Western Cape Government

WESTERN CAPE
LIQUOR AUTHORITY

Annual Report 2015/16
Western Cape Liquor Authority

WESTERN CAPE
LIQUOR AUTHORITY

Annual Report

2015/2016

FINANCIAL YEAR

CONTENTS

PART A:
GENERAL INFORMATION

WESTERN CAPE
LIQUOR AUTHORITY

PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	**Western Cape Liquor Authority**
PHYSICAL ADDRESS:	3rd Floor Sunbel Building 3 Old Paarl Road Bellville 7530
POSTAL ADDRESS:	Private Bag X6 Sanlamhof Bellville 7532
TELEPHONE NUMBER/S:	021-204 9700
FAX NUMBER:	086 525 4513
E-MAIL ADDRESS:	Philip.Prinsloo@wcla.gov.za
WEBSITE ADDRESS:	www.wcla.gov.za
EXTERNAL AUDITORS:	**Auditor General of South Africa**
BANKERS:	**Nedbank (PTY) LTD**
COMPANY/BOARD SECRETARY:	N/A

2. LIST OF ABBREVIATIONS/ACRONYMS

Act	Western Cape Liquor Act (4 of 2008) as amended
AGSA	Auditor General of South Africa
APP	Annual Performance Plan
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DEDAT	Department of Economic Development and Tourism
DoCS	Department of Community Safety
DPO	Deputy Presiding Officer
GB	Governing Board
LLT	Liquor Licencing Tribunal
LMaTS	Licencing Management and Tracking System
MEC	Member of Executive Council
MTEF	Medium Term Expenditure Framework
PFMA	Public Finance Management Act
PO	Presiding Officer
OHS	Occupational Health and Safety
SAPS	South African Police Service
SCM	Supply Chain Management
SEF	Social and Education Fund
SITA	State Information Technology Agency
SMME	Small Medium and Micro Enterprises
TR	Treasury Regulations
WCLA	Western Cape Liquor Authority

3. FOREWORD BY THE CHAIRPERSON

Overview

The Western Cape Liquor Authority (WCLA) has now completed four years of existence since 1 April 2012, and with my first year as the Chairperson of the WCLA, it gives me pleasure to present the Annual Report for the 2015/2016 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.

Michael Eric Jones

With a solid foundation being laid over the past four years, it is now time for us to stretch out and make significant growth over the next four years. After identifying some challenges in the operating environment, the Board, in conjunction with the management team, finalised a detailed plan which is geared to assist us with overcoming some of these challenges and provide strategic growth opportunities.

With regards to the financial expenditure we have 94.58% expenditure against plan. Further we have managed to meet and exceed most of the performance indicators directly under our control. During the year under review, the WCLA also had a number of mile stones including:

- Relocation from Cape Town to Bellville offices;
- End of the previous Governing Board's term and the appointment of a new Governing Board;
- End of the previous CEO's term and the appointment of a new CEO;
- Appointment of a Chief Financial Officer.
- Appointment of the Presiding Officer of the Liquor Licensing Tribunal (LLT) for another term;
- Announcement of the move of mother department from 01 April 2016 – move from Department of Economic Development and Tourism to Department of Community Safety;
- Amendments to the Western Cape Liquor Act 4/2008 as amended;
- Achieving an unquailfied audit report in 2015/16 and
- Rebranding of the organisation.

Committees

Committee charters and terms of reference for 2015 have proven to be valuable in providing a clear directive. A few activities where this was a great help include revising of the Board charter, system of delegation, revising of LLT contracts and signing of a staff bursary policy. Some key initiatives within each component of the WCLA have been identified to drive operational efficiencies and build capacity to deliver. Many of these initiatives identified and developed in the past year as per the APP and internal policies will form the platform from which the WCLA will implement and drive the operational and service excellence in the coming years. The committee Chairs, Mr Alexander (Social Fund Committee), Mr Terblanche (Compliance, Finance, HR and IT Committee) and Mr Du Plessis (Operational and LLT Committee) with the support by board members, Mrs Modise, Mr Sass and Mr Philander, thank you for your good work.

Looking ahead

We will continue to look for opportunities to grow the Authority, while streamlining processes. We seek to add value in an integrated approach informed by constant evaluation and situational analysis. It is with this philosophy in mind that we will ramp up our engagement with all our stakeholders, internal and external, as well as private and public sector, to deliver, as far as possible, against their expectations and in the best interest of the WCLA. Emphasis to regulate the micro-manufacturing and sale of liquor remains a key imperative as we apply our thinking to drive best behaviours, best results and maximum benefit for the Western Cape. The organisational re-design project, together with further amendments to the Act, is our journey for continued improvement and adaptability.

In conclusion

I am optimistic that with strong leadership, together with the support of the management team, we will be able to realise our goals. I wish to assure all employees of the full guidance and support from the Governing Board. To the new CEO, Dr Luzuko Mdunyelwa, thank you for your enthusiasm, leadership and effort you have brought to the WCLA. Finally, I thank Minister Alan Winde as well as the Department of Economic Development and Tourism for your ongoing commitment and support while we were with you. A warm welcome to Minister Dan Plato we look forward to a building a relationship with the Department of Community Safety and Ministry.

Michael Jones
Western Cape Liquor Authority
Date: August 2016

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

The 2015/16 financial reporting cycle is again evidence of the commitment of the Western Cape Liquor Authority towards its mandate to implement the Western Cape Liquor Act, to regulate the liquor industry in the Western Cape and to perform against the predetermined performance indicators. It is a pleasure to look back on the achievements in this fourth year of existence of the Western Cape Liquor Authority. The Western Cape Liquor Authority prides itself in receiving unqualified audit reports since inception.

Dr. Luzuko Mdunyelwa

A new Governing Board was appointed on the 12 March 2015 and we look forward to working together with our new members.

With the limited staff and resources the Western Cape Liquor Authority achieved a number of milestones in the year under review.

The inherited backlog of 4 494 applications in terms of the old liquor act were processed.

The newly deployed LMaTS system has been successfully implemented and is currently subject to further enhancements that will include, amongst other but not limited to:

- SMS notifications in terms of feedback on applications;
- System generated management reports;
- Call centre workflow that allows for the tracking of complaints and queries; and
- Automation of the inspection process.

Throughout the year under review the Western Cape Liquor Authority has increased its educational initiatives. Since August 2014 it is a prerequisite for persons applying for liquor licences and persons to be appointed as managers to undergo an induction and training session on liquor legislation in the Western Cape. For the 2015/16 financial year the Authority has trained 786 prospective liquor licence holders. This initiative aims to contribute to the responsible sale of liquor.

The inspectors of the WCLA have been appointed as Peace Officers inferring on them the same functions and powers as a designated liquor officer in SAPS in relation to the enforcement of the Western Cape Liquor Act. This significantly increases the inspectors' powers and capabilities to effectively regulate compliance. The Authority is also in the process of formalising a working agreement with the Department of Trade and Industry to regulate the distribution of liquor in the Province.

Most (94.58%) of the of the allocated Western Cape Liquor Authority budget for the financial year under review was spent or committed by 31 March 2016. 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 GRAP standards outlines the financial position and financial performance of the entity in detail for the 2015/16 financial year.

The achievements of the Western Cape Liquor Authority were accomplished by the passionate, motivated, dedicated, professional and loyal staff. I would like to express special thanks to them.

