authority
<b>REGISTRATION NUMBER (if applicable):</b>	
<b>PHYSICAL ADDRESS:</b>	3rd Floor Sunbel Building 3 Old Paarl Road Bellville 7530
<b>POSTAL ADDRESS:</b>	Private Bag X6 Sanlamhof Bellville 7532
<b>TELEPHONE NUMBER/S:</b>	021 204 9700
<b>FAX NUMBER:</b>	086 525 4513
<b>EMAIL ADDRESS:</b>	Philip.Prinsloo@wcla.gov.za
<b>WEBSITE ADDRESS:</b>	<a href="http://www.wcla.gov.za">www.wcla.gov.za</a>
<b>EXTERNAL AUDITORS:</b>	Auditor General South Africa
<b>BANKERS:</b>	Nedbank (PTY) LTD
<b>BOARD SECRETARY:</b>	Caylynne Symes

## 2. LIST OF ABBREVIATIONS/ACRONYMS

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ACT	Western Cape Liquor Act (4 of 2008) as amended
AHRGC	Alcohol Harms Reduction Game Changer
AGSA	Auditor General of South Africa
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPF	Community Police Forum
GB	Governing Board
GRAP	Generally Recognised Accounting Principles
LLT	Liquor Licencing Tribunal
LMATS	Licence Management and Tracking System
MEC	Member of Executive Council
MTEF	Medium Term Expenditure Framework
PFMA	Public Finance Management Act
PRF	Provincial Revenue Fund
SALGA	South African Local Government Association
SCM	Supply Chain Management
SITA	State Information Technology Agency
SMME	Small Medium and Micro Enterprises
TR	Treasury Regulations



### 3. FOREWORD BY THE CHAIRPERSON

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As the Chairperson of the Governing Board, it gives me pleasure to present the Annual Report for the 2018/2019 financial year. The Annual Report provides an opportunity to reflect on the financial and non-financial performance of the WCLA for the year under review.

During the period under review the Authority intensified its focus on the implementation of Alcohol Harms Reduction Game Changer (AHRGC) initiatives. Areas of focus included taking steps to bring some responsible unlicensed liquor outlets into the regulated space in a sustainable and responsible manner to facilitate compliance. In collaboration with the department of Community Safety various options aimed at making it possible to issue liquor licences to qualifying outlets, in the identified Game Changer Areas (Paarl East, Khayelitsha, and Gunya) was explored and implemented resulting in some unlicensed outlets being successful in their applications for licences. This initiative will continue during the course of the 2019/20 financial year.



The focus on irresponsible trading has resulted in an increase in the number of non-compliance matters referred to the Liquor Licencing Tribunal. A wide variety of sanctions have been imposed and this has acted as a deterrent in many areas within the Province. The interventions in the Game Changer Areas has also proved to be successful based on the positive feedback received from the SAPS.

During our training and awareness sessions the Authority specifically focused on harms reduction.

The Governing Board appointed an additional Deputy Presiding Officer and substitute Members to the Liquor Licencing Tribunal and in the process created additional capacity within the Liquor Licencing Tribunal to deal with the high number of applications.

On behalf of the Board we would like to acknowledge the contribution made by the previous Chief Executive Officer, Dr Luzuko Mdunyelwa, whose term of office came to an end at the end of January 2019. The Board would also like to thank the staff of the Authority for their contribution and dedication.

Finally, the Board would like to acknowledge the previous MEC Mr Dan Plato and the Department of Community Safety for their continuous support in our endeavours.

A handwritten signature in black ink, appearing to be 'T. Sidaki', written over a horizontal line.

**Adv. Thembalihle Sidaki**  
**Western Cape Liquor Authority**  
**Date: 31 July 2019**

## 4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

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For the year under review numerous initiatives were developed and implemented that contributed significantly towards the Authority's ability to deliver on its mandate.

We continued to improve the initiatives of the previous financial year, for example the settlement agreement approach where a process was implemented to act against those who failed to comply with orders of the Liquor Licencing Tribunal. There was a further increase in the number of non-compliance matters considered by the Liquor Licencing Tribunal which contributed to the levels of compliance in the Province.



The compliance interventions embarked on in the Alcohol Harms Reduction Game Changer (AHRGC) areas proved successful to the extent that we can explore Province wide implementation.

The WCLA explored strategic partnerships with relevant stakeholders to expand the reach of the WCLA and to share information with targeted audiences. An end of year campaign was rolled out in the Alcohol Harms Reduction Game Changer (AHRGC) areas using community publications, local radio as well as targeting taxi commuters.

Revenue collection, in the year under review, increased significantly, as a result of fee increases which came into effect on 1 July 2018, to the extent that the Liquor Authority again exceeded its collection targets.

The automation of the Licence Management and Tracking System (LMaTS) within the application processing unit is now fully operational. Subsequently an automated module within the LMaTS system, the Tribunal Management and Tracking System (TMaTS) was developed. The system allows the Tribunal to operate on an entirely electronic basis when it comes to the consideration of all application types. It also provides for an electronic record of all Tribunal decisions. The next phase in the development of the LMaTS system will be to include an automated module for the Inspectorate and the licence issuing division.

The Western Cape Liquor Authority (WCLA) spent 99.06% of its allocated budget for the financial year under review. This is based on budgeted figures for the 2018/19 financial year excluding roll over funding, revenue retention and additional funding received for which roll over were requested in the 2019/20 financial year (adjustments). The difference in budgeted and actual expenditure represents commitments and accruals that have not been expensed at year end. The attached Annual Financial Statements compiled according to Generally Recognised Accounting Practice (GRAP) standards outlines the financial position and financial performance of the entity in detail for the 2018/19 financial year.

Supply chain management policies and Revenue Management systems were reviewed to ensure alignment with the updated National and Provincial Treasury Regulations and Instructions. Integration of financial and administrative systems and processes to manage revenue will receive priority going forward.

Matters raised by the Auditor General in the 2017/18 financial year were addressed by the management of the Authority. The Authority will continue to strive to maintain and optimise governance standards.

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In conclusion I would like to express appreciation to the WCLA staff, the Governing Board of the Liquor Authority, the Liquor Licencing Tribunal, the Department of Community Safety and the Minister of Community Safety for their continued support.



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**Simion George**  
**Acting Chief Executive Officer**  
**Western Cape Liquor Authority**  
**Date: 31 July 2019**

## 5. STATEMENT OF RESPONSIBILITY

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### AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

The annual report is complete, accurate and is free from any omissions.

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

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

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

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2019.

Yours faithfully



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**Acting Chief Executive Officer**  
**Simion George**  
**Date: 31 July 2019**



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**Chairperson of the Board**  
**Thembalihle Sidaki**  
**Date: 31 July 2019**

## 6. STRATEGIC OVERVIEW

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### 6.1. Vision

Effectively regulate liquor in the Western Cape.

### 6.2. Mission

- Creating an enabling environment for the optimal regulation of the liquor industry in the Western Cape.
- Maintaining sustainable partnerships with all relevant stakeholders to assist in the reduction of alcohol related harms.

### 6.3. Values

In the execution of their collective functions, the Authority places the highest value on:

- **Integrity**  
The quality of possessing and steadfastly adhering to a moral or ethical code and high professional standards.
- **Honesty**  
The quality, condition, or characteristic of being fair, truthful, and morally upright in conduct and adherence to the facts.
- **Incorruptibility**  
Moral uprightness and selfless service of public servants.
- **Transparency**  
The principle that the organisation (WCLA) will conduct its business in an accessible, clear and visible manner and that its activities are open to examination by its stakeholders.
- **Responsibility**  
Having the authority to make decisions and following through on the expectation to make those decisions and take necessary action.
- **Accountability**  
The principle that the organisation is obligated to demonstrate and take responsibility for its actions, decisions and policies and that it is answerable to the public at large.

## 7. LEGISLATIVE AND OTHER MANDATES

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### 7.1 Constitutional mandates

The Regulation of liquor licencing is a provincial competency in terms Schedule 5 of the Constitution. For this reason the Western Cape Liquor Authority has been established in terms of Section 2(1) of the Western Cape Liquor Act, Act 4 of 2008.

### 7.2 Legislative mandates

The mandate of the Western Cape Liquor Authority is vested in the Western Cape Liquor Act, Act 4 of 2008, as amended by the Western Cape Liquor Amendment Act, 2010, Act 10 of 2010, Western Cape Liquor Amendment Act, Act 3 of 2015 read with the Western Cape Liquor Regulations of 2011 amended in July 2017.

**Other Legislation includes:**

Public Finance Management Act, Act 1 of 1999 as amended by the Public Finance Management Act, Act 29 of 1999 - To regulate the financial management of provincial entities like the Western Cape Liquor Authority and to ensure that all revenue, expenditure, assets and liabilities are managed efficiently and effectively and to provide the responsibilities and authorities to persons entrusted with financial management.

**Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)**

To give effect to section 217(3) of the 1996 Constitution by providing a framework for the implementation of the procurement policies contemplated in section 217(2) of the 1996 Constitution and to provide for matters connected therewith.

**7.3 Policy mandates****The Western Cape Alcohol-Related Harms Reduction Policy White Paper, 2017**

The Western Cape Cabinet adopted the White Paper as published in the Government Gazette dated 4 September 2017.

The purpose of the policy is to:

- provide interventions to contribute to the reduction of alcohol-related harms in the Western Cape.
- provide for ancillary matters to increase the efficiency and effectiveness of supplementary supporting structures that are related to alcohol-related harms reduction.

In response to the White Paper the current liquor legislation is being reviewed.

**7.4 Relevant court rulings**

The Constitutional Court matter known as Ex Parte the President of the Republic of South Africa in re: Constitutionality of the Liquor Bill, heard as case CCT 12/99 by the Constitutional Court of South Africa on 31 August 1999 and decided on 11 November 1999 with the judgment delivered by Cameron AJ.

The President, at the time, took the unprecedented step to utilise section 79(4)(b) of the Constitution to refer a bill to the Constitutional Court to have the constitutionality thereof tested after the bill has been approved by the National Assembly. The President stated his reasons to include that the bill clearly intends to deal with the registration for the manufacture, wholesale distribution and retail sale of liquor and that according to his understanding it might be in conflict with the “liquor licencing” provincial competency in terms of Part A of Schedule 5 of the Constitution, 1996.

The Constitutional Court found that if the exclusive provincial legislative competence regarding “liquor licences” in Schedule 5 applies to all liquor licences, the national government has made out a case in terms of Section 44(2) justifying its intervention in creating a national system of registration for manufacturers and wholesale distributors of liquor and in prohibiting cross-holdings between the three tiers in the liquor trade. No case has, however, been made out with regard to retail sales of liquor, whether by retailers or by manufacturers, nor for micro-manufacturers whose operations are essentially provincial.

This finding is of utmost importance in establishing the legislative and functional powers and responsibilities of the national and the provincial governments regarding liquor licencing.

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## 7.5 Planned policy initiatives

The Western Cape Liquor Authority is closely involved in the Alcohol Harms Reduction Game Changer. Various initiatives have been implemented to support the Game Changer. These initiatives include amongst others:

- increase in fines
- notices issued to illegal traders
- additional inspectors dedicated to the Alcohol Harms Reduction Game Changer (AHRGC) focus areas

# 8. ORGANISATIONAL STRUCTURE

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AS AT 31 JULY 2019

## WCLA: Executive Authority



Albert Fritz  
Minister of  
Community Safety

## WCLA: Governing Board



Thembalihle Sidaki  
Chairperson  
Governing Board



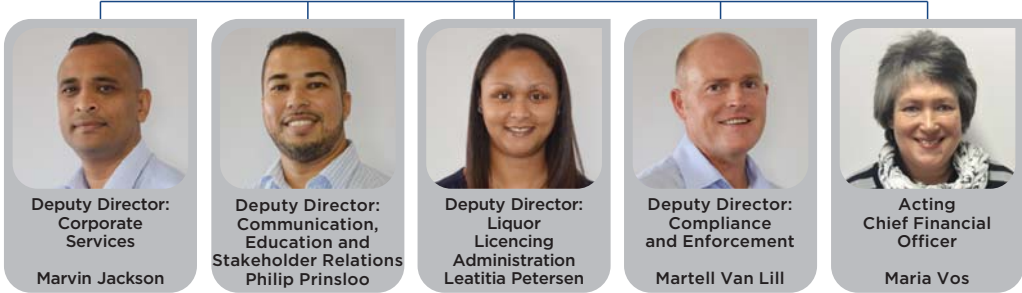
Ronald Kingwill  
Deputy Chairperson  
Governing Board



## WCLA: Senior Management



Acting  
Chief Executive Officer  
Simion George







**PART B:**

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**PERFORMANCE INFORMATION**

# 1. AUDITOR'S REPORT:

## PREDETERMINED OBJECTIVES

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

Refer to page 62 for the Auditors Report, published as Part E: Financial Information.

# 2. SITUATIONAL ANALYSIS

## 2.1. Service Delivery Environment

The Western Cape Liquor Authority (herein after referred to as the WCLA) is mandated by the Western Cape Liquor Act (4 of 2008) to administer liquor regulation spanning over an area of 129 462 km<sup>2</sup> in the Western Province and serving a population numbering 6 279 730 (2011 census and community survey 2016).

In 2015 the Western Cape Provincial Cabinet agreed that an Alcohol-Related Harms Reduction Policy should be developed to guide the Western Cape Government's approach to the regulation of alcohol. On the 11th September 2017 a new White Paper on Alcohol Harms Reduction was approved by the Western Cape Provincial Cabinet which was published in the Provincial Government Gazette Extraordinary number 7824.

The White Paper expresses concerns that the current alcohol legislation largely regulates the activities of licencing and enforcement of the production, distribution and sale of alcohol, with inadequate consideration of the impact of alcohol -related harms on society. It also does not address the consequences of these harms, hence the development of the Alcohol Harms Reduction White Paper.

Numerous studies have concluded that alcohol abuse is the single most important driver of violence, injuries (including vehicle crashes), criminal behaviour and anti-social behaviour in general in the Western Cape. The extremely high levels of alcohol abuse can in the main be attributed to the easy availability of alcohol and the fact that unregulated outlets sell alcohol to minors. In a 2015 survey, the number of unlicensed liquor outlets in 2015 in the Western Cape was determined at 3 483, the equivalent of 37% of the licenced outlets (White Paper). Central in the plan to reduce alcohol consumption and risky drinking behaviour, is a strategy to address the following:

- Easy availability of cheap liquor in communities.
- Responsible production, distribution and marketing of alcohol.
- Community buy-in to combat alcohol abuse, including finding alternative business opportunities for illegal shebeen owners.
- Lastly, policing and closing down of illegal shebeens, as well as licenced liquor outlets which do not abide by their licencing conditions.

Having considered the statistical evidence both of the contributions to and costs of the liquor industry to the economy and society, a shift in policy from advocating the alcohol industry as an economic growth opportunity to one where the necessity to reduce alcohol harms in our communities stands paramount.

The significant practical step to communicate the intention of this shift in policy was the transfer of the statutory responsibility for the WCLA away from the Minister of Economic Opportunities to the Minister of Community Safety. The executive responsibility related to the WCLA were therefore moved from the Department of Economic Development and Tourism (DEDAT) (with

an economic development sector focus) to the Department of Community Safety (DOCS) (with a social sector focus) as per proclamation by the Premier of the Western Cape dated 27th October 2015. The mandate for this entity is currently being reviewed to be in line with the sectorial change.

The transfer affords the following synergies:

- The Minister of Community Safety's outreach programmes in all communities, his specific programmes involving the religious communities and the youth, and his daily interaction with and oversight role of the South African Police Service (SAPS) is a much better fit to ensure that the objectives of the Alcohol Harms Reduction Game Changer be achieved.
- The closer co-operation between the Department of Community Safety and the WCLA could potentially also contribute to a much closer working relationship between the WCLA's Inspectorate and the SAPS and other law enforcement agencies.

The following possible disadvantages need to be considered:

- The strength of the liquor industry lobby to increase alcohol consumption
- The argument that production of and trade in alcohol should not be constrained
- The focus of the WCLA is on licencing rather than on harms reduction

The shift in the policy position of the Western Cape Government presents a number of challenges for the Authority, most notably the question of giving effect to the alcohol harms reduction approach within the current legislative mandate, which was not developed with the same objectives. The 3 areas identified by the Authority in support of the alcohol harms reduction strategy but still within the existing legal framework on which to focus are:

- entrance of responsible unlicensed liquor outlets into the regulated space
- enforcement with an emphasis of upstream prosecution
- focused approach to educating and communicating the harms of alcohol abuse

## 2.2. Organisational environment

The organisational structure has been designed to cater for the different deliverables as demanded by the legislation. Six components are currently in place to deal with the processing of applications, enforcement and compliance, communication, education and stakeholder relations and a liquor licencing tribunal to adjudicate on licence applications. The support and auxiliary services are provided by the corporate services and finance components.

The Authority has within the year under review had the Chief Financial Officer resign and the Chief Executive Officer's term of office expire. These two critical positions have been advertised and will be filled as a matter of urgency during the 2019/20 financial year.

### *Liquor Licencing Administration*

The Liquor Licencing Administration (LLA) component is tasked with the responsibility of administering all liquor licence applications for consideration by the Liquor Licencing Tribunal, the issuing of licences, certificates and notices as well as the renewal of all valid liquor licences in the Western Cape.