I would like to thank the Governing Board of the Authority, the Liquor Licencing Tribunal, the Department of Economic Development and Tourism, and Minister Alan Winde for their support.

In conclusion, I would like to extend a word of welcome to Minister Plato and the Department of Community Safety, on behalf of the administration of the Western Cape Liquor Authority.

Luzuko Mdunyelwa
Chief Executive Officer
Western Cape Liquor Authority
Date: August 2016

5. STATEMENT OF RESPONSIBILITY 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 designed to provide reasonable assurance regarding the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.
- External auditors were utilised 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 2016.

Yours faithfully

Chief Executive Officer
Luzuko Mdunyelwa
Date: August 2016

Chairperson of the Board
Michael Jones
Date: August 2016

6. STRATEGIC OVERVIEW

6.1. Vision

To be the leading liquor regulator in the world by endorsing compliance within the liquor industry and work towards the eradication of liquor's social ills to ensure responsible consumption and trade in liquor in the Western Cape.

6.2. Mission

- Creating an enabling environment for the efficient and effective regulation of the liquor industry in the Western Cape to further a resilient, sustainable, quality and inclusive living environment.
- Facilitate the entry of new liquor licence holders in the Western Cape to reduce illegal liquor trading and to create opportunities for growth and jobs.
- Maintaining sustainable partnerships with all relevant stakeholders to assist in the fight against the irresponsible use of and trade in liquor whilst increasing community wellness, safety and tackling the negative social ills of liquor abuse in the Western Cape.

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.

- **Human Resource Development**
  Encouraging and assisting human resources to acquire new skills and/or to advance skills, knowledge, and viewpoints, by providing opportunities for development.

- **Mutual respect**
  Encouraging a culture of mutual respect by treating every person with dignity and equal worth.

7. LEGISLATIVE AND OTHER MANDATES

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

Significant changes have been made to the Western Cape Liquor Legislation. In December 2010, the Western Cape Provincial Parliament passed the Western Cape Liquor Amendment Act, 2010 (Act 10 of 2010) ("the Amendment Act") to be read in conjunction with the Western Cape Liquor Act No. 4 of 2008. On 21 December 2011 the Western Cape Liquor Regulations was passed which contained the new price schedules.

A second amendment bill, the Western Cape Liquor Amendment Act, Act 3 of 2015 was promulgated on 14 December 2015. This amendment act will take effect once the related regulation amendments are finalised and signed off by the relevant MEC. On 15 March 2016 the Premier enacted certain sections of the Amendment Act, Act 3 of 2015.

Other Legislation includes:

Public Finance Management Act, Act 1 of 1999 as amended by 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 Liquor Policy, 2005

This policy, commonly referred to as the Liquor White Paper, was the result of a process of intensive and extensive public participation based on the Liquor Green Paper of 2004. It was drafted by a Policy Drafting Panel consisting of DEDAT officials, legal experts and health professionals specialising in the research and treatment of alcohol-related ill effects.

The policy had five objectives, namely:

- to make it possible for bona fide unlicensed traders in the historically disadvantaged communities to legitimise their businesses without encountering unnecessary barriers when applying for a liquor licence and to create an environment that would encourage them to do so;
- to consider land use planning issues as determined by the municipal planning authorities;
- to provide for the involvement of communities in determining the location of licensed liquor outlets;
- to involve the municipalities in the Western Cape, and
- to reduce the social cost of liquor abuse to society in general, and to the people of the Western Cape in particular.

The policy formed the basis on which the initial Western Cape Liquor Bill of 2006 was drafted. The Western Cape Provincial Government subsequently, in 2015, embarked on a revision of the Province's liquor policy which is currently still in progress.

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 refers.

The State President, at the time, took the unprecedented step to utilise section 79(4)(b) of the 1996 Constitution to refer a bill to the Constitutional Court to have the constitutionality thereof tested after the bill had been approved by the National Assembly. The State 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 "liquor licensing" a 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 in regard to retail sales of liquor, whether by retailers or by manufacturers, nor for micro-manufacturers whose operations are essentially provincial. The Minister failed to establish that Parliament had the competence to enact the Liquor Bill and it is therefore unconstitutional. 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.

7.5 Planned policy initiatives

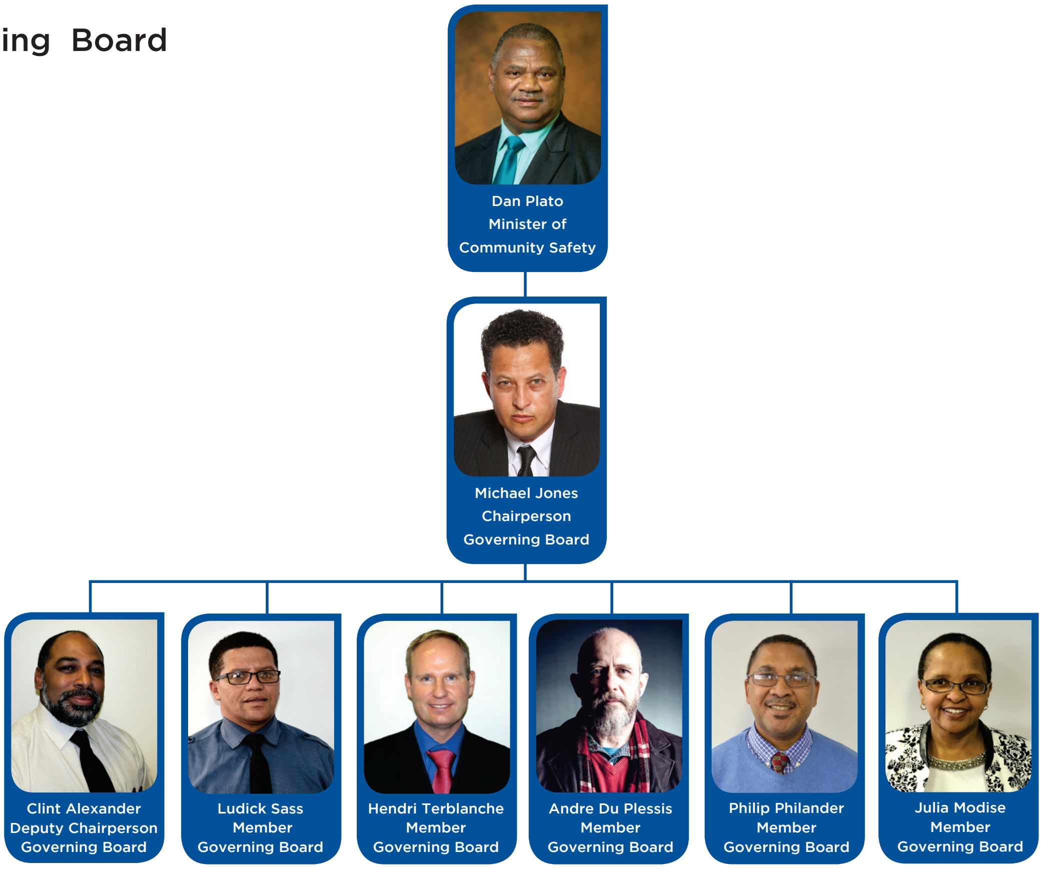
The Western Cape Liquor Authority is in the process of engaging on various policy initiatives. These policy initiatives include but will not be limited to:

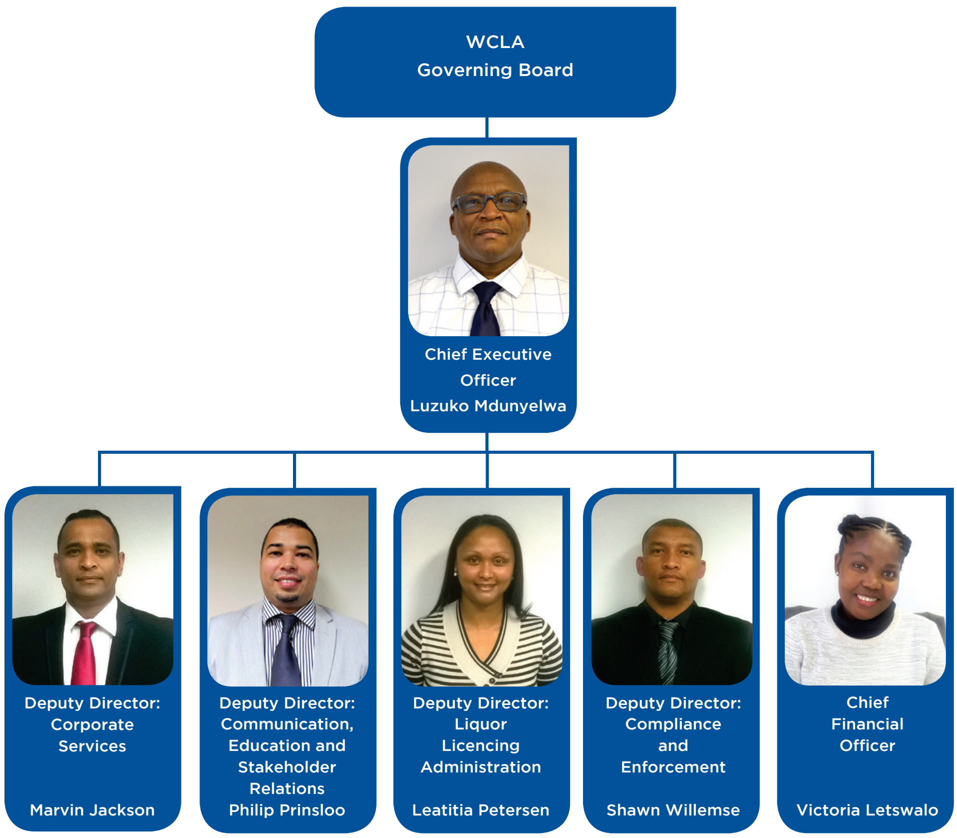
- Contribution of the WCLA in the reduction of irresponsible and illegal liquor trading;
- Participation in the Alcohol Harms Reduction strategy; and
- Participating in the development of the Province's new policy approach on liquor regulation and possible amendments to the provincial liquor Act.

The National Liquor Authority has issued the national norms and standards. The Western Cape Liquor Authority is in the process of aligning itself with these norms and standards.

8. ORGANISATIONAL STRUCTURES

Governing Board





PART B:
PERFORMANCE INFORMATION

WESTERN CAPE
LIQUOR AUTHORITY

PART B: PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable 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 60 for the Auditor's Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1. Service Delivery Environment

The Western Cape Liquor Authority is met by a number of external challenges. Many of these challenges pose a risk to the successful execution of its legislative mandate. Against the backdrop of these external challenges, the WCLA will continuously strive to better on its services to its stakeholders. Attention is drawn to the key challenges below that play a major role in the attainment of the WCLA's mandate:

- The negative social impact of alcohol abuse affects the lives of many within the Western Cape and range from minor to serious health issues and violence. According to Matzopoulos et al (2014) the estimated total tangible and intangible costs attributable to harmful alcohol use represents 10-12% of the 2009 GDP. The tangible financial cost of harmful alcohol use alone was estimated to be R37.9 billion, or 1.6% of the 2009 GDP.
- In contrast to the costs to the South African economy, the National Treasury (National Treasury 2014) estimates that the economic contribution of the alcoholic beverages sector for the year 2009/10 was R73 billion, or 2.9% of GDP. According to a report released by the Industry Association for Responsible Alcohol Use (ARA) (The South African Liquor Industry: our contribution) it states that due to its labour-intensive production methods, the wine cellars and wine manufacturing industry directly employed around 16,000 workers, with roughly 15,000 of those jobs located in the Western Cape. The challenge is maintaining an amicable balance between the creation of wealth and jobs versus the negative impact of alcohol abuse.
- The illegal trade in liquor significantly impacts on the Western Cape Liquor Authority achieving its mandate. To put the impact of the illegal alcohol industry on the Authority achieving its mandate into perspective, the Department of Trade and Industry in 2012 released a report entitled Baseline Study of the National Liquor Act 59 of 2003. The report stated that the manufacturing and retailing of liquor contributed a total of about R93, 2 billion to SA's economy in the 2009/10 period. The state reportedly lost about R2, 5 billion in unpaid excise tax revenues in 2013 because of the illegal alcohol market. Furthermore the unlicenced and unregulated distribution and trading in liquor significantly contributes to alcohol related harms. This calls for more vigorous enforcement of all applicable liquor legislation and intelligence based co-operation between the different enforcement agencies.

The challenges faced by the regulator in regulating the retail sale of liquor are therefore significant.

Despite all these challenges the WCLA will continue to explore different possibilities including:

- Stakeholder segmentation and mapping. This will allow the WCLA to identify and segment stakeholder needs in order to develop an appropriate communication plan that will inform stakeholder specific interventions;

- Exploring potential partnerships. This will assist the Authority in successfully identifying and establishing sustainable partnerships with relevant key role-players for specific interventions, programmes and campaigns identified by the Authority;
- Stakeholder engagement opportunities. With this the Authority will participate with various organisations on their programmes and initiatives;
- Holistic integrated compliance and enforcement interventions of all applicable liquor legislation. This includes the Western Cape Liquor Act, Municipal By-laws and the National Liquor Act; and
- Customer Contact Centre. This centre will deal with walk-ins, telephonic and e-mail enquiries and complaints.

2.2. Organisational Environment

The subject of liquor is very contentious and the regulation thereof is complex. Based on the previous statement the WCLA operates in an environment that brings with it many challenges and obstacles. Be that as it may, the Authority still managed to achieve most of its performance targets and in some way made a difference in the lives of not only the licence holders but also on those of the broader community with limited resources.

Communication, Education and Stakeholder Relations

Effective communication is a building block of successful organisations and it is also essential to understand that stakeholder perceptions affect reputation. Whilst building relationships and educating our stakeholders on enabling legislation, the Authority manages these reputational risks by engaging with stakeholders via different communication channels.