#### *White Paper policy objectives*

One of the policy objectives in the White Paper, 2017, is to take steps to bring some responsible unlicensed liquor outlets into the regulated space in a sustainable and responsible manner to facilitate compliance with minimum requirements. It was acknowledged that numerous barriers to enter the regulated space exist. In support of this approach plans were undertaken, in collaboration with the Department of Community Safety, to explore various options aimed at making it possible to issue liquor licences to qualifying outlets in the identified Alcohol Harms

Reduction Game Changer areas (Paarl East, Khayelitsha and Gugulethu and Nyanga (Gunya)), who previously were unable to obtain such licences due to Local Government business zoning policies.

The licencing process in terms of these prospective licence holders was facilitated by the Liquor Licencing Administration component together with the following key role players:

- Liquor Licencing Tribunal
- City of Cape Town
- South African Police Service
- Ward Councillors
- Rate Payers Association
- Neighbourhood Watches
- Community Policing Forums

The outcome of this pilot initiative will set the benchmark for the way forward in terms of facilitating the entrance of responsible unlicensed liquor outlets into the regulated space.

#### *LMATS enhancements*

The WCLA has enhanced the Licence Management and Tracking system (LMaTS) in light of various operational developments and requirements as well as to ensure alignment to the amendments in the Western Cape liquor legislation. The year under review saw the completion of the LMATS enhancements project relating to the automation of application processes. The implementation of this process has seen the WCLA move to an automated system of processing applications. What this process entails is that the processing of applications takes place within set time frames (as legislated) by way of task lists which are assigned to various users to be completed within the afore-mentioned time frames. Once the task has reached its expiration date, the application will automatically be enrolled for consideration.

#### ***Liquor Licencing Tribunal***

The Tribunal has been established, as the independent judiciary, vested within the Western Cape Liquor Authority, to perform the quasi-judicial functions regarding the consideration and adjudication of all applications related to liquor licences as provided for in the Act and must exercise their functions according to the provisions of this Act, impartially and without fear, favour or prejudice.

In terms of the Act, the Liquor Licencing Tribunal is made up as follows:

- Presiding Officer
- 3 Deputy Presiding Officers
- SAPS representative
- SALGA representative
- 2 Citizens of the Republic, who are permanently resident in the Province (Representatives from the broader public)

The Governing Board may at any time, in consultation with the Minister, appoint not more than four suitable persons as substitute members, to act as members of the Liquor Licencing Tribunal or a committee thereof on the request of the Presiding Officer.

The composition and structure of the Tribunal was amended in the Western Cape Liquor Amendment Act, Act 3 of 2015 promulgated on 14 August 2015. The amendments provide for additional positions on the Tribunal and will allow for the more efficient functioning of the Tribunal. Budget has been made available for the appointment of a second Deputy Presiding Officer and two substitute members and these appointments were made during this financial year. The substitute members are utilised to form part of a Section 24 Committee as well as the Tribunal as and when needed to form a quorum. In terms of the Act the Section 24 Committee may be tasked with the adjudication of Removal and Transfer applications.

An automated module within the LMaTS system, the Tribunal Management and Tracking System (TMaTS) was developed. The automation of the TMaTS system went operational in October 2018 and was fully utilised by the Tribunal as from January 2019. The system enable the Tribunal to operate on an entirely electronic basis when it comes to the consideration of all applications. Each Tribunal member log onto the system using a unique user login profile. Each member are able to review, assess and vote on applications electronically where all decisions and outcomes are recorded and after each sitting converted into outcomes which are relayed back to the office of LLA. The TMaTS system ensure that the Tribunal is able to consider applications more efficiently, replacing time consuming manual systems, and provide for an electronic record of all Tribunal decisions.

During the year under review one of the public member positions on the Tribunal as well as a Deputy Presiding Officer position became vacant. The Governing Board is in the process of filling these vacancies.

### ***Communication, Education and Stakeholder Relations***

The WCLA recognises that developing and nurturing positive relationships and partnerships with the identified stakeholders is a key driver of the Authority's reputation and ultimately its business success. Such partnerships do not only expand the WCLA brand, but also the footprint of getting relevant information to targeted audiences.

To explore strategic partnerships, meetings were held towards the end of the financial year with the DG Murray Trust, Old Mutual, the Department of Transport and Public Works, as well as the Department of Community Safety (Community Police Formus), Department of Social Development (Local Drug Action Committees) and Matzikamma Municipality through their Integrated Developmental Plans.

The WCLA in partnership with the Department of Transport and Public Works as well as the Department of Education is currently rolling out numerous interventions targeting schools, communities, liquor licenced premises as well as sharing of information at roadblocks. The relationship with the Department of Community Safety will enable the WCLA to engage with CPFs to share information and printed material with the CPFs in order for them to be informed regarding relevant liquor-related matters.

The WCLA also embarked on an end of year campaign. This campaign kicked off during November 2018 and ended in January 2019. Specific messages were created informing the public that they can raise complaints against licenced and unlicenced liquor traders. It had three legs to it as set out below;

- **Community publications** - The message appeared in the Vukani on 8 November 2018 and 6 December 2018. It also appeared in the City Vision newspapers on 8 November 2018 and 6 December 2018.
- **Community radio** - This part of the project was rolled out by having a pre-recording that was aired on the radio. Two live interviews also took place during December 2018 that allowed the community to text or call in and engaged directly with the WCLA. The Khayelitsha based radio station, Radio Zibonele was used and the pre-recorded message commenced its airing on 5 November 2018 and finished on 24 January 2019.
- **Taxi commuter awareness** - Taxi branding strips were placed on the interior of the taxis with a message targeting the public. This project ran from November 2018 to January 2019. It was rolled out in 73 taxis in the Khayelitsha, Nyanga and Gugulethu area.

The WCLA engages with its stakeholders through a variety of means and channels, formal and informal, scheduled and ad hoc sessions. During the year under review the Authority continued to engage with the following stakeholders:

- **Liquor Licence Holders**  
These sessions are held to educate liquor licence holders regarding the relevant liquor legislation applicable to them and their business.
- **Communities**  
The WCLA visited different communities to engage them and share relevant information such as the role of communities in the liquor licencing application process, to create awareness on the negative consequences of liquor abuse, and to answer questions for clarity from community representatives in order for them to understand liquor legislation.
- **Schools:**  
Engagements were held with learners during Life Orientation classes regarding the negative consequences of liquor abuse. Promotional material such as rulers with relevant messages was also distributed.
- **New Applicants:**  
All new liquor licence applicants and managers of licenced businesses are being trained on the Western Cape Liquor Act and presented with a certificate of attendance before a liquor licence is issued.
- **Other Stakeholders:**  
Training sessions with community police forums and the neighbourhood watch groups were also conducted. The Western Cape Liquor Authority also trained numerous liquor traders including their staff in order for their employees to also be aware of the relevant liquor legislation.

The Authority has also continued its engagements with municipalities, liquor consultants as well as National and other Provincial Departments to discuss liquor related matters. Radio adverts were broadcast on KFM, GoodHope FM, Smile FM, and Heart FM, and Radio Zibonele.

### ***Compliance and Enforcement***

This component monitors and enforces compliance with the provisions of the Western Cape Liquor Act and licence conditions throughout the Province. Furthermore, the component serves as a visible compliance, monitoring and enforcement tool to create awareness of the role that the WCLA plays in liquor regulation.

Routine inspections and pre-inspections are conducted as part of our compliance regime at licenced premises. The component also embarks on joint enforcement operations with SAPS and other law enforcement agencies. The component continues to receive, process and investigate complaints from the members of the public and other stakeholders. Compliance notices are issued for less serious offences while serious matters will be referred to the LLT for consideration in terms of section 20 of the Act.

Part of the mandate of the component is to focus on the Alcohol Harms Reduction Game Changer (AHRGC) areas in order to collect data on the number of illegal outlets as well as the distribution and consumption patterns of the area.

### ***Finance***

During the 2018/19 financial year the Finance component developed additional capacity to ensure sound financial management. The Authority received a clean audit for the 2017/18 financial year and an unqualified audit, with findings, for the 2018/19 financial year. The process of preparing financial statements was strengthened and GRAP training was provided to staff to address a training gap which existed. The staff is young and energetic and their respective skills and qualifications bodes well for the WCLA.

- The annual renewal fees resulted in an over collection of Revenue which was paid over to the Department of Community Safety to be paid over to the Provincial Revenue Fund.

The Liquor Authority in association with the Department of Community Safety is exploring a total cost recovery model which will incorporate concepts such as a sliding scale and differentiated fees.

### **Corporate Services**

The Authority has successfully navigated the 2018/19 financial year. NEHAWU has been chosen by the employees of the Authority as their representative union. An Organisational Rights Agreement has been concluded between the union and the employer and signed off at the end of May 2018. A Bargaining Committee has been established and is comprised of union representatives and members of the Management team. As an organisation the WCLA has had no major labour relations issues. Two (2) staff satisfaction surveys were conducted with a view of improving on the working conditions of employees as well as to gauge the level of staff satisfaction among the employees. The performance evaluation period was successfully completed and all staff members have completed new performance agreements for the 2019/20 financial year.

### **2.3. Key policy developments and legislative changes**

Relevant policies and internal controls were reviewed and amended where deemed necessary to better suit the business needs of the Western Cape Liquor Authority.

A second amendment bill, the Western Cape Liquor Amendment Act, Act 3 of 2015 was promulgated on 14 December 2015. On 15 March 2016 the Premier enacted certain sections of the Amendment Act, Act 3 of 2015. The rest of the amendments took effect on 1 July 2017 together with the Amended Regulations.

### **2.4 Strategic Outcome Oriented Goals**

<b>Strategic Outcome Oriented Goal 1</b>	Optimal regulation of the retail sale and micro-manufacturing of liquor in the Western Cape.
<b>Goal statement</b>	Promotion of an enabling environment that allows for the entry into the regulated liquor trading space, meanwhile ensuring that all liquor licence holders stringently comply with the Western Cape Liquor Act 4 of 2008 as amended.
<b>Progress towards achievement of goal</b>	The Authority has implemented various measures towards the achievement of the set Strategic Outcome Oriented Goals. These included the completion of the enhancement phase of the Authority's Licence Management and Tracking System that has enabled the Authority to streamline internal processes. A more focused approach to enforcement with the implementation of the settlement agreement process which significantly contributed to a more intensified focus on enforcement.



## b

<b>Strategic Outcome Oriented Goal 2</b>	Facilitating and participating in interventions that support a reduction in the social ills attributable to the consumption of liquor in the Western Cape.
<b>Goal statement</b>	Creating partnerships in order to educate and increase awareness surrounding the negative social impact of liquor as well as informing the community about their rights and responsibilities in terms of the Act.
<b>Progress towards achievement of goal</b>	The Authority has implemented various measures towards the achievement of the set Strategic Outcome Oriented Goals. These included continuous engagements, awareness and educational sessions that enabled the Authority to effectively spread the message on the negative social ills of liquor abuse versus responsible trading and consumption of alcohol.

## 3. PERFORMANCE INFORMATION BY COMPONENT

b

### 3.1 Component 1: Liquor Licencing Administration

The purpose of the Liquor Licencing Administration component is to administer all liquor licence applications in the Western Cape for consideration by the Liquor Licencing Tribunal.

#### STRATEGIC OBJECTIVE

<b>Strategic Objective 1.1</b>	To administer all liquor licence applications in accordance with the provisions of the WCL Act (Act 4 of 2008, as amended).
<b>Objective statement</b>	To administer all liquor licence applications in accordance with the provisions of the WCL Act (Act 4 of 2008) by receiving and processing all new, secondary, minor, special event and temporary liquor licence applications and the issuing of liquor licences (straight and conditional, transfer and removal certificates as well as special event and temporary liquor licences).
<b>Baseline</b>	Number of applications lodged with the WCLA.

\* These applications refer to new applications that will be processed over the 5 year strategic plan period.

Component: Liquor Licencing Administration					
Strategic objective	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of applications processed*	5 178	2 700	4 088	1 388	The target set was based on historical data. Subsequent to this there has been a change in the internal processes of the component, the automation of our licencing system as well as Regulation amendments.

\* The 30 day letter refers to the approach whereby applicants are provided with a final opportunity to provide outstanding information regarding applications. Once the 30 days have passed the applications, irrespective of whether the applicant provided the outstanding information, were forwarded to the Tribunal. This resulted in numerous applications that were indefinitely open on the system to be finalised.

#### PERFORMANCE INDICATORS

Component: Liquor Licencing Administration							
Performance Indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of applications received	3 950	4 653	4 112	4 350	3 965	(385)	The number of applications received decreased. More specifically the number of secondary, event and temporary applications received as compared to the previous financial year.

Component: Liquor Licencing Administration							
Performance Indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of licences issued	1 691	1 906	2 005	1 750	1 673	(77)	The number of licences issued is determined by the number of applications approved by the LLT.
Percentage of all section 36 applications processed within 130 days	New	New	New	80%	95.60%	15.60%	The automation of the LMATS system as well as the implementation of a new application processing timeline has shortened the turnaround time for the processing of these applications thus resulting in the over achievement.
Number of reports on licences issued in the identified Alcohol Harms Reduction Game Changer areas	New	New	New	4	4	-	

#### ANALYSIS OF PERFORMANCE INDICATORS

The Liquor Licencing Administration component under-achieved in respect of two performance indicators, namely applications received and licences issued. The target for “Number of applications received” was not achieved as a result of the fact that less applications were received than what was expected. The number reported for applications received comprises the sum of all application types. A reduction in the number of applications received for only certain application types will thus result in the reported figure for all applications received decreasing.

In respect of the number of licences issued, the under-achievement with this indicator results from the reduction in the number of applications received as compared to the 2017/2018 financial year. Applications received is considered by the LLT/PO and only if the application complies with the legislative prescripts, the LLT/PO will approve the application. Licences are thus only issued for approved applications which are compliant (this being one outcome of the LLT’s consideration of an application). Once the application is approved and the applicant pays the licence issuing fee, the licence will be issued.

Further activities that have been achieved on by this component:-

**Application administration:**

- An automated Licence Management and Tracking System (LMATS) is in place for the processing of all applications
- Standard operating procedures are in place for all application processes
- Checklists are in place for all application types

**Renewals**

- Renewal notices issued for all valid licences

## STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Not applicable.

## CHANGES TO PLANNED TARGETS

Not applicable.

## LINKING PERFORMANCE WITH BUDGET

Component/Activity/ Objective	2018/2019			2017/2018		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Liquor Licencing Administration	11 934	11 721	213	9 969	9 817	152
<b>Total</b>	<b>11 934</b>	<b>11 721</b>	<b>213</b>	<b>9 969</b>	<b>9 817</b>	<b>152</b>

**3.2 Component 2: Liquor Licencing Tribunal**

This component is tasked with the responsibility of adjudicating liquor licence applications.

## STRATEGIC OBJECTIVE

<b>Strategic Objective 2.1</b>	To perform the judicial function regarding any application in terms of the Act.
<b>Objective statement</b>	To perform judicial functions regarding any application for liquor licences as provided for in section 20 of the WCL Act (Act 4 of 2008 as amended) (Consider an estimated 12 000 liquor licence applications.*)
<b>Baseline</b>	Number of applications prepared by the LLA & considered by the LLT

\* These applications refer to all applications that will be considered over the 5 year strategic plan period.

Component: Liquor Licencing Tribunal					
Strategic objective	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of applications considered	5 386	5 600	3 960	(1 640)	Due to vacancies on the LLT structure the Section 24 Committee only started to function during the latter part of the financial year while when the target was set it was based on the belief that the Section 24 Committee would be functional from the onset of the financial year.

## PERFORMANCE INDICATORS

Component: Liquor Licencing Tribunal							
Performance Indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Percentage of all section 36 applications considered within 50 days**	New	New	New	65%	53.67%	(11.33%)	The Tribunal focused on compliance matters specifically settlement agreements and matters where licence holders failed to comply with Tribunal orders hence the under achievement on this indicator.
Percentage of all section 65(1) applications considered within 30 days**	New	New	New	65%	7.49%	(57.51%)	Due to the resignation of Tribunal members and Deputy Presiding Officer the Section 24 Committee could not be fully utilised as planned which lead to the under - performance.
Percentage of all section 66 applications considered within 30 days**	New	New	New	65%	66%	1%	Taking into account the constraints faced by the Tribunal the removal applications on the case roll were small in number which

Component: Liquor Licencing Tribunal							
Performance Indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of reports relating to non-compliant matters considered by the LLT	New	New	New	4	4	-	
Number of reports on section 36 applications considered from the identified Alcohol Harms Reduction Game Changer areas	New	New	New	4	4	-	

\*\* The numerator is equal to the number of applications considered within 30 days within the financial year.

\*\* The denominator is equal to all applications considered in the financial year.

#### ANALYSIS OF PERFORMANCE INFORMATION

The outcomes of applications considered will include applications approved, applications conditionally approved, applications rejected for various reasons and applications postponed for further information.

There were no significant achievement of targets on this components performance indicators.

#### STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The appointment of additional substitute members and the filling of the vacant Deputy Presiding Officer will create the capacity to fully utilise a Section 24 Committee, as provided for in the Act, which will then focus on all the transfer and removal applications. This will free up capacity within the Tribunal to focus more on enforcement cases.

It was furthermore realised the procedure followed by the LLT during its sittings was laborious and contributed to the slow pace of application considerations. The meeting procedures of the Tribunal was reviewed to shorten the time within which applications could be finalised by the Tribunal. This procedure was signed off by the Presiding Officer on 18 March 2019.

The Authority also embarked on an automation process which resulted in the streamlining of the enrolment of applications with the LLT/PO, since an electronic case roll is automatically generated containing all applications which are ready for their consideration once the maximum number of task list days has been depleted. The system allows the Tribunal to operate on an entirely electronic basis when comes to the consideration and voting of all application types. It furthermore provides for an electronic record of all Tribunal decisions to be recorded against each application, thus allowing for more efficient record keeping.

The Governing Board entered into a performance agreement with the Presiding Officer, for the 2019/20 financial year, which amongst others addresses the meeting of performance and legislative targets for the Tribunal. The principle adopted was that the Presiding Officer take responsibility for the performance of the Tribunal effectively taking responsibility for the Tribunal's adherence to legislative requirements, including timelines as set by the Act. The Presiding Officer is required to provide quarterly reports on the performance of the Tribunal to the Governing Board.

#### CHANGES TO PLANNED TARGETS

Not applicable.

#### LINKING PERFORMANCE WITH BUDGET

Component/Activity/ Objective	2018/2019			2017/2018		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Liquor Licencing Tribunal	3 573	3 574	(1)	3 547	3 050	497
<b>Total</b>	<b>3 573</b>	<b>3 574</b>	<b>(1)</b>	<b>3 547</b>	<b>3 050</b>	<b>497</b>

### 3.3 Component 3: Communication, Education and Stakeholder Relations

The purpose of this component is to provide a communication, marketing, education and awareness service for and on behalf of the Western Cape Liquor Authority.

#### STRATEGIC OBJECTIVE

<b>Strategic Objective 3.1</b>	To ensure a consistent application of the Social and Education Fund strategy as required by Section 31 of the Act*.
<b>Objective statement</b>	To create awareness on the negative social consequences of liquor abuse, to educate persons engaged in the sale and supply of liquor and to educate the general public on responsible consumption of liquor.  (600 targeted specific interventions to create awareness of the harms related to liquor abuse and educate liquor licence holders and reaching 20 000 people through these interventions. **)
<b>Baseline</b>	Annually updated Social and Education Fund strategy reflecting the different initiatives.

\* In terms of section 31 of the Western Cape Liquor Act. The Authority must establish a fund for the purpose of—  
a) Combating the negative social consequences of the abuse of liquor;  
b) Educating persons engaged in the sale and supply of liquor; and  
c) Educating the general public in the responsible sale, supply and consumption of liquor.

\*\* These interventions refer to interventions that will be carried out over the 5 year strategic plan period.

<b>Strategic Objective 3.2</b>	To increase awareness of the WCLA services through communication activities and education and awareness sessions which are aligned to the WCLA communication plan.
<b>Objective statement</b>	To ensure a consistent application of the communication plan and corporate brand of the Western Cape Liquor Authority and to co-ordinate education and awareness sessions to the liquor industry and the residents of the Western Cape.  (600 targeted specific interventions to create awareness of the harms related to liquor abuse and educate liquor licence holders and reaching 20 000 people through these interventions.*)
<b>Baseline</b>	Annually updated communication plan reflecting the different communication activities planned.

\* These interventions refer to interventions that will be carried out over the 5 year strategic plan period.

Component: Communication, Education and Stakeholder Relations					
Strategic objective	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Percentage of the social and education fund budget spent or contractually committed annually	100%	98%	100%	2%	The over performance is as a result of the procurement of relevant educational materials for our interventions with schools as part of our continuous contribution to alcohol harms reduction.
Communication plan developed	1	1	1	-	

## PERFORMANCE INDICATORS

Component: Communication, Education and Stakeholder Relations							
Performance Indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of awareness interventions conducted	169	243	275	210	291	81	The Authority was requested by its stakeholders to attend to more interventions than planned.
Number of persons reached through an awareness intervention	6 859	12 041	9 720	7 000	9 117	2 117	The over achievement on this indicator is as a result of the number of awareness interventions conducted.



## PERFORMANCE INDICATORS

Component: Communication, Education and Stakeholder Relations							
Performance Indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of social responsibility Programmes conducted	1	1	1	1	1	-	
Entity website events calendar maintained	New	New	1	1	1	-	
Number of internal newsletters published	New	New	4	12	12	-	
Number of circulars issued to external stakeholders	New	New	49	12	30	18	More information needed to be communicated with the stakeholders hence the over achievement.
Number of updates to the website	New	New	34	24	37	13	More updates to the website were requested from the Authority's internal stakeholders regarding critical information that needed to be shared with the citizens of the province.
Number of reports on the activities and programs conducted in the identified Alcohol Harms Reduction Game Changer areas	New	New	New	4	4	-	

## ANALYSIS OF PERFORMANCE INDICATORS

The Communication, Education and Stakeholder Relations component achieved all the planned targets for the year as set out in the Annual Performance Plan.

### Number of awareness sessions conducted:

Number of awareness interventions conducted included interventions with the following stakeholders:

- **Liquor Licence Holders** – Training and information sessions with liquor licence holders were rolled out across the province in partnership with the South African Police Service.
- **Communities** – Awareness sessions with communities were rolled out across the province.
- **Schools** – Awareness sessions with schools were rolled out across the province.
- **New Applicants** – All new liquor licence applicants and managers who applied during the year under review were trained on the Western Cape Liquor Act and presented with a certificate of attendance before a liquor licence is issued.
- **Liquor Consultants** – Engagements were held with liquor consultants.
- **Neighbourhood watch** - Training and information sessions were held with neighbourhood watches.
- **Community Police Forums** - Information sessions were held with Community Police Forums.
- **Municipalities and Government Departments** – Meetings were held with municipalities and Government Departments.

### Number of persons reached through an awareness intervention:

For each intervention session, an attendance register is passed around for attendees to complete and it is used to keep record of the attendance at the interventions.

### Number of social responsibility Programmes conducted:

As part of the Social Responsibility programmes conducted, we engaged with 10 communities through door-to-door sessions and community meetings. The WCLA distributed pamphlets to the public that addresses the complaint procedures against licenced and unlicenced premises, as well as liquor licence application representations/objections.

The WCLA further engaged with fifteen (15) schools on the topic of Foetal Alcohol Syndrome and alcohol abuse to bring about awareness and fostering a positive outlook on life.

## STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Not applicable.

## CHANGES TO PLANNED TARGETS

Not applicable.

## LINKING PERFORMANCE WITH BUDGET

Component/Activity/Objective	2018/2019			2017/2018		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Communication, Education and Stakeholder Relations	4 348	4 278	70	4 187	3 802	385
<b>Total</b>	<b>4 348</b>	<b>4 278</b>	<b>70</b>	<b>4 187</b>	<b>3 802</b>	<b>385</b>

### 3.4 Component 4: Compliance and Enforcement

The purpose of this component is to monitor and enforce compliance with all applicable liquor legislation within the Western Cape.

#### STRATEGIC OBJECTIVE

<b>Strategic Objective 4.1</b>	To monitor and enforce compliance of licenced liquor outlets with the provisions of the Act.
<b>Objective statement</b>	To monitor and enforce compliance of licenced liquor outlets with the provisions of the Act by conducting inspections, the issuing of compliance notices, enforcement operations, the investigation of complaints against licenced liquor outlets and the prosecution of the breaches of the Act and licence conditions.  (Ensuring that approximately 30 000 licenced liquor outlets are inspected and prosecuting approximately 125 non-compliant licence holders.)
<b>Baseline</b>	In excess of 8000 liquor licence holders in the Western Cape.

Component: Compliance and Enforcement					
Strategic objective	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of enforcement interventions conducted	3 284	3 050	3 988	938	While the focus still is on addressing irresponsible trading, the component has embarked on an effort to reach as many of the licenced premises that has not been inspected for more than two years. This has led to an over achievement on the number of premises reached during routine inspections. Two additional inspectors were appointed in the beginning of the year which contributed to the over achievement. The component also conducted more enforcement operations in order to increase our enforcement interventions as part of the festive season plans which led to an increase in the number of premises inspected.

## PERFORMANCE INDICATORS

Component: Compliance and Enforcement							
Performance Indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of inspections conducted	4 330	4 421	3 204	3 000	3 909	909	More inspections were conducted in order to increase our enforcement footprint.
Report on number of compliance notices issued	New	New	New	4	4	-	
Number of enforcement operations conducted	New	69	80	50	79	29	More enforcement operations were conducted in order to increase our enforcement footprint. The cooperation with other law enforcement agencies are still very good and joint meetings are held in order to plan monthly operations.
Report on the number of non-compliance matters referred to the LLT	New	New	New	4	4	-	
Report on the number of administrative notices served	New	New	New	4	4	-	

## ANALYSIS OF PERFORMANCE INDICATORS

The Tribunal has the powers to impose a wide range of sanctions which includes the revocation or suspension of a licence, the issuing of fines, the amendments of conditions or any other action which it deems appropriate. The indicators have been amended for the 2017/2018 financial year to include the number of section 73 reports submitted which has proven to be effective considering the number of sanctions imposed by the LLT during the 2018/2019 financial year. The implementation of the section 20 settlement process also contributed to the impact on the irresponsible trading. The settlement process allows for licencees to pay fines in cases where they admit to the relevant contraventions and these matters are referred to the LLT for their consideration and possible confirmation of the fine without having to call any person to testify before it.

Due to expected fluctuations in compliance levels, certain interventions were measured in the form of reports. These interventions however also contributed to the successes of the component. Two hundred and forty four (244) non-compliance matters were referred to the LLT of which one hundred and ninety (190) matters were finalized. A wide range of sanctions were imposed which included fines, the revocation and suspension of licences. These sanctions served as a deterrent in many areas based on the increased levels of compliance.

Although inspectors were required to follow a more rigorous approach towards irresponsible trading, a total of six hundred and twenty six (626) compliance notices were still issued for lessor contraventions. Compliance notices are also used as a tool to educate and guide licencees or managers who are not that familiar with all the provisions of the Act.

The joint provincial enforcement operations between the WCLA, the SAPS, Law Enforcement and other stakeholders partly contributed to the over achievement in the number of inspections conducted. The general public is also more aware of the complaints procedure at the WCLA which resulted in more inspections and in some cases compliance notices being issued.

#### STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Not applicable.

#### CHANGES TO PLANNED TARGETS

Not applicable.

#### LINKING PERFORMANCE WITH BUDGET

Component/Activity/ Objective	2018/2019			2017/2018		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Compliance and Enforcement	8 707	8 707	5	7 115	6 746	369
<b>Total</b>	<b>8 707</b>	<b>8 707</b>	<b>5</b>	<b>7 115</b>	<b>6 746</b>	<b>369</b>

### 3.5 Component 5: Finance

Provide and ensure quality financial and other operational support services to the Authority.

#### STRATEGIC OBJECTIVE

<b>Strategic Objective 5.1</b>	To provide an effective, efficient, compliant and transparent financial management service to the Authority.
<b>Objective statement</b>	Deliver a fully effective supply chain management, fleet and asset management, financial and management accounting; and financial compliance service to the Authority to achieve good governance and clear and transparent reporting.
<b>Baseline</b>	Unqualified audit.

Component: Finance					
Strategic objective	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Percentage of the approved budget spent or contractually committed	94.23%	98%	99%	1%	Better planning in terms of budget spend.

## PERFORMANCE INDICATORS

Component: Finance							
Performance Indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Audit Outcome issued by the AGSA for the previous financial year	New	New	New	Un-qualified Audit Opinion	Un-qualified Audit Opinion	-	
Number of asset counts conducted	New	New	2	2	2	-	
Numbers of annual financial statements submitted	New	New	1	1	1	-	
Number of In-year monitoring reports submitted to Provincial Treasury	New	New	4	4	4	-	
Number of updates on the risk register	New	New	4	4	4	-	
Number of quarterly progress reports submitted to DOCS in terms of the transfer payment agreement	New	New	New	4	4	-	

## ANALYSIS OF PERFORMANCE INFORMATION

The Finance component achieved all the planned targets for the year. There were no significant achievement of targets on this components performance indicators.

Further activities that have been achieved on by this component:-

**Supply Chain Management**

- All Bid and Asset Disposal Committee Members duly appointed in 2018/19
- Updated contract register in place
- SCM committees trained
- Circulars developed to guide end users
- Finance policies updated and approved by the Board
- Standard operating procedures updated and workshopped with staff

**Revenue**

- Revenue received from licence applications is processed monthly and paid over to the Department of Community Safety

## STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Not applicable.

## CHANGES TO PLANNED TARGETS

Not applicable.

## LINKING PERFORMANCE WITH BUDGET

Component/Activity/ Objective	2018/2019			2017/2018		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Finance	12 957	12 774	183	12 049	11 632	417
<b>Total</b>	<b>12 957</b>	<b>12 774</b>	<b>183</b>	<b>12 049</b>	<b>11 632</b>	<b>417</b>

**3.6 Component 6: Corporate Services**

Provide strategic direction and ensure quality financial and other operational support services to the Governing Board and Authority.

The core functions of this component include the following areas:

- Human Resource Management
- Performance Management (PDO's)
- Information Technology
- Records Management

## STRATEGIC OBJECTIVE

<b>Strategic Objective 6.1</b>	To provide a strategic support function to the Western Cape Liquor Authority.
<b>Objective statement</b>	To ensure an effective, efficient and compliant human resource management, performance monitoring and evaluation, information technology and auxiliary support service to the Authority.
<b>Baseline</b>	All funded positions on the approved organisational structure filled.

Component: Corporate Services					
Strategic objective	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
N/A*	-	-	-	-	-

\* The split between the Finance component and the Corporate Services component occurred during the current 5 Year Strategic Plan (2015 - 2020). A strategic objective indicator will be drafted in consultation with the Department with the development of the new 5 Year Strategic Plan of the Authority.

## PERFORMANCE INDICATORS

Component: Finance							
Performance Indicator	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of employee performance reviews facilitated	New	New	2	2	2	-	
Number of employee wellness programmes conducted	New	New	4	2	2	-	
Number of staff satisfaction surveys conducted	New	New	2	2	2	-	
Number of quarterly performance reports submitted	New	New	4	4	4	-	
Number of Annual Performance Plans published	New	New	New	1	1	-	
Number of Annual Reports published	New	New	New	1	1	-	
Number of quarterly performance reports submitted to DOCS	New	New	New	4	4	-	



## ANALYSIS OF PERFORMANCE INFORMATION

The Corporate Services component achieved all the planned targets for the year. There were no significant achievement of targets on this components performance indicators.

Some of the activities that have been achieved on by this component:-

### Performance Management System

- Final performance appraisals have been conducted and finalised for the 2018/19 financial year
- Performance agreements have been concluded for all staff members for the 2019/20 financial year

### Employee Wellness and Assistance Program

- Two (2) employee health and wellness sessions were facilitated
- Emphasis for the year under review was on retirement planning and the effects and types of chronic diseases and illnesses

### Skills development

- Bursaries to the value of R65 939 was paid out to 7 staff members in 2018/19
- Change Management Training was provided to all staff members of the Authority in February 2019
- Occupational Health and Safety awareness training was provided to all staff members of the Authority in March 2019

## STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Not applicable.

## CHANGES TO PLANNED TARGETS

Not applicable.

## LINKING PERFORMANCE WITH BUDGET

Component/Activity/ Objective	2018/2019			2017/2018		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Corporate Services	10 800	10 802	(2)	10 168	8 257	1 911
<b>Total</b>	<b>10 800</b>	<b>10 802</b>	<b>(2)</b>	<b>10 168</b>	<b>8 257</b>	<b>1 911</b>

## 4. REVENUE COLLECTION

Sources of revenue	2018/2019			2017/2018		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Licence issuing fee	495	695	(200)	1 673	550	1 087
Licence fee temp & special	867	1 844	(977)	831	229	602
Auto renewal	34 858	36 276	(1 418)	26 722	34 352	(7 630)
Transfer of licencee	442	230	212	227	376	(149)
Application fee temp & special	326	533	(207)	436	88	348
<b>Total</b>	<b>36 988</b>	<b>39 578</b>	<b>(2 590)</b>	<b>29 889</b>	<b>35 595</b>	<b>(5 742)</b>

The WCLA is mainly funded from a grant received from the Province via the Department of Community Safety. The entity also raises own revenue from licence fees and fines which are not required to be paid over to the Provincial Revenue Fund as well as interest earned on investments. The approved budget for the 2018/19 financial year is R46.14 million which is R3.62 million more than the 2016/17 main revenue budget. For the fourth quarter of the financial year, the Authority over-collected on revenue by R2.02 million. An additional government grant of R2.82 million were also received for Advertisement and funding for the services of the Game Changer inspectorate for the 2019/20 financial year.