The WCLA has segmented its stakeholders and developed a stakeholder communication plan in order to implement appropriate interventions and appropriate channels to communicate with these stakeholders. We further encourage an interactive approach to provide an opportunity for stakeholders to share their views. During the year under review we have engaged with:

- Liquor License Holders – We used a training manual and PowerPoint presentations, to conduct education sessions with liquor license holders on the provisions of the enabling legislation. We also had discussions on responsible liquor trading. We provide them with promotional material which includes an informative booklet (English, Afrikaans and Xhosa), as well as an application handbook and a Responsible Liquor Trading Charter.
- Communities – We engage with communities using industrial theatre (drama) as well as talks and presentations. These sessions are used to create awareness on the negative consequences of liquor abuse, as well as to share other relevant information. Examples on how to raise objections during the liquor licence application process are shared and communities share their views.
- Schools – In 2012 a research study conducted in the Western Cape schools, grades 8 to 12 showed that of learners who consumed alcohol, almost ⅓ reported initiation of alcohol use before the age of 13; 10% reported using alcohol on a weekly basis; and a small proportion reported being drunk on a daily (2%) or weekly (10%) basis. We also engage with schools using music and drama that highlight the negative effects of liquor abuse, as well as brief testimonies of young people with relevant success stories.
- New Applicants – All new liquor license applicants and managers are trained on the Western Cape Liquor Act and presented with a certificate of attendance before a liquor licence is issued. We provide them with promotional material which include an informational booklet (English, Afrikaans and Xhosa), as well as an application handbook.
- Liquor Consultants – Engagements are held with liquor consultants where various points of clarity are discussed.

- Other Stakeholders – The Authority has continued its engagements with manufacturers, distributers, municipalities, as well as National and other Provincial Departments to discuss liquor related matters. We maintain regular communication with the industry on key decisions.

New branding for the Western Cape Liquor Authority was developed. The Authority currently has a website where relevant information is shared, as well as upcoming events. The Authority will explore online platforms to further assist clients with communication and doing business with the Authority. Since the Authority is rolling out these projects by implementing a phased-in approach, further future developments will include moving onto the online social media platforms as well as strategic partnerships to share financial resources in order to have a wider reach.

The Western Cape Liquor Act 4/2008 as amended allows for the establishment of a Social and Education Fund (SEF) to:

a) combat the negative social consequences of the abuse of liquor;
b) educate persons engaged in the sale and supply of liquor; and
c) educate the general public in the responsible sale, supply and consumption of liquor.

The budget allocated was R750 700. This budget was utilised to procure service providers to conduct industrial theatre shows for a festive season campaign. It also included the rolling out of key messages in community newspapers, easter campaign and school engagements.

Compliance and Enforcement

The Compliance and Enforcement component continuously strives to fulfil the compliance monitoring and enforcement mandate throughout the Western Cape Province, as required by the Western Cape Liquor Act. The objective of this component is to monitor and enforce compliance with the provisions of the Western Cape Liquor Act and licence conditions in the focus areas that have been identified jointly by WCLA, SAPS & Law Enforcement as well as the Alcohol Harms Reduction Game Changer Team.

The Compliance and Enforcement component also enhances compliance to liquor legislation by educating liquor licence holders, during inspections, regarding their obligations in terms of the Act to ensure responsible trading and to reduce liquor related harms. Furthermore, the team also serves as a visible compliance, monitoring and enforcement tool to create awareness of the role that the WCLA plays in liquor regulation.

Liquor enforcement is done through the following:
- Random routine inspections;
- Joint operations within the Western Cape Province;
- Joint national operations; and
- Investigations.

The random routine inspections are done by inspectors at licenced premises. The Compliance team embarks on joint enforcement operations, conducted on a regular basis throughout the Province, in conjunction with SAPS and other law enforcement agencies. The WCLA also participates in national blitzes where all provinces work together on a rotational basis in each province with the intention of enforcing the liquor legislation. We continue to receive, process and investigate complaints from the members of the public and other stakeholders.

Liquor Licencing Administration

The Liquor Licencing Administration component is responsible for the administration of all liquor licence applications to be considered by the Liquor Licencing Tribunal, issuing of licences and certificates and renewal of all valid liquor licences in the Western Cape. In order to facilitate the entry of new liquor licence holders into the liquor industry, the application process and administering of applications requires a streamlined approach.

During the year under review, various initiatives have been employed in an attempt to streamline the application administration, licence issuing and renewal processes. The Authority has embarked on a business process improvement initiative in conjunction with the Department of Economic Development and Tourism and KPMG in an attempt to streamline the processes in respect of special event and temporary liquor licence applications. This project was aimed at focussing on the special event and temporary liquor licence applications process in order to identify constraints or barriers existing within these processes. The intention is to improve the efficiency of the processes, since one of the most important elements of a favourable business and regulatory climate is the absence of ineffective and time-consuming rules and administrative processes. The process was concluded at the end of the current financial year and will be implemented in the 2016/17 financial year.

The periodic review of checklist and standard operating procedures, enhancements to the licence management and tracking system (LMaTS) and incorporation of security features into the components processes has resulted in it becoming more efficient in the manner in which it services its clients.

In order to enhance the security features within the process of the issuing and renewal of licences, the Authority has started issuing all licences, certificates as well as renewal certificates to licence holders on specialised security paper which contains certain special security features. These enhanced security features will ensure that only authentic licences and renewal certificates are issued to all valid liquor licence holders.

The Authority successfully embarked on a project aimed at the secondary applications lodged under the Liquor Act 27/1989. This project entailed the assessment and addressing of the secondary applications backlog. The assessment of the secondary applications backlog was completed by the end of 2015 after which the project team commenced with the next phase of the project, which was to address the backlog through submitting requests for outstanding information and preparing files for consideration by the LLT. The administrative leg of this project has now been completed.

Liquor Licencing Tribunal

The Tribunal has been established to perform the judicial functions regarding any application for liquor licences as provided for in section 20 of the WCL Act (Act 4 of 2008 as amended). The Tribunal must exercise their functions according to the provisions of this Act, impartially and without fear, favour or prejudice.

In addition to the applications in terms of the Act, Act 4 of 2008, the Tribunal dealt with all other outstanding applications in terms of the previous Liquor Act, Act 27 of 1989.

The challenges that arose from the composition and structure of the Tribunal are being addressed in the Western Cape Liquor Amendment Act 3 of 2015 promulgated on 14 December 2015. These amendments provide for additional positions on the Tribunal and will allow for the more efficient functioning of the Tribunal.

During the year under review the licence conditions for on-consumption licences, off-consumption licences, on- and off-consumption licences as well as micro manufacture licences were reviewed and revised where necessary. Amendments included the provision for the licensing of premises where on-line sales of liquor will take place.

Extensive inputs were made in the drafting of the amendments to the Regulations related to the amendment of the Act. These included recommendations on the amendment of certain forms where discrepancies and shortcomings were identified. The Regulation amendments are expected to be finalised during the 2016/17 financial year.

Tribunal practice notes, clarifying the Tribunal's interpretation of the Act, were distributed to Administration and the Industry. Various stakeholder engagements took place which provided a platform for interaction between the Tribunal and the Industry on these issues.

Corporate Services

The Authority successfully took occupancy of its new office accommodation at the end of June 2015. The new office accommodation goes a long way towards ensuring occupational satisfaction and will also assist with the promotion of the brand of the Western Cape Liquor Authority. The Authority wishes to express its appreciation to the Department of Public Works and Transport for its assistance with this project.

During this time the Authority migrated onto its own IT Infrastructure and is now fully self-sustainable in terms of its IT protocols and procedures. Included in this successful migration was securing the Authority's own domain name i.e. **wcla.gov.za**. For its professional assistance and continued support the Authority would also like to express a word of thanks toward SITA and we look forward to a continued mutually beneficial working relationship.