The Authority was allocated a grant of R39.882 million for 2018/19 financial year in the main budget which was received in full by January 2019. An additional tranche payment amounting to R2.82 million was requested and paid in March 2019. This additional funding was obtained to cover advertising (R1.million) and game changer inspectorates (R1.82 million) for the 2019/20 financial year and will thus be requested for roll over. The Authority submitted a revised request to roll-over (R3.618 million) and retain cash surplus (R1.716 million) from 2017/18 financial year to the province in September 2018 and this was approved in the third quarter.

The WCLA's own revenue is made up of the following:

- Fines imposed by the Liquor Licencing Tribunal (LLT);
- Penalties on late renewal and payment of licences;
- Application and issuing fees for licences not paid over to the PRF;
- Interest earned; and
- Other revenue form copies and write offs.

The over-collection of own revenue is mainly due to more applications received, fines imposed by the LLT, and penalties for late submission of event & temp licence applications. Penalties on late renewal of liquor licences are usually realised after the renewal period of 31 December which fall in the fourth quarter. Interest earned is received a month in arrears. The Authority has exceeded the revenue target set for the 2018/19 financial year.

Over collection on own revenue were as follows:

- Fines and penalties - R1.074 million
- Licence fees - R1.091 million
- Interest - R93 thousand

### 4.1. Capital investment

The Authority has its own independent IT Infrastructure and is technically supported by the State Information Technology Agency (SITA).

The Authority has also embarked on further enhancements to be made to the LMaTS system. The enhancements include, automating workflows for the Inspectorate component and allowing the inspectors greater access to the system by way of remote access.

The Authority currently possess moveable assets in excess of R10 million, of which 97% of these assets are in a good condition and 3 % is in a fair condition. The Authority disposes of assets that had reached their useful life expectancy or have been damaged and cannot be repaired. The useful lives of all assets are depreciated in accordance with the depreciation schedule as set out in the accounting policy. Maintenance of all Authority assets takes place on an as and when required basis. The asset register is updated on a continuous basis adding new assets when they are purchased and disposing of assets when they become redundant or obsolete.

The Authority had no reports of theft relating to assets during the year under review. Greater focus has been placed on safeguarding and safe keeping of assets. The Authority has an Insurance policy in place should any loss or damage occur to moveable assets.

The Western Cape Liquor Authority does not invest in infrastructure capital projects as we are a service geared entity. The IT infrastructure contracts have provision for any maintenance that could be required.

Infrastructure projects	2018/2019			2017/2018		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
LMaTS	535	892	(357)	1 570	686	885
Website	0	0	0	107	107	-
<b>Total</b>	<b>535</b>	<b>892</b>	<b>(35)</b>	<b>1 677</b>	<b>793</b>	<b>885</b>

**PART C:**  
**GOVERNANCE**

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## 1. INTRODUCTION

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

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

## 2. PORTFOLIO COMMITTEES

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In respect of the year under review the Governing Board of the Authority has established 4 sub committees. These Sub Committees are identified as follows:

- Operations Committee
- Finance, HR, IT and Ethics Committee
- Risk committee
- Communications and Stakeholder Relations Committee

These committees meet prior to the quarterly Governing Board meetings where they report back on challenges as well as significant strides made in terms of achieving objectives in respect of the mandates of the said Sub Committees.

## 3. EXECUTIVE AUTHORITY

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The Executive Authority performs its oversight over the Western Cape Liquor Authority as prescribed by the PFMA. As set out in the Act the Executive Authority has the power to appoint and dismiss the Members of the Governing Board. The Western Cape Liquor Authority reports to the Executive Authority as required by the PFMA on a quarterly basis where feedback is provided on quarterly financial and non-financial performance as well as the general wellbeing of the Authority.

## 4. THE ACCOUNTING AUTHORITY / BOARD

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The Western Cape Liquor Authority must regulate the micro-manufacturing and the retail sale of liquor in the province. The Governing Board of the Western Cape Liquor Authority must oversee the regulation of the Western Cape Liquor Authority.

The Governing Board of the Authority must ensure the implementation of the Western Cape Liquor Act and must manage the business of the Authority. The Governing Board is responsible

for policy, control, strategy direction, leadership, proper accountability, probity and transparency in respect of all aspects, the conduct of the business of the Western Cape Liquor Authority, ensuring sufficient budget and other resources and the establishment and functioning of the Social and Education Fund.

The fiduciary responsibilities of the Board are as follows:

- has the powers and functions conferred or imposed on it by this Act;
- must manage the business of the Authority;
- may exercise the powers and must perform the duties conferred or imposed on the Authority by this Act or any other law, excluding powers or duties conferred or imposed specifically on the Liquor Licencing Tribunal; and
- may appoint committees consisting of members of the Board.

The members of the Board and its committees jointly and severally derive their fiduciary responsibilities from the provisions of the Western Cape Liquor Act (4 of 2008), as amended, the PFMA, its charter and the terms of reference of its various committees of the Board.

## Composition of the Board

Table 1 indicates the composition of the current Governing Board that took up office on 12 March 2018.

Table 1

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee/ Ministerial task team)	No. of Meetings attended
Themba-lihle Sidaki	Chairperson	12/03/2018	N/A	B Iuris, LLB	Governance, and Legal		N/A	10
Ronald Kingwill	Deputy Chairperson	12/03/2018	N/A	CA(SA), CTC, B Comm	Governance, Finance and Risk		Finance, HR, IT & Ethics Committee, Risk Committee	33
Jacobus Louw	Member	12/03/2018	N/A	B.Sc B.Eng. (US) LLB (UNISA) MBL (UNISA)	Governance, Finance and Risk	Council Member: Cape Peninsula Organisation for the Aged ("CPOA")	Finance, HR, IT & Ethics Committee, Risk Committee	23
Laurine Platzky	Member	12/03/2018	N/A	BA, BSoc Sci, M (City and Regional Planning) PhD (Regional Development Planning)	Planning, strategy, spatial development, Alcohol Harms Reduction	Baxter Theatre Board, SA Students' Travel Service	Communication and stakeholder Relations, Ops com.	24

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee/ Ministerial task team)	No. of Meetings attended
Lukas Muntingh	Member	12/03/2018	N/A	BA, Hons, M Phil (SUN), PhD Law (UWC)	Criminal justice and human rights	N/A	OPS Committee, Communications and Stakeholder Relations Committee, Risk Committee	26
Undere Deglon	Member	12/03/2018	N/A	BA HDE (UWC), Post graduate Certificate in Human Resource Management (UNISA), Masters in Research Psychology (UCT)	Governance, HR and Finance	South African Disability Development Trust	OPS Committee, Finance, HR, IT & Ethics Committee, Communications and Stakeholder Relations Committee	25
Andre Du Plessis	Member	12/03/2018	16/07/2018	B. Proc	Governance and Administration	N/A	OPS Committee	2

### Governing Board and Committee meetings

Governing Board/ Committee	No. of meetings held	No. of members	Name of members
Governing Board	7	7	Thembalihle Sidaki, Ronald Kingwill, Jacobus Louw, Laurine Platzky, Lukas Muntingh, Undere Deglon and Andre Du Plessis
Other*	12		
OPS Committee	4	4	Andre Du Plessis, Undere Deglon, Lukas Muntingh and Laurine Platzky
Finance, HR, IT and Ethics Committee	5	3	Ronald Kingwill, Jacobus Louw and Undere Deglon
Communications and Stakeholder Relations Committee	8	3	Undere Deglon, Lukas Muntingh and Laurine Platzky
Risk Committee	4	3	Ronald Kingwill, Jacobus Louw and Lukas Muntingh

\* Other meetings refer to meetings where members of the Governing Board met with, for example, Stakeholders, attended meetings with the Minister and any other engagement attended by Board members as a collective or individually.

## Remuneration of board members

The evaluation process has taken place and the Governing Board was categorised at a B2 level. Payments per hour and day rate will be as follows:

Sub-category B2	R.p.d	R.p.h
Chairperson	R 3 888	R 486
Deputy Chairperson	R 2 738	R 342
Member	R 2 382	R 298

Name	Remuneration	Other allowance	Other re-imbursements	Total
Thembalihle Sidaki	32 523	1 872	-	34 395
Ronald Kingwill	52 653	8 834	155	61 642
Laurine Platzky	35 759	5 096	-	40 855
Jacobus Louw	33 601	1 188	-	34 789
Undere Deglon	39 293	8 717	-	48 010
Lukas Muntingh	36 921	12 956	-	49 877
Andre Du Plessis	2 382	357	-	2 739

## 5. RISK MANAGEMENT

Risk and risk management is dynamic and is therefore continuously monitored and adjusted by risk owners within the organisation. It is important that risks are addressed by implementing appropriate controls as soon as they become evident within the organisation. Risk management meetings are held quarterly to discuss and address any risk that may have become relevant in-between meetings. Controls are then assessed and evaluated to ensure they will mitigate the risk to prevent major impact on the operations of the organisation.

## 6. INTERNAL CONTROL UNIT

The Western Cape Liquor Authority does not have an internal control unit.



## C 7. INTERNAL AUDIT AND AUDIT COMMITTEES

The Authority does not have the capacity to provide an internal audit function. This service is provided by an external service provider SNG Grant Thornton. The internal audit plan is informed by the risk registers. The internal audit plan is approved by the Audit Committee of the Authority and the internal audit service provider operates in terms of the internal audit plan.

The internal audit service provider is appointed on a 3 year cycle. To date they have performed internal audits on the following functions:

- Liquor Licencing Administration
- Compliance and Enforcement
- Human Resource Management
- IT
- SCM and Assets
- Pre-determined objectives
- Communication

The Audit Committee of the Authority met once a quarter to review the internal audit reports and to benchmark the activities of the internal audits against the internal audit plan. The Audit Committee takes note of the risk register and how it aligns to the internal audit plan.

The table below discloses relevant information on the audit committee members.

Name	Qualifications	Internal or External	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Ethel Hamman	CA(SA); PGDA	External	-	1 April 2013	Contract expired 31 March 2019	5
Ronald Kingwill	CA(SA), CTC, B Comm	Internal	Board member	9 April 2018	-	7
Rozan Jaftha	CA(SA); CIA	External	-	1 April 2014	-	7

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

The entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters, save for those identified in the Audit Report.

## 9. FRAUD AND CORRUPTION

The Authority echoes the stance of the Province in terms of fraud and corruption. Every effort is made to minimise the occurrence of potential fraudulent activities. Fraud and corruption prevention forms an integral focus area of the risk assessment.

The Authority has adopted and implemented its own fraud policy. Management and staff are responsible for the detection and prevention of fraud, misappropriations, and other irregularities.

## 10. MINIMISING CONFLICT OF INTEREST

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On an annual basis and at all meetings, all staff and Board members are required to complete the Declaration of Interest forms.

For the 2018/19 financial year, there was no conflict of interest identified.

## 11. CODE OF CONDUCT

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The Western Cape Liquor Authority Board members and its employees adhere to the guidelines as stipulated in the Code of Conduct. The Code of Conduct is there to guide the employees as well as the Board of the Authority in terms of the manner in which the aforesaid parties represents themselves, both internally and externally. Breach of the Code of Conduct by the employees and/or Board members is viewed as a serious offence and will be dealt with according to the disciplinary proceedings of the Authority.

## 12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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The Authority has established an Occupational Health and Safety Committee ("Committee") in accordance with the Occupational Health and Safety Act 85 of 1993 to manage occupational health and safety ("OHS") issues in the workplace. All members of the committee have been appointed and received training to execute their duties as required by the OHS Act.

## 13. COMPANY/BOARD SECRETARY (IF APPLICABLE)

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N/A

## 14. SOCIAL RESPONSIBILITY

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While the Authority itself did not have any social responsibility programmes for the year, the Authority does impose conditions on licence holders to ensure that they trade in liquor responsibly.

The Communication, Education and Stakeholder Relations component of the Authority also focuses on spreading the message of responsible trading to licence holders as well as the consequences of the abuse of liquor to schools and communities.

## 15. AUDIT COMMITTEE REPORT

The Audit Committee of the Western Cape Liquor Authority is pleased to present our report for the financial year ended 31 March 2019.

### Audit Committee Responsibility

The Committee reports that it has complied with its responsibilities arising from Section 77 of the Public Finance Management Act and Treasury Regulation 27.1. The Committee reports that it has adopted appropriate formal terms of reference as approved by the Governing Board of the Authority as its Charter. The Committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein. It does not assume the function of management; it acts in an advisory and oversight capacity; it does not relieve management of its responsibilities but makes objective and independent recommendations.

### Audit Committee Members and Attendance

As requested by its Charter, the Audit Committee listed below, is required to meet at least 4 times per annum, although additional meetings may be scheduled as the need arises. 7 meetings were held during the 2018/19 financial year.

	No. of Meetings attended
Ms Ethel Hamman	5
Ms Rozan Jafftha	7
Mr Ronald Kingwill	7

### The Effectiveness of Internal Control

The Committee has considered the reports received from Internal Audit on the Authority's system of internal controls. Management action plans in response to the weaknesses identified has been assessed and the Committee continues to monitor progress with the implementation of these action plans.

### In-Year Management and Monthly/Quarterly Report

The Committee has reviewed and is satisfied with the content and quality of the quarterly in-year management reports issued by the Authority during the year under review. The Committee has reviewed the quarterly performance reports and have made recommendations for improvement in this area.

### Governance of Risk

The Risk Committee is responsible for the oversight of the risk management process. The Audit Committee considered the deliberations of the Risk Committee and has raised emerging risk for further consideration by management and the Risk Committee.

### Auditor-General's Report

The Committee has:

- Reviewed the Auditor General's Management Report and management's responses thereto; and
- Met with the Auditor General to ensure that there are no unresolved issues that emanated from the regulatory audit.

Management has been requested to develop a detailed action plan to address the internal control deficiencies that gave rise to the matters reported by the Auditor General. The Committee will monitor the implementation of these action plans on a quarterly basis.

The Committee concurs and accepts the Auditor General's opinion regarding the Annual Financial Statements and proposes that these Audited Annual Financial Statements be accepted and read together with the Auditor General's report. The Committee commends the Authority for achieving an unqualified audit opinion.

### **Evaluation of Financial Statements**

The Committee has reviewed the Authority's financial statements prior to its submission to the Auditor General and made a recommendation for the Board's approval. The Committee has also reviewed material adjustments to the financial statements resulting from the audit. The filling of key vacancies in the Finance department should be prioritized as it impacts the Authority's ability to compile financial statements that comply with the standards of Generally Recognised Accounting Practice.

### **Appreciation**

The Committee wishes to express its appreciation to the Management of the Authority, the internal auditors and the Auditor General for the co-operation and information they have provided to enable the compilation of this report.



**Rozan Jaftha**  
**Chairperson of the Audit Committee**  
**Western Cape Liquor Authority**  
**Date: 7 August 2019**



PART D:

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HUMAN RESOURCE MANAGEMENT

# 1. INTRODUCTION

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The Human Resources (HR) section provides a support and auxiliary service to the Governing Board, CEO and employees of the Authority by incorporating and encapsulating the vision, mission and objectives of the Authority. The HR team supports and strives to uphold the Authority's goals by striving to promote a positive and participative work environment while identifying and responding to the changing needs of a culturally diverse workforce.

The HR section continuously strives to provide quality advice and services to its stakeholders. During the 2018/19 financial year there was a more focused shift and approach in making the HR administrative practices more streamlined and easier accessible to employees. A move away from paper based driven activities to an online driven approach has been implemented and employees can now, by way of example, apply for leave online, view their leave balances online and in so doing the Authority provided the employee with more control over their leave.

There are furthermore developed and approved Human Resource policies within which the WCLA operates. All activities and the implementation of Human Resources are guided and implemented within the framework of these policies.

At the beginning of the 2018/19 financial year, staff members entered into performance agreement contracts with the organisation. All performance assessments have been finalised and plans have been put in place to address and monitor under-performance and to reward over achievers.

Employee wellbeing is important and this year's focus was placed on retirement readiness and the physical well-being of the employees. These sessions were facilitated by companies who conducted presentations on retirement readiness as well as the Department of Health doing presentations on chronic illness and diseases. The HR section will continue to focus on the wellbeing of the Authority's employees and strive to roll out programs that caters to the holistic needs of the employees.

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

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### Personnel Cost by component / activity/ objective

Programme/Activity/Objective	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of Total Expenditure (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
Communication, Education and Stakeholder Relations	26 638	2 335	8.76%	5	467
Compliance and Enforcement	26 638	7 005	26.30%	15	467
Liquor Licencing Administration	26 638	7 958	29.87%	17	468
Corporate Services	26 638	5 137	19.28%	11	467
Finance	26 638	4 203	15.79%	9	467

### Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel Cost (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
Top Management	987	3.71%	1	987
Senior Management	3 623	13.60%	5	724
Professional qualified	9 206	34.56%	17	541
Skilled	11 157	41.88%	28	398
Semi-skilled	1 665	6.25%	6	277
<b>TOTAL</b>	<b>26 638</b>	<b>100%</b>	<b>57</b>	<b>2 927</b>

### Performance Rewards

Programme/Activity/Objective	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Cost (R'000)
-	-	-	-

\* The Authority does not pay out performance bonuses.