Prior to its establishment the Western Cape Liquor Authority did not have an organisational structure developed that speaks to the function and mandate of the Authority. The Authority has since successfully appointed a service provider that is developing an organisational structure that will address many of the shortcomings that were initially identified by management. The project is at an advanced stage and should be completed in the 2016/17 financial year. Although management understands that it is not only an organisational structure that ensures quality and professional work. It has identified that this project as one of the measures to achieve continued success.

The Records Management section designed and implemented a new file plan that was approved by Provincial Archives on the 25th August 2015. This ensures compliance of the Authority's record keeping processes with the Provincial Archive Act. The Records Management team of the Authority ably lead by Ms Julianna Vercueil (Ms Isabelle Brown, Mr Ricardo Kleinsmidt and Ms Nikita Cotie) received the award for Most Influential Person in Records Management from the Provincial Archives at the Cultural Affairs Awards ceremony held at Rhebokskloof Estate in Paarl on the 3rd February 2016.

2.3. Key Policy Developments and Legislative Changes

Relevant policies and internal controls were reviewed and ultimately amended 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. This amendment act will take effect once the related regulation amendments are finalised and signed off by the relevant MEC. On 15 March 2016 the Premier enacted certain sections of the Amendment Act, Act 3 of 2015.

2.4. Strategic Outcome Oriented Goals

Strategic Outcome Oriented Goal 1	Optimal regulation of the retail sale and micro-manufacturing of liquor and a reduction in the negative social ills of liquor abuse in the Western Cape.
Goal statement	Promotion of an enabling environment that allows for the ease of 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, whilst educating and creating awareness surrounding the negative social impact of liquor abuse as well as informing the community about the liquor licencing application public participation process.

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1 Component 1: Communication, Education and Stakeholder Relations

COMPONENT PURPOSE

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.

COMPONENT DESCRIPTION

The Communication, Education and Stakeholder Relations Component will inform the Industry and stakeholders by active, efficient and effective communication and interventions. Actions will include, but are not limited to, an up to date website, an in-house call centre, workshops with industry specific stakeholders, information sessions with stakeholders, on-going electronic communication with the major players in the Industry and targeted specific interventions.

STRATEGIC OBJECTIVE

To provide an external and internal communication service as well as to co-ordinate education and awareness services to the liquor industry and the citizens of the Western Cape.

Component: Communication, Education and Stakeholder Relations					
Strategic Objective	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Percentage of the social and education fund budget spent or contractually committed annually	98.65%	80%	99.89%	19.89%	The over-achievement on this indicator is directly linked to improved budget and demand planning.

PERFORMANCE INDICATOR

Component: Communication, Education and Stakeholder Relations					
Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of awareness interventions conducted	127	150	169	19	There was a greater demand for engagements with liquor licence holders, communities and schools.
Number of persons reached through an awareness intervention	6 042	5 000	6 859	1 859	The over-achievement on this indicator is directly linked to the above mentioned greater demand for engagements.
Number of social responsibility Programmes conducted	2	1	1	-	

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 license holders were rolled out across the Province in partnership with the SAPS.
- **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** – An engagement was 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** - Information sessions were held with municipalities.
- **Liquor Conferences** – Three mini liquor conferences were held with liquor licence holders.

Number of persons reached through an awareness intervention
At each intervention session, an attendance register is passed around for attendees to complete. 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 15 schools using industrial theatre. A3 posters were handed out to teachers. Posters have a message of positive thinking and how learners have endless opportunities. They, further, address the fact that the choices one makes today will have an impact on one's future. Teenager and alcohol booklets that deal with the effect of alcohol used by teenagers were distributed. This programme was warmly welcomed by school principals.

New branding
The Component managed the development and design of a new Western Cape Liquor Authority logo. Realising that a logo is the organisation's major graphical representation, we viewed this exercise as very important for the WCLA. All staff were included in the process and were ask to provide possible logo designs. Staff voted for the best design and with the help of graphic designers a final product was approved by the Governing Board.

LINKING PERFORMANCE WITH BUDGET

	2015/2016			2014/2015		
Component/activity/ objective	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	R 3 782	R 3 387	R 395	R 3 946	R 3 456	R 490
Total	**R 3 782**	**R 3 387**	**R 395**	**R 3 946**	**R 3 456**	**R 490**

3.2 Component 2: Compliance and Enforcement

COMPONENT PURPOSE
The purpose of this component is to provide an enforcement and compliance service to the Western Cape Liquor Authority.

COMPONENT DESCRIPTION
The Compliance and Enforcement component monitors and enforces compliance of licenced liquor outlets with the provisions of the Act. Routine compliance inspections, formal 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 or licence conditions are be conducted.

STRATEGIC OBJECTIVE

To monitor and enforce compliance of licenced liquor outlets within the provisions of the Act.

Component: Compliance and Enforcement					
Strategic Objective	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of enrolled hearings for non-compliant licenced outlets	26	30	23	(7)	This under-achievement is due to more complex cases running over longer periods utilising the allocated time provided for hearings. This resulted in fewer hearings than anticipated during the period under review.

PERFORMANCE INDICATOR

Component: Compliance and Enforcement					
Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of inspections conducted	4 163	4 000	4 330	330	The over-achievement on this indicator is as a result of an increase in non-compliance at licenced premises
Number of compliance notices issued	489	450	623	173	The over-achievement on this indicator is as a result of an increase in non-compliance at licenced premises

ANALYSIS OF PERFORMANCE INDICATORS

It is envisaged that once the Amendment Act comes into effect the additional positions created on the Tribunal will assist in bringing more non-compliant licence holders before the Tribunal. The outcomes of non-compliance hearings include licences being revoked, suspended, fines imposed and new conditions. Suspensions only get lifted once the conditions have been met.

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

LINKING PERFORMANCE WITH BUDGET

	2015/2016			2014/2015		
Component/activity/ objective	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	R 4 846	R 4 879	(R 33)	R 4 499	R 4 503	(R 4)
Total	**R 4 846**	**R 4 879**	**(R 33)**	**R 4 499**	**R 4 503**	**(R 4)**

3.3 Component 3: Liquor Licencing Administration

COMPONENT PURPOSE

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.

COMPONENT DESCRIPTION

To provide an administrative support function to the Liquor Licencing Tribunal. To accept and process all liquor licence applications for consideration by the LLT.

STRATEGIC OBJECTIVE

To administer all liquor licence applications in accordance with the provisions of the WCL Act (Act 4/2008, as amended).

Component: Liquor Licencing Administration					
Strategic Objective	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of applications processed	-	2 200	2 968	768	This over-achievement is linked to the improved process efficiencies as well as an increase in the number of applications anticipated.

PERFORMANCE INDICATOR

Component: Liquor Licencing Administration					
Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of licences issued	1 807	1 500	1 691	191	This over-achievement is linked to the improved process efficiencies as well as an increase in the number of applications approved.
Number of applications received	3 621	2 700	3 950	1 250	This over-achievement is linked to an increase in the number of applications anticipated.

ANALYSIS OF PERFORMANCE INDICATORS

The Liquor Licensing Administration component achieved all the planned targets for the year.

Further activities that have been achieved on by this component:

System enhancements

- Enhancements to the LMaTS system include increased security features for issuing of licences and certificates.