## Training Costs

Programme/Activity/Objective	Total Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost (R'000)	No. of Employees Trained	Average Training Cost per Employee (R'000)
Communication, Education and Stakeholder Relations	2 782	15	0.54%	5	3
Compliance and Enforcement	7 706	45	0.58%	15	3
Liquor Licencing Administration	7 132	51	0.72%	17	3
Corporate Services	5 712	33	0.58%	11	3
Finance	3 404	27	0.79%	9	3

## Employment and vacancies

Programme/Activity/Objective	2017/2018 No. of Employees	2018/2019 Approved Posts	2018/2019 No. of Employees	2018/2019 Vacancies	% of Vacancies
Communication, Education and Stakeholder Relations	5	5	5	-	-
Compliance and Enforcement	14	15*	15	-	-
Liquor Licencing Administration	14	15**	15	-	-
Corporate Services	11	13***	10	3	23%
Finance**	9	10****	8	2	20%

\* The increase in the number of approved posts for the Compliance and Enforcement component is as a result of an additional position of an Admin Clerk that was approved on a fixed term contract basis.

\*\* The increase in the number of approved posts for the Liquor Licencing Administration component is as a result of an additional position of a Receptionist that was approved on a fixed term contract basis.

\*\*\* Included under the Corporate Services component is the positions in the Office of the CEO. Two new fixed term contract positions were approved for this component, that being the ASD: IT and the ASD: Compliance, Monitoring and Evaluation.

\*\*\*\* The increase in the number of approved posts for the Finance component is as a result of an additional position of an ASD: SCM that was approved on a fixed term contract basis.

Programme/Activity/Objective	2017/2018 No. of Employees	2018/2019 Approved Posts	2018/2019 No. of Employees	2018/2019 Vacancies	% of Vacancies
Top Management	1	1	0	1	100%
Senior Management	5	5	4	1	20%
Professional qualified	17	20	18	2	10%
Skilled	26	26	26	-	-
Semi-skilled	4	6	6	-	-
Unskilled	-	-	-	-	-
<b>TOTAL</b>	<b>53</b>	<b>58</b>	<b>54</b>	<b>4</b>	<b>7%</b>

## Employment changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top Management	1	-	1	0
Senior Management	5	-	1	4
Professional qualified	16	2	-	18
Skilled	26	2	2	26
Semi-skilled	4	2	-	6
Unskilled	-	-	-	-
<b>TOTAL</b>	<b>52</b>	<b>6</b>	<b>4</b>	<b>54</b>

\* During the 2018/19 financial year the Authority received approval from the Governing Board to appoint additional fixed term positions. Three of the five newly approved fixed term positions have been filled by the end of the financial year, the remaining two fixed term positions will be filled in the 2019/20 financial year.

## Reasons for staff leaving

Reason	Number	% of Total no. of Staff Leaving
Death	-	-
Resignation	4	7% (58)
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	1	2% (58)
Other	-	-
<b>TOTAL</b>	<b>5</b>	<b>9% (58)</b>

Exit interviews are held with all permanent staff who resign. We have found that staff members have resigned because of the following reasons:

1. Salaries not being competitive
2. Better benefits at other companies
3. Flat organisational structure - no growing potential

As soon as a resignation is received, the necessary documentation is completed and sent off to the Human Resource section for advertisement.

### Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	-
Written Warning	-
Final Written Warning	-
Dismissal	-

\* Counselling sessions are conducted and minutes are kept of these sessions with employees should there be issues that need to be addressed but that does not warrant a verbal or written warning. In most instances, issues are resolved by having these types of interventions with staff members to correct behaviour.

### Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	-	1	2	1	-	-	1	-
Professional qualified*	2	4	6	6	-	-	2	1
Skilled	3	5	6	7	1	-	2	2
Semi-skilled	-	1	1	2	-	-	-	1
Unskilled	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>5</b>	<b>11</b>	<b>15</b>	<b>17</b>	<b>1</b>	<b>-</b>	<b>5</b>	<b>4</b>

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	-	1	1	1	-	-	-	1
Professional qualified*	2	3	6	4	-	-	-	1
Skilled	4	4	6	6	-	-	3	2
Semi-skilled	1	1	4	1	-	-	-	-
Unskilled	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>7</b>	<b>9</b>	<b>17</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>4</b>

## Employment changes

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	-	-	-	-
Senior Management	-	-	-	-
Professional qualified*	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
<b>TOTAL</b>	-	-	-	-



**PART E:**

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**FINANCIAL INFORMATION**

# REPORT OF THE EXTERNAL AUDITOR

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## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENT

### Opinion

1. I have audited the financial statements of the Western Cape Liquor Authority set out on pages 70 to 115, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget and actual information for the year then ended, as well as the 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 Western Cape Liquor Authority as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognized Accounting Practice (SA Standards of GRAP), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) PFMA) and the requirements of the Western Cape Liquor Act, 2008 (Act No. 4 of 2008) (Western Cape Liquor Act).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and parts 1 and 3 of the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA codes) as well as the 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matter

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

### Restatement of corresponding figures

7. As disclosed in note 39 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of an error in the financial statements of the department at, and for the year ended, 31 March 2019.

### Material underspending of the budget

8. As disclosed in the statement of comparison of budget and actual amounts and note 38 to the annual financial statements, the entity has materially underspent their budget to the amount of R6.5 million.

## Responsibilities of accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the Western Cape Liquor Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

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

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

### Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected components presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected components presented in the annual performance report of the entity for the year ended 31 March 2019:

Components	Pages in the annual performance report
Component 1 - Liquor Licencing Administration	25 - 27
Component 2 - Liquor Licencing Tribunal	27 - 30
Component 4 - Compliance and Enforcement	34 - 36



16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not raise any material findings on the usefulness and reliability of the reported performance information for these components:
- Component 1 - Liquor Licencing Administration
  - Component 2 - Liquor Licencing Tribunal
  - Component 4 - Compliance and Enforcement

### **Other matters**

18. I draw attention to the matters below.

#### **Achievement of planned targets**

19. Refer to the annual performance report on pages 25 to 27, 27 to 30 and 34 to 36 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a significant number of targets.

#### **Adjustment of material misstatements**

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Component 2 Liquor Licencing Tribunal. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## **REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION**

### **Introduction and scope**

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

22. The material findings on compliance with specific matters in key legislations are as follows:

#### **Annual financial statements, performance and annual report**

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.
24. Material misstatements of non-current liabilities, current liabilities and disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### **Procurement and contract management**

25. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by treasury regulations 16A6.1.

## OTHER INFORMATION

26. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected components presented in the annual performance report that have been specifically reported in this auditor's report.
27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected components presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
30. I have nothing to report in this regard.

## INTERNAL CONTROL DEFICIENCIES

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

### **Financial and performance management**

#### ***Regular, accurate and complete financial and performance reports***

32. Management did not ensure that the financial statements submitted were prepared on the basis of the Generally Recognised Accounting Practices.
33. Management did not adequately review the financial statements submitted for audit as it contained misstatements identified during the audit.

#### ***Review and monitor compliance with applicable laws and regulations***

34. Management did not ensure that procurement processes were followed as stipulated in paragraph 6.1 of the Treasury Regulations.

## OTHER REPORTS

35. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
36. The Western Cape Liquor Authority certified that there were two (2) cases (Irregularities relating to the refurbishment and fitting out the leased building of the public entity and the

appointment of a service provider for organisational design) on hand during the year of assessment. The cases were referred to the provincial forensic unit, and relate to the 2015/16 financial year.

37. These cases have been finalised by the provincial forensic unit in the current year of assessment. The case relating to the refurbishment and fitting out of the lease building has however been referred to the Hawks for investigation.

*Auditor-General*  
*2*

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Cape Town  
31 July 2019



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

# ANNEXURE

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## AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

### Financial statements

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

### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

e **Western Cape Liquor Authority**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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### General Information

**Country of incorporation and domicile:** South Africa

**Nature of business and principal activities:** Regulation of the liquor industry in the Western Cape

**Registered office:** 3rd Floor  
Sunbel Building  
3 Old Paarl Road  
Bellville  
7530

**Postal address:** Private Bag X6  
Sanlamhof  
Bellville  
7532

**Bankers:** Nedbank Limited

**Auditors:** Office of the Auditor-General of South Africa  
Chartered Accountants (S.A.)  
Registered Auditors

**Secretary:** C Symes

**Attorneys:** State Attorney

**Chief Executive Officer:** Simion George

**Chairperson of the Governing Board:** TS Sidaki

**Audit Committee members:** E Hamman (Chairperson)  
R Jaftha  
R Kingwill

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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### Governing Board Members' Responsibilities and Approval

The members are required by section 55 of the Public Finance Management Act (Act 1 of 1999) as amended, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The members have reviewed the entity's cash flow forecast for the year to 31 March 2020 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently providing reasonable assurance by reviewing and reporting on the Authority's annual financial statements.

The financial statements set out on pages 4 to 47, which have been prepared on the going concern basis, were approved by the board on 31 May 2019 and were signed on its behalf by:



Thembalihle Sidaki  
Chairman of the Governing Board

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Statement of Financial Position as at 31 March 2019

Figures in Rand	Note(s)	2019	2018
<b>Assets</b>			
Current Assets	2	84 799	1 078 219
Receivables from Exchange Transactions	3	1 431 988	729 738
Receivables from Non-Exchange Transactions	4	11 019 094	8 366 683
Cash and Cash Equivalents			
		<b>12 535 881</b>	<b>10 174 640</b>
Non-Current Assets			
Property, Plant and Equipment	5	12 968 112	14 300 024
Intangible Assets	6	2 958 685	2 430 677
		<b>15 926 797</b>	<b>16 730 701</b>
<b>Total Assets</b>		<b>28 462 678</b>	<b>26 905 341</b>
<b>Liabilities</b>			
Current Liabilities			
Provisions	7	42 627	45 584
Current Employee Benefits	8	1 801 849	2 090 295
Payables from Exchange Transactions	10	1 183 728	2 160 628
Unspent Conditional Grant & Funds to be Surrendered	11	2 819 772	3 956 879
Current Portion of Long-term Liabilities	12	968 765	395 735
Over Payments from Licence Holders	40	213 500	630 000
Unallocated Deposits	41	2 366 321	2 783 090
		<b>9 396 562</b>	<b>12 062 211</b>
Non-Current Liabilities			
Long-term Liabilities	12	1 090 762	2 038 398
Non-Current Provisions	7	1 265 277	1 190 849
Operating Lease Liabilities	13	450 521	621 019
Non-Current Employee Benefits	9	1 100 702	1 034 054
		<b>3 907 262</b>	<b>4 884 320</b>
<b>Total Liabilities</b>		<b>13 303 824</b>	<b>16 946 531</b>
<b>Net Surplus</b>		<b>15 158 854</b>	<b>9 958 810</b>
Reserves			
Social and Education Fund Reserve	14	24 582	15 805
Accumulated Surplus		15 134 272	9 943 005
<b>Total Net Assets</b>		<b>15 158 854</b>	<b>9 958 810</b>

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
<b>Revenue</b>			
<b>Revenue from Exchange Transactions</b>			
Application Fees	15	2 207 268	1 788 850
Granting Fees		2 769 005	1 221 250
Interest Earned - External Investments		693 285	623 232
Other Income	16	57 340	37 621
<b>Total Revenue from Exchange Transactions</b>		<b>5 726 898</b>	<b>3 670 953</b>
<b>Revenue from Non-Exchange Transactions</b>			
<b>Transfer revenue</b>			
Government Grants and Subsidies	17	44 097 614	38 753 870
Penalties and Fines	18	4 706 330	4 249 200
Service In-Kind	19	785 710	-
<b>Total Revenue from Non-Exchange Transactions</b>		<b>49 589 654</b>	<b>43 003 070</b>
<b>Total Revenue</b>		<b>55 316 552</b>	<b>46 674 023</b>
<b>Expenditure</b>			
Employee Related Costs	20	(26 638 255)	(24 802 078)
Remuneration of Governing Board Members	21	(272 310)	(223 702)
Depreciation and Amortisation	22	(2 273 158)	(2 244 221)
Finance Charges	23	(850 812)	(801 983)
General Expenses	24	(19 304 442)	(17 595 826)
Services In-Kind		(785 710)	-
Impairment Loss/ Reversal of Impairments	42	(601)	10 081
<b>Total Expenditure</b>		<b>(50 125 288)</b>	<b>(45 657 729)</b>
<b>Surplus for the year</b>		<b>5 191 264</b>	<b>1 016 294</b>



# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Statement of Changes in Net Assets

Figures in Rand	Social and Education Fund Reserve	Accumulated Surplus	Total Net Assets
Opening balance as previously reported	58 994	11 312 924	11 371 918
Adjustments			
Correction of errors	-	(2 429 402)	(2 429 402)
<b>Balance at 01 April 2017 as restated*</b>	<b>58 994</b>	<b>8 883 522</b>	<b>8 942 516</b>
Changes in net assets			
Movement in Social and Education Fund Surplus for the year	(43 189)	43 189	-
	-	1 016 294	1 016 294
Total changes	(43 189)	1 059 483	1 016 294
<b>Balance at 01 April 2018</b>	<b>15 805</b>	<b>9 943 008</b>	<b>9 958 813</b>
Changes in net assets			
Movement in Social and Education Fund Surplus for the year	8 776	-	8 776
	-	5 191 264	5 191 264
Total changes	8 776	5 191 264	5 200 040
<b>Balance at 31 March 2019</b>	<b>24 582</b>	<b>15 134 272</b>	<b>15 158 854</b>

Note(s)

14

#### Additional information

During the year the Authority discovered that an error was made in the application of GRAP 25 in the financial statements relating to the provisions for incentive bonuses as well as long service awards for 2017/18 as well as 2016/17 financial years. The Authority neglected to raise provisions for these financial years and opted to treat these items as expenses in the period it was paid.

#### 2017/18

The effect in the prior year is that the opening balance of the accumulated surplus was changed to R9 943 008, previously R 12 585 841. Difference being R 2 642 833 (R 1 470 872 in respect of incentive bonuses and R 1 171 961 in respect of long service awards)

#### 2016/17

The effect in the 2016/17 year is that opening balance of the accumulated surplus was changed to R 8 883 522, previously R 11 312 924. Difference being R 2 429 402 (R 1 328 785 in respect of incentive bonuses and R 1 100 617 in respect of long service awards)

## Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government Grants		42 701 757	38 887 500
Interest		632 330	605 326
Other Receipts		9 345 135	6 990 261
		<u>52 679 222</u>	<u>46 483 087</u>
<b>Payments</b>			
Suppliers and Employees		(46 648 422)	(41 893 922)
Finance Charges		(700 661)	(669 468)
		<u>(47 349 083)</u>	<u>(42 563 390)</u>
<b>Net cash flows from operating activities</b>	25	<b>5 330 139</b>	<b>3 919 697</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(577 269)	(1 605 833)
Purchase of Intangible Assets	6	(892 585)	(745 375)
		<u>(1 469 854)</u>	<u>(2 351 208)</u>
<b>Net cash flows from investing activities</b>		<b>(1 469 854)</b>	<b>(2 351 208)</b>
<b>Cash flows from financing activities</b>			
Movement in over payments from licence holders		(416 500)	630 000
Movement in unallocated deposits		(416 769)	1 501 507
Finance Lease Capital Redemption		(374 605)	124 214
		<u>(1 207 874)</u>	<u>2 255 721</u>
<b>Net cash flows from financing activities</b>		<b>(1 207 874)</b>	<b>2 255 721</b>
<b>Net increase in cash and cash equivalents</b>		<b>2 652 411</b>	<b>3 824 210</b>
Cash and cash equivalents at the beginning of the year		8 366 683	4 542 473
<b>Cash and cash equivalents at the end of the year</b>	4	<b>11 019 094</b>	<b>8 366 683</b>

## Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual Amounts	Difference between Final Budget and Actual
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Application Fees	1 645 339	401 996	<b>2 047 335</b>	2 207 268	<b>159 933</b>
Granting Fees	1 337 409	500 376	<b>1 837 785</b>	2 769 005	<b>931 220</b>
Other Income	24 550	33 485	<b>58 035</b>	57 340	<b>(695)</b>
Interest Earned - External Investments	350 000	250 000	<b>600 000</b>	693 285	<b>93 285</b>
<b>Total revenue from exchange transactions</b>	<b>3 357 298</b>	<b>1 185 857</b>	<b>4 543 155</b>	<b>5 726 898</b>	<b>1 183 743</b>
<b>Revenue from non-exchange transactions</b>					
<b>Transfer revenue</b>					
Government Grants & Subsidies	39 882 000	5 592 292	<b>45 474 292</b>	42 091 986	<b>(3 382 306)</b>
Penalties and Fines	2 904 970	726 640	<b>3 631 610</b>	4 706 330	<b>1 074 720</b>
Service In-Kind	-	-	-	785 710	<b>785 710</b>
<b>Total revenue from non-exchange transactions</b>	<b>42 786 970</b>	<b>6 318 932</b>	<b>49 105 902</b>	<b>47 584 026</b>	<b>(1 521 876)</b>
<b>Total revenue</b>	<b>46 144 268</b>	<b>7 504 789</b>	<b>53 649 057</b>	<b>53 310 924</b>	<b>(338 133)</b>
<b>Expenditure</b>					
Employee Related Costs	(26 847 296)	(263 693)	<b>(27 110 989)</b>	(26 638 255)	<b>472 734</b>
Remuneration of Governing Board Members	(312 935)	(18 786)	<b>(331 721)</b>	(272 310)	<b>59 411</b>
Service In-Kind	-	-	-	(785 710)	<b>(785 710)</b>
Depreciation and amortisation	-	-	-	(2 273 158)	<b>(2 273 158)</b>
Impairment loss/ Reversal of impairments	-	-	-	(601)	<b>(601)</b>
General Expenses	(17 442 278)	(4 474 747)	<b>(21 917 025)</b>	(19 295 664)	<b>2 621 361</b>
<b>Total expenditure</b>	<b>(44 602 509)</b>	<b>(4 757 226)</b>	<b>(49 359 735)</b>	<b>(49 265 698)</b>	<b>94 037</b>
<b>Operating surplus</b>	<b>1 541 759</b>	<b>2 747 563</b>	<b>4 289 322</b>	<b>4 045 226</b>	<b>(244 096)</b>
<b>Statement of Financial Position</b>					
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	(16 000)	(1 618 864)	<b>(1 634 864)</b>	(577 269)	<b>1 057 595</b>
Intangible Assets	(250 000)	(1 034 823)	<b>(1 284 823)</b>	(892 585)	<b>392 238</b>
Finance Lease	(1 275 759)	(93 876)	<b>(1 369 635)</b>	(1 328 076)	<b>41 559</b>
<b>Total Assets</b>	<b>(1 541 759)</b>	<b>(2 747 563)</b>	<b>(4 289 322)</b>	<b>(2 797 930)</b>	<b>1 491 392</b>
<b>Net Surplus</b>	-	-	-	<b>1 247 296</b>	<b>1 247 296</b>

The Final Budget of R 53 649 058 differs from the published statement of R 46 144 268 due to the approval of rollover funding (R 3 617 610), retention of revenue (R 1 716 450), skills development programme funding (R 258 231), additional interest (R 250 000) which were received after the budget was finalised. An over collection of revenue against budget with regards to application fees, granting fees and fines and penalties was due to increase in activity in the liquor space with more prospective licence holders looking to enter the industry. During the year under review additional funds were received outside of budget for advertising and gamechanger inspectorates (R 2 819 772). General expenditure reflects an underspending of R 2 621 361. These funds are already committed for spending in the new financial year. Depreciation and amortisation are not budgeted for. The underspending in Property Plant and Equipment (R 1 057 595) and Intangible assets (R 392 238) versus budget relates to funds committed for the scanning project which is currently in process. Employee cost savings were due to the vacant CFO and CEO posts.