Application administration

- Standard operating procedures in place for all processes;
- Checklists in place for all application types;
- Special event and temporary licence applications: business process improvement opportunities **identified;**
- Secondary applications backlog project commenced; and
- Security features added for issuing licences, certificates and renewal certificates: use of watermark security paper and security stamp.

Automatic Renewals

- For the 15/16 financial year a total of 8 432 renewals were raised;
- A total of 8 089 licenced premises renewed their licences within the prescribed time; and
- 343 licenced premises failed to renew the licences within the prescribed time and the licences have therefore lapsed.

LINKING PERFORMANCE WITH BUDGET

	2015/2016			2014/2015		
Component/activity/ objective	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 Licence Administration	R 7 773	R 7 434	R 339	R 8 034	R 7 294	R 740
Total	**R 7 773**	**R 7 434**	**R 339**	**R 8 034**	**R 7 294**	**R 740**

3.4 Component 4: Liquor Licencing Tribunal

COMPONENT PURPOSE

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

COMPONENT DESCRIPTION

The Liquor Licencing Tribunal has been established to consider and make a final decision regarding:

- any application for a licence referred to in section 33(1) of the Act;
- any application for the transfer of a licence in terms of section 65(9) of the Act;
- representations for or against the granting of applications;
- any report lodged with the Tribunal by a designated liquor officer, an inspector or a municipal official;
- any complaint lodged with the Tribunal regarding the conduct of a licenced business;
- representations by a licencee or other interested person regarding the rescission of the suspension of a licence or the removal or amendment of any condition imposed upon a licence; or
- any other matter referred to the Tribunal by the Chief Executive Officer or which the Tribunal may or must consider in terms of this Act.

STRATEGIC OBJECTIVE

To perform the judicial function regarding any application in terms of the Act.

Component: Liquor Licencing Tribunal					
Strategic Objective	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of hearings for non-compliance concluded	-	20	23	3	This over-achievement is due to more time available for hearings than anticipated.

PERFORMANCE INDICATOR

Component: Liquor Licencing Administration					
Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of section 36 liquor licence applications considered	802	650	937	287	This over-achievement is due to the higher number of applications received than anticipated.
Number of section 19 liquor licence applications considered	1 509	1 000	1 176	176	A legal opinion obtained enabled the Tribunal to finalise these matters in a much shorter period than originally anticipated.
Number of secondary liquor licence applications considered	-	400	1 604	1 204	This over-achievement is mainly as a result of a change in the methodology in reporting on secondary applications.
Number of event liquor licence applications considered	-	800	1 189	389	The number of special event licence applications exceeded the number of applications anticipated.
Number of temporary liquor licence applications considered	-	200	277	77	The number of temporary licence applications exceeded the number of applications anticipated.

ANALYSIS OF PERFORMANCE INFORMATION

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

A legal opinion obtained by the Western Cape Liquor Authority resulted in the section 19 applications being dealt with by the Tribunal in accordance with the decision as was given in the Macssands case by the Constitutional Court. This meant that if certain basic requirements were not met, the application needn't be considered further. This increased the turnaround time for these applications and contributed to the finalisation of the majority of these applications.

The methodology for the reporting on secondary applications was changed after the targets in the APP for 15/16 had finalised and published. The target set in the APP for the reporting year 16/17 had been adjusted to accommodate the changed methodology.

LINKING PERFORMANCE WITH BUDGET

	2015/2016			2014/2015		
Component/activity/ objective	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	R 2 168	R 2 340	(R 172)	R 2 038	R 2 030	R 8
Total	**R 2 168**	**R 2 340**	**(R 172)**	**R 2 038**	**R 2 030**	**R 8**

3.5 Component 5: Corporate Services

COMPONENT PURPOSE

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;
- Corporate Administration;
- Supply Chain Management; and
- Financial Management.

COMPONENT DESCRIPTION

The Corporate Services component provides strategic and administrative support to the components of the WCLA to ensure that the Authority achieves its performance targets. This component strives to ensure compliance with all relevant rules and legislations that govern public sector financial management.

STRATEGIC OBJECTIVE

To provide an effective, efficient, compliant and transparent financial management, human resource management and auxiliary support service to the Authority.

Component: Corporate Services					
Strategic Objective	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Percentage of the approved budget (operational and capital) spent or contractually committed annually	-	80%	94.58%	14.59%	The over -achievement on this indicator is directly linked to improved budget and demand planning.

PERFORMANCE INDICATOR

Component: Corporate Services					
Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Submit in-year monitoring reports to Provincial Treasury	-	4	4	-	

ANALYSIS OF PERFORMANCE INFORMATION

The Corporate Services component achieved all the planned targets for the year.

Further activities that have been achieved on by this component:

Performance Management System

- Final performance appraisals have been conducted and finalised for the 2014/15 financial year;
- Performance bonuses have been paid to qualifying employees;
- Performance agreements have been concluded for all staff members for the 2015/16 financial year;
- Half-yearly performance reviews have been done for all staff members; and
- Performance appraisals were conducted for 2015/16.

Employee Wellness and Assistance Programme

- Heritage Day celebrations were held at WCLA offices for staff members;
- WCLA participated in the annual Nelson Mandela Day activities; and
- A wellness day was held and voluntary cholesterol and diabetes testing was conducted.

Skills development

- Bursary and Training policy was developed and implemented in 2015/16;
- SCM/ Bid Committee Members training was conducted in December 2015; and
- Fraud training was provided to all staff at the WCLA.

Supply Chain Management

- All Bid Committee Members were duly appointed in 2015/16;
- Updated contract register is in place;
- SCM compliance checklist was developed and implemented for all procurement done in 2015/16 financial year; and
- Circulars were developed to guide end users.

Revenue

- Revenue received from licence applications is processed monthly and paid over to DEDAT.

LINKING PERFORMANCE WITH BUDGET

	2015/2016			2014/2015		
Component/activity/ objective	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	R 14 889	R 13 929	R 960	R 19 283	R 17 910	R 1 373
Total	**R 14 889**	**R 13 929**	**R 960**	**R 19 283**	**R 17 910**	**R 1 373**

4. REVENUE COLLECTION

	2015/2016			2014/2015		
Sources of revenue	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	R 500	R 510	(R 10)	R 500	R 64	R 436
Licence fee temp & special	R 900	R 532	R 368	R 900	R 525	R 375
Auto renewal	R 24 000	R 24 550	(R550)	R 24 000	R 25 642	(R 1 642)
Transfer of licencee	R 150	R 180	(R 30)	R 150	R 321	(R 171)
Application fee temp & special	R 300	R 370	(R 70)	R 300	R 399	(R 99)
Total	**R 25 850**	**R 26 142**	**(R 292)**	**R 25 850**	**R 26 951**	**(R 1 101)**

The Western Cape Liquor Authority, according to the Western Cape Liquor Act, 2008 (Act 4/2008) as amended and GRAP principles, acts as an agent to the Provincial Revenue Fund. All monies collected in the form of licence fees for temporary and special event licences, licence renewal fees, transfer of licences and licence issuing fees are paid over to the Provincial Revenue Fund via the Department of Economic Development and Tourism. The Western Cape Liquor Authority had set itself a target amount of R25,85 million as part of its budgeting process. The Authority has met its set targets in terms of the budget and has paid over thus far an amount of R 25,77 million to the Provincial Revenue Fund. The Authority received funding from the Department to the value of R35, 035 million and a further R3,698 million from the Provincial Treasury rolled over from the 2014/15 financial year.