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Accounting Policies

#### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, except where an exemption has been granted, are disclosed below.

##### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the entity. Financial values are rounded to the nearest one Rand.

##### 1.2 Going concern assumption

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

##### 1.3 Comparative information

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

##### 1.4 Amended disclosure policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. There were no principal amendments to the accounting policy in the current year.

##### 1.5 Presentation of budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of Comparison of Budget and Actual amounts.

Budget information is based on the same period as the actual amounts. The budget information is based on the cash basis of accounting and is therefore not on a comparable basis to the actual amounts as per the financial statements which is accounted for on the accrual basis of accounting. Reconciliations are performed on the actual amounts in order to eliminate all accrual type entries in order to make it comparable to the budgeted amounts.

# e Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Accounting Policies

The comparable information includes the following:

- the approved and final budget amounts;
- reconciled actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

#### 1.6 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### 1.7 Reserves

##### Social and Education Fund Reserve

The Authority is required to establish a Social and Education Fund in terms of section 31 of the Western Cape Liquor Act.

The purpose of the Fund is:

- combating the negative social consequences of the abuse of liquor;
- educating persons engaged in the sale and supply of liquor; and
- educating the general public in the responsible sale, supply and consumption of liquor.

The budget of the Fund is included as reflected in note 13 of the financial statements within the budget of the Authority that is submitted in accordance with the Public Finance Management Act, 1999.

The Authority must open an account for the fund in the name of the Authority with an institution registered as a bank in terms of the Banks Act, 1990 (Act 94 of 1990).

#### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

##### Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Authority. Property, plant and equipment or intangible assets (excluding licencing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum

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lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Authority uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Authority recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

#### 1.9 Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Authority does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

#### 1.10 Employee benefits

##### Provision for staff leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulated leave is vesting.

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#### Provision for incentive bonuses

The provision for incentive bonuses represents the best estimate of the obligation at year end and is based on the criteria as contained in our remuneration and staff retention policies. Where the effect of the provision is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

#### Provision for Long Service Awards

Provisions for the long service are recognised and raised in accordance with GRAP 25 and amounts are based on with service conditions set out in the remuneration and staff retention policies of the Western Cape Liquor Authority. Where the effect of the provision is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

### 1.11 Property, Plant and Equipment

#### Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Authority, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Authority. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the Authority for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

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

#### Subsequent Measurement – Cost Model

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

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Where the Authority replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Item	Depreciation Method	Average Useful Life
Computer Equipment	Straight line	5 - 10 years
Furniture and Fittings	Straight line	5 - 30 years
Office Equipment	Straight line	10 - 30 years
Safety and Security	Straight line	10 years

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

The annual depreciation rates are based on the following estimated useful lives (leased assets):

Office Equipment	Straight line	3 years
Motor Vehicles	Straight line	7 years
Leasehold Improvements	Straight line	15 years
Capital Restoration Costs	Straight line	15 years

#### De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.12 Intangible Assets

##### Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.



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An asset meets the identifiability criteria in the definition of an intangible asset when it:

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

The Authority recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Authority and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Authority intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Authority has the resources to complete the project;
- it is probable that the Authority will receive future economic benefits or service potential; and
- the Authority can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

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

#### Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

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Item	Useful Life
Computer Software	10 years
Website Development	3 years

#### De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.13 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Authority estimates the asset's recoverable amount.

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In assessing whether there is any indication that an asset may be impaired, the Authority considers the following indications:

- (a) External sources of information
  - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
  - Significant changes with an adverse effect on the Authority have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Authority operates or in the market to which an asset is dedicated.
  - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
  - Evidence is available of obsolescence or physical damage of an asset.
  - Significant changes with an adverse effect on the Authority have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
  - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

#### 1.14 Impairment of non-cash-generating assets

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

The Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Authority estimates the asset's recoverable service amount.

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In assessing whether there is any indication that an asset may be impaired, the Authority considers the following indications:

- (a) External sources of information
  - Cessation, or near cessation, of the demand or need for services provided by the asset.
  - Significant long-term changes with an adverse effect on the Authority have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Authority operates.
- (b) Internal sources of information
  - Evidence is available of physical damage of an asset.
  - Significant long-term changes with an adverse effect on the Authority have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
  - A decision to halt the construction of the asset before it is complete or in a usable condition.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

#### 1.15 Financial instruments

Financial instruments recognised on the Statement of Financial Position include receivables (from exchange transactions), cash and cash equivalents and loans and payables (from exchange transactions).

##### Initial recognition

Financial instruments are initially recognised when the Authority becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Authority, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

##### Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

##### Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Authority first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Authority determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been

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incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Authority. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### Payables

Financial liabilities consist of payables. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Authority categorises cash and cash equivalents as financial assets carried at amortised cost.

#### De-recognition of Financial Instruments

##### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Authority has transferred substantially all the risks and rewards of the asset, or (b) the Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Authority has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Authority's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Authority could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Authority's

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continuing involvement is the amount of the transferred asset that the Authority may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Authority's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Authority categorises cash and cash equivalents as financial assets carried at amortised cost.

#### 1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Authority received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Funding from the Western Cape Provincial Treasury department via the Western Cape Department of Community Safety received or receivable is recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised. The liability is transferred to revenue as and when the operating or capital expenditure has been recognised.

Penalties and Fines are charged in accordance with section 20(3)(b)(v), 63(4) and 82(2)(b) of the Western Cape Liquor Act. Penalties constitute additional charges on late payment on licence fees and the revenue is recognised when payment is received. Fines are either imposed by the Liquor Licencing Tribunal or other law-enforcement agencies for non-compliance by the licensee. Fines imposed by the Liquor Licencing Tribunal are recognised when the fines are issued. In cases where fines are issued by other law-enforcement agencies, revenue will only be recognised when monies are received, as the Authority does not have any control over fines issued by other law-enforcement agencies.

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Authority.

Revenue from the recovery of irregular and fruitless and wasteful expenditure is recognised when the recovery thereof from the responsible officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

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

Services in-kind that are significant to the Authority's operations are recognised as assets and the related revenue when:

If the services in-kind are not significant to the Authority's operations or do not satisfy the above-mentioned criteria, the Authority only disclose the nature and type of services in-kind received during the reporting period.

When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Authority and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Authority controls the resource from which future economic benefits or service potential is expected to flow to the Authority. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Authority therefore recognises an expense and related revenue for the consumption of services in-kind.

#### Services in-kind

Except for financial guarantee contracts, the Authority recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the Authority and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the Authority's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the Authority disclose the nature and type of services in-kind received during the reporting period.

#### 1.17 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the Authority directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Authority has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Authority retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.



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- It is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Authority has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Authority does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Authority acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Authority as compensation for executing the agreed services.

Application and Granting Fees are charged in accordance with section 26(8), 36(1)(e), 38, 46(2), 48(1), 48(4), 53(1), 59(7), 64(1), 65(4), 65(16), 66(2) and 66(6) of the Western Cape Liquor Act. Fees mainly include applications for new liquor licences, amendments to existing liquor licences and the related granting or issuing fees. The application documents are only supplied to the applicants on confirmation that the application fees have been received in the Authority's bank account. Revenue is recognised when payment is received.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Authority and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Authority

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Accounting Policies

#### 1.18 Related parties

The Authority resolved to adopt the disclosure requirements as per GRAP 20 - "Related Party Disclosures".

A related party is a person or an entity:

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

The following are regarded as related parties of the Authority:

- (a) A person or a close member of that person's family is related to the Authority if that person:
  - has control or joint control over the Authority.
  - has significant influence over the Authority. Significant influence is the power to participate in the financial and operating policy decisions of the Authority.
  - is a member of the management of the Authority or its controlling entity.
- (b) An entity is related to the Authority if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Authority or an entity related to the Authority. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Authority. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") are all persons having the authority and responsibility for planning, directing and controlling the activities of the Authority, including:

- (a) all members of the governing body of the Authority;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Authority;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Authority; and
- (d) the executive management team of the Authority, including the Chief Executive Officer or permanent head of the Authority, unless already included in (a).

Management include:

- (a) All members of the governing body of the Authority.

# e Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Accounting Policies

- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Authority being the Chief Executive Officer and all other Deputy Directors reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

Remuneration of management includes remuneration derived for services provided to the Authority in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Authority for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Authority.

#### 1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (Act No. 1 of 1999) the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Authority's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.21 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Authority does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Management judgement is required when recognising and measuring contingent liabilities.

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

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. For other assets management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Accounting Policies

expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

#### Intangible Assets

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### Revenue recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Authority.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Authority, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Authority is satisfied that recognition of the revenue in the current year is appropriate.

#### Provision for staff leave

Staff leave is accrued to employees according to agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### Provision for incentive bonus

The provision for incentive bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of incentive bonuses. Incentive bonuses are subject to an evaluation.

#### Provisions

The provision for restoration of premises is recognised as and when the contractual liability arises. The provision is calculated on the principle of best estimate. The provision represents the net present value at the reporting date of the expected future cash flows to restore the leased premises. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when applying best estimate principle regarding the provision:

- Judgement based on quotations of an independent contractor to determine the cost of rehabilitation of premises.

## Western Cape Liquor Authority

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### Accounting Policies

- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

#### Provision for Long Service Awards

The provision for long service awards represents the obligation at year end and is based on the service intervals of 3 years (R 3 000), 6 years (R 6 000), 9 years (R 9 000) and 12 years (R 12 000). These are payable in the month the respective service milestone is reached.

#### 1.23 Commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

#### 1.24 Events after reporting date

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

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

If non-adjusting events after the reporting date are material, the Authority discloses the nature and an estimate of the financial effect.

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>2. Receivables from Exchange Transactions</b>		
Accrued Interest on Investment Accounts	60 955	58 149
Provisional Revenue Fund	-	1 005 683
Sundry receivables	23 844	14 387
	<b>84 799</b>	<b>1 078 219</b>

No receivables were older than 1 year.

### 3. Receivables from Non-Exchange Transactions

Accrued Fines	963 300	519 800
Other receivables from non-exchange revenue	468 688	209 938
	<b>1 431 988</b>	<b>729 738</b>

In determining the recoverability of a trade receivable, the Authority considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no credit provisions are required for doubtful debts.

### 4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	1 135	270
Call Investment Deposits	8 330 691	7 471 400
Primary Bank Accounts	2 687 268	881 125
Procurement Card	-	13 888
	<b>11 019 094</b>	<b>8 366 683</b>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The Authority has the following bank accounts:

#### Call Investment Deposits

Call investment deposits consist out of the following accounts:

Nedbank - acc no 037881100168 - Call (Grant)	531 490	5 281 242
Nedbank - acc no 037881100168- Call (Income)	7 774 620	2 174 353
Nedbank - acc no 037881100168- Call (Social and Education Fund)	24 581	15 805
	<b>8 330 691</b>	<b>7 471 400</b>

# e Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>Primary Bank Accounts</b>		
Nedbank - account no 1452069883 (income account)	206 239	70 121
Nedbank - account no 1452069905 (expense account)	2 481 029	811 004
	<b>2 687 268</b>	<b>881 125</b>
<b>Nedbank - account no 1452069883 (income account)</b>		
Cash book balance at beginning of year	70 121	49 800
Cash book balance at end of year	206 239	70 121
Bank statement balance at beginning of year	70 121	49 800
Bank statement balance at end of year	206 239	70 121
<b>Nedbank - account no 1452069905 (expense account)</b>		
Cash book balance at beginning of year	811 004	344 133
Cash book balance at end of year	2 481 029	811 004
Bank statement balance at beginning of year	811 004	344 133
Bank statement balance at end of year	2 481 029	811 004
<b>Procurement Card</b>		
<b>Nedbank</b>		
Balance at beginning of year	13 888	15 759
Balance at end of year	-	13 888

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	2019				2018				
	Cost/ Valuation	Accumulated & depreciation & accumulated impairment	Carrying Value	Cost/ Valuation	Accumulated & depreciation & accumulated impairment	Carrying Value	Cost/ Valuation	Accumulated & depreciation & accumulated impairment	Carrying Value
<b>5. Property, Plant and Equipment</b>									
Computer Equipment	5 046 214	(2 593 555)	2 452 659	4 884 497	(1 975 672)	2 908 825	4 884 497	(1 975 672)	2 908 825
Office Equipment	1 227 122	(393 819)	833 303	1 047 614	(271 535)	776 079	1 047 614	(271 535)	776 079
Furniture and Fittings	3 704 238	(874 665)	2 829 573	3 693 275	(636 003)	3 057 272	3 693 275	(636 003)	3 057 272
Safety and Security	1 099 867	(376 912)	722 955	1 066 196	(269 525)	796 671	1 066 196	(269 525)	796 671
Office Equipment (Leased Assets)	170 420	(148 977)	21 443	937 977	(815 755)	122 222	937 977	(815 755)	122 222
Motor Vehicles (Leased Assets)	2 593 415	(881 912)	1 711 503	2 593 415	(726 730)	1 866 685	2 593 415	(726 730)	1 866 685
Leasehold Improvements (Leased Assets)	4 773 173	(1 170 844)	3 602 329	4 773 173	(852 632)	3 920 541	4 773 173	(852 632)	3 920 541
Capital Restoration Costs (Leased Assets)	1 021 790	(227 443)	794 347	1 022 391	(170 662)	851 729	1 022 391	(170 662)	851 729
<b>Total</b>	<b>19 636 239</b>	<b>(6 668 127)</b>	<b>12 968 112</b>	<b>20 018 538</b>	<b>(5 718 514)</b>	<b>14 300 024</b>	<b>20 018 538</b>	<b>(5 718 514)</b>	<b>14 300 024</b>
	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>Disposals</b>	<b>Impairment Loss</b>	<b>Disposals</b>	<b>Impairment Loss</b>	<b>Total</b>
<b>Reconciliation of property, plant and equipment - 2019</b>									
Computer Equipment	2 908 825	353 127	191 411	(809 294)	(191 411)	-	(191 411)	-	2 452 659
Office Equipment	776 079	179 508	-	(122 284)	-	-	-	-	833 303
Furniture and Fittings	3 057 272	10 963	-	(238 662)	-	-	-	-	2 829 573
Safety and Security	796 671	33 671	-	(107 387)	-	-	-	-	722 955
Office Equipment (Leased Assets)	122 222	-	529 123	(100 779)	(529 123)	-	-	-	21 443
Motor Vehicles (Leased Assets)	1 866 685	-	-	(155 182)	-	-	-	-	1 711 503
Leasehold Improvements (Leased Assets)	3 920 541	-	-	(318 212)	-	-	-	-	3 602 329
Capital Restoration Costs (Leased Assets)	851 729	-	-	(56 781)	-	(601)	-	(601)	794 347
	<b>14 300 024</b>	<b>577 269</b>	<b>720 534</b>	<b>(1 908 581)</b>	<b>(720 534)</b>	<b>(601)</b>	<b>(720 534)</b>	<b>(601)</b>	<b>12 968 112</b>



# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	Opening Balance	Additions	Depreciation	Impairment Loss	Total
<b>Reconciliation of property, plant and equipment - 2018</b>					
Computer Equipment	2 773 780	823 754	(688 709)	-	2 908 825
Office Equipment	690 629	188 210	(102 760)	-	776 079
Furniture and Fittings	3 262 188	32 383	(237 299)	-	3 057 272
Safety and Security	871 643	31 127	(106 099)	-	796 671
Office Equipment (Leased Assets)	355 403	-	(233 181)	-	122 222
Motor Vehicles (Leased Assets)	1 521 905	530 359	(185 579)	-	1 866 685
Leasehold Improvements (Leased Assets)	4 238 752	-	(318 211)	-	3 920 541
Capital Restoration Costs (Leased Assets)	901 766	-	(60 118)	10 081	851 729
	<b>14 616 066</b>	<b>1 605 833</b>	<b>(1 931 956)</b>	<b>10 081</b>	<b>14 300 024</b>

There are no fully depreciated assets which are still in use or any assets held for disposal or any temporary idle assets as at reporting date. Included in the carrying value of Computer Equipment is an amount of R 7 950 relating to a monitor that was purchased. At year-end, the monitor was not yet operational as installation was yet to take place and is therefore not considered to be ready for use as required by GRAP 17. Therefore no depreciation was calculated for this item.

## Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	2019			2018		
	Cost/ Valuation	Accum- ulated amor- tisation & accumulated impairment	Carrying Value	Cost/ Valuation	Accum- ulated amor- tisation & accumulated impairment	Carrying Value
<b>6. Intangible Assets</b>						
Computer Software	4 169 272	(1 210 587)	2 958 685	3 276 687	(846 010)	2 430 677

	Opening Balance	Additions	Amor- tisation	Total
<b>Reconciliation of intangible assets - 2019</b>				
Computer Software	2 430 677	892 585	(364 577)	2 958 685
<b>Reconciliation of intangible assets - 2018</b>				
Computer Software	1 997 567	745 375	(312 265)	2 430 677

The following material intangible assets are included in the carrying value above:

Description	Remaining Amortisation Period	Carrying Value	
LMATS - phase 1	5 years	127 847	154 005
LMATS - phase 2	5 years	49 513	59 514
LMATS - phase 3	6 years	145 384	173 080
LMATS - phase 4	6 years	92 833	109 758
LMATS - phase 5	6 years	100 641	118 335
LMATS - phase 6	6 years	158 607	185 534
LMATS - phase 7	6 years	103 080	117 805
LMATS - phase 8	7 years	108 082	122 808
LMATS - phase 9	7 years	109 575	124 301
LMATS - phase 10	8 years	169 870	191 958
LMATS - phase 11	8 years	176 466	198 554
FMATS	5 years	134 720	164 360
TMS Software	6 years	3 568	4 150
Website Development	2 years	30 368	50 267
LMATS-phase 12	9 years	123 010	137 735
LMATS-phase 13	9 years	96 405	107 760
LMATS-phase 14	9 years	192 811	215 520
LMATS-phase 15	9 years	175 455	195 233
LMATS-phase 16	10 years	166 045	-
LMATS-phase 17	10 years	167 512	-
LMATS-phase 18	10 years	175 631	-
LMATS-phase 19	10 years	175 631	-
LMATS-phase 20	10 years	175 631	-
		<b>2 958 685</b>	<b>2 430 677</b>

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

#### Other information

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

Figures in Rand					
	Opening Balance	Utilised during the year	Reversed during the year	Change in discount factor	Total
<b>7. Provisions</b>					
<b>Reconciliation of provisions - 2019</b>					
Provision for Restoration of Leased Premises	1 190 849	-	-	74 428	1 265 277
Workmens Compensation	45 584	43 692	(46 649)	-	42 627
	<b>1 236 433</b>	<b>43 692</b>	<b>(46 649)</b>	<b>74 428</b>	<b>1 307 904</b>
<b>Reconciliation of provisions - 2018</b>					
Provision for Restoration of Leased Premises	1 123 442	-	-	67 407	1 190 849
Workmens Compensation	31 021	48 173	(33 610)	-	45 584
	<b>1 154 463</b>	<b>48 173</b>	<b>(33 610)</b>	<b>67 407</b>	<b>1 236 433</b>

Figures in Rand	2019	2018
Non-current liabilities	1 265 277	1 190 849
Current liabilities	42 627	45 584
	<b>1 307 904</b>	<b>1 236 433</b>

#### Restoration of Leased Premises Provision

The current lease contract state that at termination date, the Authority will be liable for the restoration of the leased premises back to "base building condition".

The calculation for the restoration provision was compiled by qualified contractors in order to determine the present value to restore the leased premises.

A retrospective calculation of time value of money, based on an average weighted investment rate of prime less 4%, was used. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

#### Workmans Compensation Provision

Provision for Workmen's Compensation is based on the risk factor of 0.15% as indicated by the Department of Labour. The provision is calculated by multiplying the risk factor with employee's earnings. This is regarded as a provision as the timing and amount of the final assessment is an uncertainty.

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>8. Current Employee Benefits</b>		
Provision for Staff Leave	269 244	481 513
Provision for Long Service Awards	51 000	138 000
Provision for Incentive Bonuses	1 481 605	1 470 782
	<b>1 801 849</b>	<b>2 090 295</b>
The movement in current employee benefits is reconciled as follows:		
<b>Provision for Staff Leave</b>		
Balance at beginning of year	481 513	482 342
Raised during the year	(147 122)	40 490
Expenditure incurred	(65 147)	(41 319)
	<b>269 244</b>	<b>481 513</b>
<b>Provision for Long Service Awards</b>		
Balance at beginning of year	1 172 054	1 190 617
Raised during the year	41 925	-
Expenditure incurred	(138 000)	(90 000)
Change in discount factor	75 723	71 437
	<b>1 151 702</b>	<b>1 172 054</b>
Non-current liabilities	1 100 702	1 034 054
Current liabilities	51 000	138 000
	<b>1 151 702</b>	<b>1 172 054</b>

Staff leave accrued to employees according to service conditions. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Employees qualify for the long service award in accordance with service conditions set out in the remuneration and staff retention policies of the Western Cape Liquor Authority. During the year the Authority discovered that an error was made in the application of GRAP 25 in the financial statements relating to the provisions for long service awards for current year as well as prior financial years. The Authority neglected to raise provisions for these financial years and opted to treat these items as expenses in the period it was paid.

#### 2018/19

The effect in the current year is that the opening balance of the long service provision was changed to R 1 172 054, previously R0.

#### 2017/18

The effect in the prior year is that opening balance of the long service provision was changed to R 1 190 617, previously R0.

The provision for long service awards also takes into consideration the increase during the period in the discounted amount arising from the passage in time and the effect of any change in discount rate. The rate used was based on the prime lending rate as at 31 March 2019 and 31 March 2018 respectively.

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>Provision for Incentive Bonuses</b>		
Balance at beginning of year	1 470 782	1 328 785
Expend during the year	(1 470 782)	(1 328 785)
Raised for the year	1 481 605	1 470 782
	<b>1 481 605</b>	<b>1 470 782</b>

During the year the Authority discovered that an error was made in the application of GRAP 25 in the financial statements relating to the provisions for incentive bonuses for 2017/18 as well as 2016/17 financial years. The Authority neglected to raise provisions for these financial years and opted to treat these items as expenses in the period it was paid.

#### 2018/19

The effect in the current year is that opening balance of the incentive bonuses is changed to R1 470 782.

#### 2017/18

The effect in the prior year is that opening balance of the incentive bonuses is changed to R 1 328 785 and the expense incurred disclosure changes to R 1 470 782 which is adjusted in accumulated surplus as also disclosed in the statement of changes in net assets.

#### Defined contribution Pension Plan

Pension fund contributions has been included in personnel cost. Pension contributions amounting to R 3 022 364 (R2 606 086, 2018) were paid over to Verso Umbrella Retirement Pension Fund.

### 9. Non-Current Employee Benefits

The amounts recognised in the statement of financial position are as follows:

Long Service Awards	1 100 702	1 034 054
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Employees qualify for the long service award in accordance with service conditions set out in the remuneration and staff retention policies of the Western Cape Liquor Authority.

### 10. Payables from Exchange Transactions

Trade payables	580 306	2 082 275
Accrued Interest on Finance Leases	14 352	73 254
Provincial Revenue Fund	589 070	5 099
<b>Total Payables from Exchange Transactions</b>	<b>1 183 728</b>	<b>2 160 628</b>

Trade Payables are being recognised net of any discounts. Payables are being paid within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices. Discounting of payables on initial recognition is not deemed necessary.

The Authority acts as an agent for the Provincial Revenue Fund for the collection of licence fees:

Adjustment to opening balance	(1 281 563)	111 700
Outstanding balance at beginning of year	281 000	797 290
Total amount collected on behalf of Provincial Revenue Fund	37 563 224	35 594 480
Total amount of collections paid to Provincial Revenue Fund	(35 973 591)	(37 504 033)
<b>Balance at the end of the year</b>	<b>589 070</b>	<b>(1 000 563)</b>

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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### Notes to the Financial Statements

The principal-agent relationship is defined in terms of the Western Cape Liquor Act of 2008 as amended. The WCLA collects fees on behalf of the Provincial Revenue Fund, which is paid to the Department of Community Safety (DOCS) who then pays the fees collected to the Provincial Revenue Fund. During the year the prior year figures closing balance was adjusted to R1 000 563 as well as the opening balance of the current year to the same value.

Figures in Rand	2019	2018
<b>11. Unspent Conditional Grants and receipts</b>		
<b>Unspent Conditional Grant &amp; Funds to be surrendered comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Western Cape Department of Community Safety	2 819 757	3 956 879
<b>Reconciliation</b>		
Unspent Conditional Grant	2 819 757	343 568
Funds to be Surrendered	-	3 613 311
	<b>2 819 757</b>	<b>3 956 879</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	3 956 879	3 613 310
Grants Received	42 701 757	38 887 500
Grants Recognised as Income	(43 838 879)	(38 753 869)
Grant receivable	-	209 938
	<b>2 819 757</b>	<b>3 956 879</b>
<b>12. Long-Term Liabilities</b>		
Capitalised Lease Liabilities - At amortised cost	2 059 527	2 434 133
Less: Current Portion transferred to Current Liabilities	(968 765)	(395 735)
<b>Total - At amortised cost using the effective interest rate method</b>	<b>1 090 762</b>	<b>2 038 398</b>

The management of the Liquor Authority is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. Capitalised lease liabilities are secured by Property, Plant and Equipment as set out in note 5.

## Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Capitalised Leased Liabilities consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C654E)	26,99%	- %	3 years	31 May 2019
Minolco (Pty) Ltd	Printer/Fax/Copier (Model B454E)	17,29%	- %	3 years	29 February 2020
Government Motor Transport	Ford Ranger 3.2XLT D/CAB 4X4	24,49%	- %	5 years	28 February 2020
Government Motor Transport	Hyundai Elantra 1.8	30,75%	- %	5 years	29 April 2019
Government Motor Transport	Hyundai Elantra 1.8	30,76%	- %	5 years	29 June 2019
Government Motor Transport	Hyundai H1.2.4 GLS Wagon	37,81%	- %	7 years	29 March 2020
Government Motor Transport	Toyota Etios 1.5 XS	34,79%	- %	7 years	28 April 2020
Government Motor Transport	Toyota Hilux 2.7 4x2 D/CAB	34,48%	- %	7 years	27 November 2020
Government Motor Transport	Volkswagen Caddy 2.0 Trendline	24,24%	- %	5 years	29 June 2019
Government Motor Transport	Volkswagen Polo 1.4 Trendline	35,35%	- %	7 years	28 August 2020
Government Motor Transport	Volkswagen Polo 1.4 Trendline	35,35%	- %	7 years	28 August 2020
Government Motor Transport	Volkswagen Polo Vivo 1.4 Trendline	30,42%	- %	5 years	22 November 2022
Government Motor Transport	Volkswagen Polo Vivo 1.4 Trendline	30,56%	- %	5 years	22 February 2023
Government Motor Transport	Ford Figo 1.5 TDCI Ambiente	27,45%	- %	5 years	23 February 2023

Interest on finance lease payables are charged by Government Motor Transport to replace vehicles at the end of their useful lives and to recoup operating expenditure such as tracking, insurance and GMT overhead expenditure.

Ownership of the leased vehicle is transferred to Government Motor Transport at the conclusion of the lease agreements.

The obligations under finance leases are scheduled below:

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
	Minimum lease	
Payable within one year	968 764	1 074 953
Payable within two to five years	1 090 762	2 921 576
Subtotal	2 059 526	3 996 529
Less: Future finance obligations	(968 764)	(1 562 395)
	<b>1 090 762</b>	<b>2 434 134</b>
<b>13. Operating Lease Liabilities</b>		
Non-current liabilities	450 521	621 019
	<b>450 521</b>	<b>621 019</b>

The operating lease relates to the lease of office space. The lease period is for 5 years and the contract lapses on 31 May 2020. The lease payments escalate at a rate of 8% per annum. Renewal of the lease at the end of the term is available.

The Authority does not engage in any sub-lease arrangements.

The Authority did not pay any contingent rent during the year.

The minimum lease payments are payable as follows:

Payable within one year	2 842 903	2 632 317
Payable within two to five years	479 740	3 322 643
	<b>3 322 643</b>	<b>5 954 960</b>

#### Motor vehicles

Leasing arrangements:

Operating leases relate to 2 vehicles and a trailer with anticipated remaining lease terms of 3 to 7 months as at 31 March 2019. The department does not have an option to purchase the leased assets at the expiry of the leased period.

These rentals are classified as contingent rentals due to uncertain lease periods and fluctuating tariff increases. The operating lease payments are therefore not subject to straight-lining. It is therefore impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP13.

#### 14. Social and Education Fund Reserve

Opening Balance	15 805	58 994
Contributions Made	323 078	224 196
Expenditure Incurred	(314 301)	(267 385)
<b>Total Social and Education Fund Reserve</b>	<b>24 582</b>	<b>15 805</b>

The Social and Education Fund Reserve is cash backed. The funds to cash back the reserve is included in the Call Investment Deposits as disclosed in note 4.



# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>15. Application Fees</b>		
New licences	1 085 750	949 600
Change of premises on existing licences	31 100	26 100
Licence for transfer of licence to new owner	152 200	144 450
Alterations of premises on existing licences	154 310	124 500
Amendment of conditions on existing licences	6 090	7 850
Interim or pending licence fee	141 905	130 500
Transfer of financial interest on existing licences	64 760	42 050
Other application fees	38 178	22 600
App fee temp & event	532 975	341 200
	<b>2 207 268</b>	<b>1 788 850</b>
<b>16. Other Income</b>		
Copy of licences	57 340	37 619
Sundry income	-	2
	<b>57 340</b>	<b>37 621</b>
<b>Disclosed as follows:</b>		
Revenue from Exchange Transactions	57 340	37 621
<b>17. Government grants and subsidies</b>		
<b>Operating grants</b>		
Western Cape Department of Community Safety	43 838 864	38 026 432
WR SETA grant	258 750	727 438
	<b>44 097 614</b>	<b>38 753 870</b>
<b>Western Cape Department of Community Safety</b>		
Balance unspent at beginning of year	3 956 879	3 613 310
Current-year receipts	42 701 757	38 370 000
Conditions met - transferred to revenue	(43 838 864)	(38 026 431)
	<b>2 819 772</b>	<b>3 956 879</b>
The grant enables the Authority to carry out its mandate to regulate the liquor industry in the Western Cape.		
<b>Wholesale &amp; Retail SETA</b>		
Current-year receipts	258 750	517 500
Conditions met - transferred to revenue	(258 750)	(727 438)
Other	-	209 938
	<b>-</b>	<b>-</b>

WR SETA grant was received for the appointment of interns.

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>Services In-Kind</b>		
Current-year receipts – CEO	306 413	-
Current-year receipts – CFO	479 297	-
Conditions met - transferred to revenue	(785 710)	-
	-	-

Due to the prospective application of GRAP 23, the Authority raises all significant services in-kind as a revenue as well as an expenditure in the current year. The service in-kind relates to the secondment of CEO and CFO from the Department of Community Safety.

### 18. Penalties and Fines

Penalties on late payments of licence renewals	1 340 648	1 093 250
Fines imposed by the Liquor Licencing Tribunal	1 975 900	1 766 000
Penalties on late lodgement of app for Event licence	1 382 282	1 363 050
Fines imposed by Designated Liquor Officer	7 500	26 900
<b>Total Penalties and Fines</b>	<b>4 706 330</b>	<b>4 249 200</b>

### 19. Service In-Kind

Department of Community Safety	785 710	-
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Due to the prospective application of GRAP 23, the Authority raises all significant services in-kind as a revenue as well as an expenditure in the current year.