The over-collection on revenue is linked to the increase in special and temporary licence applications and better collection of automatic renewal fees. The increase in these types of licence applications is outside of the control of the Authority and is solely based on the demand as per applicants.

In order to ensure that the Authority achieves on its "revenue" targets for the financial year, the Authority appointed an additional staff member in the revenue section of the Corporate Service Component. This allowed the Authority to ensure that monies received were allocated correctly where there were cases of incorrect or limited referencing as per the bank statement. This involved cold calling applicants and requesting proof of payments as well as reasons for payments. This also enabled the Authority to reduce its suspense account entries.

The Authority is not dependent on the revenue that it collects. As an agent to the Provincial Revenue Fund the Authority receives funding from Treasury via the Department of Economic Development and Tourism for its day-to-day operations and service delivery.

4.1. Capital investment

The planned roll out of its systems enhancement of its current financial and licencing system has been successfully completed. The new licencing system is known as the Licencing Management and Tracking System (LMaTS). Further enhancements to the LMaTS is underway and will follow a similar implementation strategy as the initial enhancement project (referred to as an agile project approach). This project is due for finalisation in July 2018.

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

90% of the Authority's assets are in a good condition and 10 % are in a fair condition. With the move to new office accommodation the Authority adhered to the principles as prescribed by the office modernisation standards. Resulting from this, the majority of the Authority's old office furniture has been disposed of. The Authority also disposed of assets that had reached their useful life expectancy in accordance with the depreciation schedule as set in the asset register or as and when required. Maintenance of all Authority assets takes place on an as and when required basis. The asset register is updated when new assets are purchased or disposed of.

The Authority had no reports of theft relating to assets during the year under review. Greater focus has been place on safeguarding and safe keeping of 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.

	2015/2016			2014/2015		
Sources of revenue	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	R 2 135	R 147	R 1 988	R 725	R 723	R 2
IT Infrastructure	-	-	-	R 2 899	R 1 907	R 992
Website	-	-	-	R 385	R 385	-
Office Modernisation	R 2 092	R 2 092	-	R 6 662	R 6 662	-
Total	**R 4 227**	**R 2 239**	**R 1 988**	**R 10 671**	**R 9 677**	**R 994**

PART C: GOVERNANCE

WESTERN CAPE
LIQUOR AUTHORITY

PART C: GOVERNANCE

1. INTRODUCTION

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

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

2. PORTFOLIO COMMITTEES

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

- Operations and LLT Committee;
- Compliance, Finance, HR, and IT Committee; and
- Social Fund 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

The Executive Authority performs its oversight on the WCLA 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 WCLA 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

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:

- The Board has the powers and functions conferred or imposed on it by this Act;
- The Board must manage the business of the Authority;
- The Board 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 Licensing Tribunal; and
- The Board 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.

Board Charter

The charter accommodates applicable legislation, regulations and appropriate Governance prescripts such as King III, where applicable.

Composition of the Board

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
Michael Jones	Chairperson	12/03/2015	N/A	B Tech Marketing Honours	Finance, Governance and General Management	Michael Jones Consultancy	N/A	26
Clint Alexander	Deputy Chairperson	12/03/2015	N/A	Diploma in Sales and Marketing	Governance and Communication	N/A	SOC Comm	25
Ludick Sass	Member	12/03/2015	N/A	B.Iuris	Compliance and Governance	Chairperson of Tygerberg Association for Street People (TASP)	OPS & LLT Committee	21
Rev. Philip Philander	Member	12/03/2015	N/A	B. Theology	Social Fund	Pollsmoor Parole Board, Kensington Community Police Forum, Kensington Minister's Fraternal	SOC Comm	27
Hendri Terblanche	Member	12/03/2015	N/A	BA Accountancy	Governance, Finance and Compliance	Karl Bremmer Hospital Health Facility Board	Com, Fin, HR and IT Com	43
Andre Du Plessis	Member	12/03/2015	N/A	B. Proc, ACDC, CDR	Governance and Administration	N/A	OPS & LLT Committee	30
Julia Modise	Member	12/03/2015	N/A	MA (Clinical Social Work), BA Social Work, BA (Hons Sociology)	Governance and HR	N/A	Com, Fin, HR and IT Com	31

Committees

Committee	No. of meetings held	No. of members	Name of members
OPS & LLT Committee	5	2	Andre Du Plessis, Ludick Sass
Compliance, Finance, HR, and IT Committee	10	2	Hendri Terblanche, Julia Modise
Social Fund Committee	4	2	Clint Alexander, Philip Philander

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-catergory B2	R.p.d	R.p.h
Chairperson	R 3 408	R 426
Deputy Chairperson	R 2 400	R 300
Member	R 2 088	R 261

Name	Remuneration	Other allowance	Other re-imbursements	Total
Michael Jones	R 208 030	R 16 221	-	R 224 251
Clint Alexander	R 58 425	R 4 996	R 45	R 63 466
Ludick Sass	R 47 052	R 7 594	-	R 54 646
Philip Philander	R 65 620	R 2 843	-	R 68 463
Andre Du Plessis	R 70 564	R 14 937	-	R 85 501
Hendri Terblanche	R 72 882	R 4 220	-	R 77 102
Julia Modise	R 57 788	R 3 663	R 12	R 61 463

5. RISK MANAGEMENT

Although risk is a function of management, the Governing Board is responsible for the oversight of risk.

The Governing Board is assisted in their task regarding the governance of risk by the Risk Management Committee comprised of the Management of the Authority and the Chief Risk Officer. The Governing Board performs an oversight function with regard to the management of risks. The Risk Management Committee is responsible for the design, implementation and monitoring of the risk management plan.

The Risk Management Committee meets on a quarterly basis. The Chief Risk Officer fulfils the secretarial role for this committee. The Audit and Risk Committee chair and a representative of Internal Audit has a standing invitation to the quarterly Risk Management Committee Review meeting. This report is presented by the Chair of the Risk Management Committee to the Audit and Risk Committee at their quarterly meetings.

The inherent risk rating is an indication of the severity of the risks facing the entity. The expectation would therefore be that the risks with the highest inherent risk rating would be those issues that are regularly discussed at Executive Committee and Governing Board meetings.

The risk mitigating measures, as well as their strength ratings are discussed at the quarterly operational meetings. Any amendments are then fed through to the Chief Risk Officer by the Executive Process owner, who will update the Risk Register.

6. INTERNAL CONTROL UNIT

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

7. INTERNAL AUDIT AND AUDIT COMMITTEES

The Authority does not have the capacity to provide an internal control function. This service is provided by an external service provider (Rakoma and Associates). The internal audit plan is informed by the Risk Management Plan. The internal audit plan is approved by the Audit and Risk 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; and
- Communication.

The Audit and Risk Committee of the Authority meets 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 and Risk Committee takes note of the risk register and how it aligns to the internal audit plan.

The tabled 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	-	8
Hendri Terblanche	BA Accountancy	Internal	Board member	1 April 2015	-	8
Rozan Jaftha	CA(SA); CIA	External	-	1 June 2014	-	6

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

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

For the 15/16 financial year, no conflict of interest has been identified.