### 20. Employee Related Costs

Salaries and Wages	21 422 337	19 982 390
Contribution to Leave Provision	(147 122)	40 490
UIF	196 224	97 113
Overtime	133 169	71 120
Pension Fund Contributions	3 022 364	2 606 086
Workmen's Compensation	43 693	48 173
Group Risk and Funeral Benefits	196 235	174 798
Long-service awards	41 925	90 000
Incentive Bonus	1 481 605	1 470 782
Cellphone Allowances	247 826	221 126
	<b>26 638 256</b>	<b>24 802 078</b>
<b>Management Personnel</b>		
<b>Chief Executive Officer</b>		
Basic Salary	753 128	836 877
Pension Fund	141 857	125 532
Cellphone Allowance	13 330	15 307
Contributions to UIF	1 636	1 785
Incentive Bonuses	72 031	66 950
	<b>981 982</b>	<b>1 046 451</b>

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>Chief Financial Officer (April 2018 – September 2018)</b>		
Basic Salary	378 560	589 070
Pension Fund	42 851	88 360
Cellphone Allowance	6 065	10 205
Contributions to UIF	1 332	1 785
Incentive Bonus	-	47 126
	<b>428 808</b>	<b>736 546</b>
<b>Deputy Director: Corporate Services</b>		
Basic Salary	672 678	615 989
Pension Fund	89 213	92 398
Cellphone Allowance	10 664	10 205
Contributions to UIF	1 785	1 785
Incentive Bonus	53 814	49 279
Long Service Award	-	3 000
	<b>828 154</b>	<b>772 656</b>
<b>Deputy Director: Liquor Licencing Administration</b>		
Basic Salary	663 142	558 229
Pension Fund	89 051	85 687
Cellphone Allowance	10 664	9 354
Contributions to UIF	1 785	1 785
Incentive Bonus	53 019	49 279
Long Service Award	-	3 000
	<b>817 661</b>	<b>707 334</b>
<b>Deputy Director: Compliance and Enforcement</b>		
Basic Salary	633 793	571 610
Pension Fund	87 030	85 741
Cellphone Allowance	10 664	10 205
Contributions to UIF	1 785	1 785
Incentive Bonus	50 703	-
	<b>783 975</b>	<b>669 341</b>
<b>Deputy Director: Communication, Education and Stakeholder Relations</b>		
Basic Salary	672 681	615 989
Pension Fund	88 794	92 398
Cellphone Allowance	10 664	10 205
Contributions to UIF	1 785	1 785
Incentive Bonus	53 814	49 279
Long Service Award	-	3 000
	<b>827 738</b>	<b>772 656</b>

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	Committees Fees	Total
<b>21. Remuneration of Governing Board Members</b>		
<b>Governing Board Members</b>		
<b>31 March 2019</b>		
Mr Ronald Kingwill (Deputy Chairperson)	61 642	61 642
Mr Andre du Plessis	2 739	2 739
Mr Jacobus Louw	34 789	34 789
Dr Lukas Muntingh	49 878	49 878
Dr Laurine Platzky	40 856	40 856
Adv Thembalihle Sidaki (Chairperson)	34 395	34 395
Ms Undere Deglon	48 011	48 011
	<b>272 310</b>	<b>272 310</b>
<b>31 March 2018</b>		
Mr Michael Jones (Chairperson)	69 437	69 437
Mr Ronald Kingwill (Deputy Chairperson)	1 782	1 782
Mr Andre du Plessis	22 838	22 838
Mr Hendri Terblanche	28 818	28 818
Mr Jacobus Louw	1 410	1 410
Rev Phillip Philander	20 632	20 632
Mr Lukas Muntingh	1 551	1 551
Dr Laurine Platzky	1 551	1 551
Adv Thembalihle Sidaki (Chairperson)	2 536	2 536
Ms Ina du Bruyn	23 740	23 740
Ms Julia Modise	27 112	27 112
Ms Undere Deglon	22 296	22 296
	<b>223 703</b>	<b>223 703</b>
Figures in Rand	2019	2018
<b>22. Depreciation and Amortisation</b>		
Property, Plant and Equipment - note 5	1 908 581	1 931 956
Intangible Assets - note 6	364 577	312 265
	<b>2 273 158</b>	<b>2 244 221</b>
<b>23. Finance Charges</b>		
Long-term Liabilities	700 661	663 139
Non-current Provisions	150 151	138 844
	<b>850 812</b>	<b>801 983</b>

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>24. General Expenses</b>		
Advertising Fees	4 797 618	3 586 299
Assets expensed	-	1 470
Audit Fees - external	1 840 203	1 116 786
Audit Fees - internal	183 755	212 996
Bank charges	34 876	37 825
Cleaning Services	135 736	108 302
Computer Equipment Support	1 395 225	1 118 209
Conferences and Seminars	128 582	75 766
Consulting and Professional Fees	411 183	636 287
Entertainment and Catering	41 333	39 517
Insurance	361 849	307 144
Legal Fees	1 281	110 565
Licence Fees	964 974	1 315 172
Liquor Licencing Tribunal	2 723 217	2 714 992
Operating Leases	2 786 906	2 700 166
Postage	42 665	36 540
Printing and Stationery	368 166	562 055
Rates and Taxes	216 614	207 404
Repairs and Maintenance	146 426	122 848
Security	45 540	-
Social and Education Fund	323 079	283 189
Subscriptions and membership fees	25 807	24 339
Telephone	496 002	580 860
Training	282 168	255 961
Travel and Subsistence	864 916	799 741
Water and Electricity	637 230	535 314
Other	49 091	106 079
	<b>19 304 442</b>	<b>17 595 826</b>
<b>25. Cash generated from operations</b>		
Surplus	5 191 264	1 016 294
<b>Adjustments for:</b>		
Depreciation and amortisation	2 273 158	2 244 221
Finance costs - Finance leases	150 151	138 844
Impairment loss (reversal)	601	(10 081)
Operating Lease Liabilities - increase	(170 498)	100 072
Current Employee Benefits	(288 446)	1 607 953
Movements in retirement benefit assets and liabilities	66 648	1 034 054
Movements in provisions	927 003	(2 486 277)
Other non-cash items	8 778	-
<b>Changes in working capital:</b>		
Receivables from Exchange Transactions	(12 264)	163 233
Accrued Fines	(702 250)	(697 738)
Payables from Exchange Transactions	(976 898)	465 553
Unspent Conditional Grant & Receipts	(1 137 108)	343 569
	<b>5 330 139</b>	<b>3 919 697</b>

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>26. Reconciliation of Available Cash and Investment Resources</b>		
Cash and Cash Equivalents - Note 4	11 019 094	8 366 413
Less: Social and Education Fund Reserve	(24 581)	(15 804)
Less: Provincial Revenue Fund	(195 790)	(281 000)
Less: Funds to be Surrendered	(2 819 772)	(3 956 879)
<b>Net cash resources available for distribution</b>	<b>7 978 951</b>	<b>4 112 730</b>
<b>27. Utilisation of Long-Term Liabilities Reconciliation</b>		
Long-term Liabilities - note 11	2 059 527	2 434 133
Used to Finance Property, Plant And Equipment - at cost	-	(1 056 086)
	<b>2 059 527</b>	<b>1 378 047</b>
<b>28. Irregular Expenditure Disallowed</b>		
Opening balance	10 234 631	10 234 631
Add: Irregular Expenditure - current year	3 828 801	-
Add: Irregular expenditure discovered in current year related to prior years	8 159 214	-
	<b>22 222 646</b>	<b>10 234 631</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Prior years	783 750	783 750

During the year under review the results of a forensic report conducted on behalf of the Authority was received with regards to the fitment and refurbishment of the leased offices of the Authority. The Irregular expenditure relating to this was previously reported to be R 9 458 000 (2019 and 2018) in value. However the investigation also brought to light that the initial procurement process to obtain the leased offices was not in line with standard supply chain process as prescribed by provincial legislation. Thus the resulting effect as that the lease agreement entered into and the corresponding lease payments constitute irregular expenditure. The values of the irregular expenditure related to the lease payments for the current year amounts to R 3 828 800.63 (2018 - R 2 905 501.69). The value dating back to prior years of the irregular lease payments amount to R 5 253 712.71. As a result of the lease agreement of the building expiring in June 2020 further estimated irregular expenditure amounting to R 4 805 612.89 is expected.

#### Fruitless and wasteful expenditure

Fruitless and wasteful expenditure incurred in the current reporting period are listed in the table below.

Payment of penalty on late payment	5 775	-
Purchasing of additional flight ticket for incorrect booking made	2 972	-
	<b>8 747</b>	<b>-</b>

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

#### 29. Commitments

No.	Name of Supplier	Bid Number	Amount	Total
1	Abacus Supply Chain Solutions	RFQ 015 - 2018/19	5 267	5 267
2	Blue Gheko	LB 017 - 2018/19	400 000	400 000
3	BC Projects	RFQ 020 - 2018/19	10 081	10 081
4	Vodacom (Pty) Ltd	RT15 - 2016	293 468	293 468
5	Blue Gheko	WCLA 053 - 2018/19	417 233	417 233
6	Madge Computers	LB 018 - 2018/19	231 011	231 011
			<b>1 357 060</b>	<b>1 357 060</b>

Figures in Rand	2019	2018
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	539 827	98 728
• Intangible assets	817 233	884 823
<b>Total capital commitments</b>	<b>1 357 060</b>	<b>983 551</b>
Already contracted for but not provided for	1 357 060	983 551

Capital commitments will be financed with grant funding.

#### 30. Financial Risk Management

##### Financial Risk Management

The activities of the Authority expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance.

##### Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Authority to incur a financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions.

The Authority only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure is disclosed below.

The banks utilised by the Authority for current investments are all listed on the JSE (Nedbank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

## Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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### Notes to the Financial Statements

Receivables from exchange transactions are individually evaluated annually at Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. The maximum exposure is disclosed below.

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

Financial instrument	2019	2018
Interest rate swap	84 799	72 536

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### Market risk

##### Interest rate risk

Financial assets and liabilities that are sensitive to interest rate risk is cash and cash equivalents.

The Authority analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Authority calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for cash and cash equivalents as the interest rate on loan payables are fixed.

The Authority did not hedge against any interest rate risks during the current year.

The potential impact on the Authority's surplus for the year due to changes in interest rates were as follows:

Figures in Rand	2019	2018
0.5% Increase in interest rates (2018 - 0.5%)	55 095	41 833
0.5% Decrease in interest rates (2018 - 0.5%)	(55 095)	(41 833)
	-	-

#### Price risk

The Authority is not exposed to price risk.



# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

#### 31. Financial Instruments Disclosure

In accordance with GRAP 104 the financial instruments of the Authority are classified as follows:

Figures in Rand	2019	2018
<b>Financial Assets</b>		
<b>Financial instruments at amortised cost</b>		
Receivables from exchange transactions	84 799	1 078 219
Cash and Cash Equivalents	11 019 094	8 366 683
<b>Total carrying amount of financial assets</b>	<b>11 103 893</b>	<b>9 444 902</b>
<b>Financial Liability</b>		
<b>Financial instruments at amortised cost</b>		
Long-term Liabilities	1 090 762	2 038 398
Payables from Exchange Transactions	1 183 731	2 160 629
Funds to be Surrendered	2 819 772	3 956 879
Current Portion of Long-term Liabilities	968 765	395 735
<b>Total carrying amount of financial assets</b>	<b>6 063 030</b>	<b>8 551 641</b>

#### 32. Events after the reporting date

The Authority does not have any events after the reporting date to disclose.

#### 33. In-kind donations and assistance

The Authority did not receive any in-kind donations during the financial year.

#### 34. Private Public Partnerships

The Authority has not entered into any private public partnerships during the financial year.

#### 35. Contingent Liability

The Authority did not have any contingent liabilities at reporting date.

#### 36. Segment information

##### General information

##### Identification of segments

There are no segments for which separate financial information is available, and therefore the Authority only has one reporting segment.

##### Geographic Segment Reporting

No geographical segment information is available and the cost to develop such information would be excessive. Therefore, no geographical segment information has been disclosed.

#### 37. Related parties

##### Related party transactions

The Western Cape Department of Community Safety (DOCS) is considered to be a related party, as

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

DOCS has significant influence over the Authority. Mr Dan Plato is the Western Cape Provincial Minister of Community Safety.

The following related party transactions were also entered with other spheres of government:

#### Government Motor Transport (GMT)

A related party relationship exists between the Authority and GMT with regard to the management of government motor vehicles of the Authority. The relationship is based on an arms-length transaction in terms of tariffs approved by the Provincial Treasury. Transactions with GMT are included in the following sections:

Figures in Rand	2019	2018
Interest paid on finance lease liability included under Finance Charges - Note 23	686 011	609 959
Kilometre tariff included under General Expenses (Travel and Subsistence - Note 25)	278 939	337 799
Operating Lease - Vehicles	257 213	203 814

#### **Compensation of management personnel**

The compensation of management personnel and governing board members' sitting allowances are set out in notes 19 and 20 to the financial statements.

#### **Related party transactions with management personnel**

No business transactions have taken place between management officials, close family members of such officials, partner or associate of such officials during the financial year. In addition to the significant influence from DoCS over the authority, the Department also rendered support in deploying employees to the Authority through secondment to fill the void of vacant CFO and CEO. Due to the significance of these positions the monetary value attached were as follows:

CFO for the period October till March 2019 = R479 297.13

CEO for the period February till March 2019 = R306 412.50

### **38. Explanatory Notes to the Statement of Comparison of Budget and Actual Actual Amounts vs Final Budget**

In terms of paragraph 1.6 of the accounting policy only deviations of amounts exceeding R 360 000 are reported.

Government Grants and Subsidies were less than budgeted for as the budget includes the roll over cash reserves as well as any cash movements for the year, while the actual amount only reflects the cash movement for the year.

The Final Budget of R 53 649 058 differs from the published statement of R 46 144 268 due to the approval of rollover funding (R3 617 610), retention of revenue (R 1 716 450), skills development programme funding (R 258 231), additional interest (R 250 000) which were received after the budget was finalised. An over collection of revenue against budget with regards to application fees, granting fees and fines and penalties was due to increase in activity in the liquor space with more prospective licence-holders looking to enter the industry. During the year under review additional funds were received outside of budget for advertising and gamechanger inspectorates (R 2 819 772). The underspending of R 6.5 m reflected on the budget relates largely to a R 3.6 m related to prior year commitments approved as part of the current year budget process, as well as R 2.9 m current year commitments for advertising, gamechanger inspectorate, capital commitments as per note 29 as well as software licences for scanning project. A formal process to provincial treasury is done in the form of rollover and retention of surplus for these commitments.

# e Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Notes to the Financial Statements

#### Reconciliation between Cash and Accrual Basis

	Accrual Basis	Adjustments	Cash Basis
<b>Revenue</b>			
Government Grants and Subsidies	44 097 614	2 819 772	46 917 386
Penalties and Fines	4 706 330	(963 300)	3 743 030
Granting fees	2 539 035	-	2 539 035
Application Fees	2 437 238	-	2 437 238
Interest Earned - External Investments	693 285	(60 955)	632 330
Other Income	57 340	-	57 340
<b>Expenditure</b>			
Employee Related Costs	(26 638 255)	1 282 101	(25 356 154)
Remuneration of Governing Board Members	(272 310)	15 789	(256 521)
Depreciation, Amortisation and Impairment	(2 273 759)	2 273 759	-
General Expenses	(19 295 664)	564 520	(18 731 144)
	<b>6 050 854</b>	<b>5 931 686</b>	<b>11 982 540</b>
Property, Plant and Equipment	577 269	-	577 269
Finance Lease	1 328 076	-	1 328 076
Intangible Assets	892 585	-	892 585
	<b>2 797 930</b>	<b>-</b>	<b>2 797 930</b>

### 39. Prior period errors

#### Incentive bonus and long service awards

During the year the Authority discovered that an error was made in the application of GRAP 25 in the financial statements relating to the provisions for incentive bonuses as well as long service awards for 2017/18 as well as 2016/17 financial years. The Authority neglected to raise provisions for these financial years 2017/18. The effect in the prior year is that the opening balance of the accumulated surplus was changed to R 9 943 008, previously R 12 585 841. Difference being R 2 642 833 (R 1 470 872 in respect of incentive bonuses and R 1 171 961 in respect of long service awards) 2016/17. The effect in the 2016/17 year is that opening balance of the accumulated surplus was changed to R 8 883 522, previously R 11 312 924. Difference being R 2 429 402 (R 1 328 785 in respect of incentive bonuses and R 1 100 617 in respect of long service awards).

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>40. Over Payments from Licence Holders</b>		
<b>Designated at fair value</b>		
Overpayments by licenceholders	213 500	630 000
Prepayments received for annual liquor licences renewals not compliant with legislation and therefore must be refunded.		
<b>Current liabilities</b>		
Designated at fair value	213 500	630 000

### 41. Unallocated Deposits

Unallocated deposits amount of R 2 366 321 (2018: R 1 501 507) is made up of all the monies that were recorded in the suspense account.

### 42. Reversal of Impairments/Impairment Loss

<b>Reversal of Impairments/Impairment Loss</b>		
Property, Plant and Equipment	601	(10 081)
The main classes of assets affected by impairment losses are lease hold improvements.		

The main classes of assets affected by reversals of impairment losses are:

Capital Restoration Costs

The main events and circumstances that led to the reversals of these impairment losses are as follows:

Reduction of interest rate.



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