11. CODE OF CONDUCT

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

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)

N/A

14. SOCIAL RESPONSIBILITY

The Authority supported the Mandela Day charitable initiatives by visiting the Maitland Cottage Orthopaedic Hospital. This hospital specialises in medical and surgical treatment of children with physical disabilities due to disease or accident. The Authority collected donations amongst the staff and procured food, luxuries and clothing for the children resident in the hospital.

15. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 77 of the Public Finance Management Act and Treasury Regulation 27. The Committee also reports that it has adopted appropriate formal terms of reference as approved by the Governing Board of the Authority as its Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

We have reviewed the Audit report on the Annual Financial Statements and the Management Report of the Auditor-General of South Africa (AGSA). Other than matters already reflected in the AGSA's audit and management reports and the various reports of the Internal Audit process, no material deficiencies in the system of internal control were noted.

Internal audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes resulting from the procedures conducted as part of the Internal Audit Plan.

Accordingly we report that the Audit Committee is satisfied with the identification of corrective actions on the reported deficiencies and with the commitment of the internal audit function and management to address the associated shortcomings. The Audit Committee will continue to monitor progress in this regard on a quarterly basis.

We have reviewed and concur with management's acceptance of the AGSA's management report. We can confirm that there are no unresolved issues.

In-Year Management and Monthly/Quarterly Report

The Audit Committee has extensively reviewed quarterly financial and performance reporting, together with findings from the AGSA and Internal Audit. These findings have been discussed with management. Based on the processes and assurances obtained, the committee believes that the significant internal controls are generally effective and that accounting practices are appropriate. The Audit Committee is satisfied with the quality of management and quarterly reports prepared and issued by the Authority during the period under review.

Governance of Risk

The Audit Committee is responsible for the oversight of the risk management process.

The Audit Committee considered the risk management plan, the risk register and the updates thereto on a quarterly basis.

Evaluation of Financial Statements

The Audit Committee has discussed and reviewed the financial statements prepared by the Authority to be included in the annual report and made a recommendation for Board approval.

The Audit Committee has reviewed the AGSA's audit and the management report as well as management's responses thereto; and reviewed the adjustments resulting from the audit thereof. The Audit Committee accepts the conclusions, and the shortcomings raised will be remedied.

Auditor-General's Report

The Audit Committee concurs and accepts the opinion of the AGSA on the annual financial statements and is of the view that the unqualified audited annual financial statements be accepted and read together with the report of the AGSA.

Appreciation

The Audit Committee wishes to express its appreciation to the Management of the Authority and the AGSA for the co-operation and information they have provided to enable us to compile this report.

Ethel Hamman
Chairperson of the Audit Committee
Western Cape Liquor Authority
Date: August 2016

WCLA Team

PART D:
HUMAN RESOURCE MANAGEMENT

WESTERN CAPE
LIQUOR AUTHORITY

PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

There are 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 2015/16 financial year, staff members entered into performance agreement contracts with the organisation. These contracts were signed by both employee and the immediate supervisor. Two assessment sessions of performance were concluded in the 2015/16 financial year.

The Authority invested in its human capital through induction programmes and training and development courses to ensure that employees are better equipped.

Regarding recruitment, most of the funded vacancies were filled at the end of the financial year. HR policies have been reviewed, amended and have been approved by the Governing Board and communicated to all employees. The Authority had a possitive outcome in its first Employment Equity review conducted by the Department of Labour.

The Authority continued with its employee wellness days which focuse on employee wellbeing and the emotional, physical and financial health of employees. Staff recreational activities such as a Mandela Day charity event and Heritage Day celebrations in which staff were involved, were of great success. A Staff Strategic Session was held in November 2015 to educate staff on the mission, vision and strategic objectives of the Authority as well as the focusing on the goals that need to be reached within the Authority and the overall moral boosting of the organisation. Lastly we organised a year end function for all staff to thank them for their hard work and commitment.

The following internal HR committees have been established to comply with relevant Acts:

- Employment Equity Committee;
- Health and Safety Committee; and
- Training and Development Committee.

These committees are made up of employees within the Authority.

Challenges faced by the Authority in terms of human resources are mentioned below but not limited to:

- An organisational structure to assist the Authority in achieving on its mandate;
- Employee benefits; and
- Training and development budget for further education.

The focus of HR for the upcoming financial year will be to successfully address the challenges faced by the Authority. The future plans for the Authority are geared towards making the Western Cape Liquor Authority an employer of choice. These plans are listed below but not limited to:

- Competitive remuneration and benefits to ensure the WCLA is an employer of choice;
- Investing in human capital and technology (ICT Plan, staff development etc.);
- Create a working environment conducive to efficiency and productivity; and
- Continuous benchmarking, monitoring and evaluation.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme/ activity/ objective

Programme/ activity/ objective	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Communication, Education and Stakeholder Relations	R 16 383	R 1 812	11.10%	5	R 362
Compliance and Enforcement	R 16 383	R 3 788	23.10%	11	R 344
Liquor Licencing Administration	R 16 383	R 4 759	29.10%	21	R 227
Corporate Services	R 16 383	R 6 025	36.77%	30	R 201

Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	R 7 46	4.6%	1	R 746
Senior Management	R 2 479	15.10%	5	R 496
Professional qualified	R 5 532	33.80%	14	R 395
Skilled	R 6 669	40.70%	23	R 290
Semi-skilled	R 556	3.40%	4	R 139
Unskilled	R 401	2.40%	13	R 31
TOTAL	**R 16 383**	**100%**	**60**	**R 2 097**

Performance Rewards

Programme/ activity/ objective	Performance rewards	Personnel expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	1	R20	7.50%
Senior Management	4	R53	19.40%
Professional qualified	12	R116	42.00%
Skilled	11	R81	29.50%
Semi-skilled	1	R4	1.60%
Unskilled	-	-	-
TOTAL	**29**	**R275**	**100%**

Training Costs

Programme/ activity/ objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of Personnel Cost.	No. of employees trained	Avg. training cost per employee
Governing Board	R 580	R 17	2.9%	1	R 17
Communication, Education and Stakeholder Relations	R 16 383	R 50	0.30%	4	R 13
Compliance and Enforcement	R 16 383	R 21	0.10%	7	R 3
Liquor Licencing Administration	R 16 383	R 62	0.40%	20	R 3
Liquor Licencing Tribunal	-	-	-	-	-
Corporate Services	R 16 383	R 90	2.90%	22	R 4

Employment and vacancies

Programme/ activity/ objective	2014/2015 No. of employees	2015/2016 Approved posts	2015/2016 No. of employees	2015/2016 Vacancies	% of vacancies
Communication, Education and Stakeholder Relations	4	5	5	-	-
Compliance and Enforcement	9	11	11	-	-
Liquor Licencing Administration	9	13	13	-	-
Liquor Licencing Tribunal	4	4	4	-	-
Corporate Services	15	21	20	1	4.76%

Programme/ activity/ objective	2014/2015 No. of employees	2015/2016 Approved posts	2015/2016 No. of employees	2015/2016 Vacancies	% of vacancies
Top Management	1	1	1	-	-
Senior Management	4	5	5	-	-
Professional qualified	13	15	15	-	-
Skilled	17	25	24	1	4%
Semi-skilled	2	4	4	-	-
Unskilled	-	-	-	-	-
TOTAL	**37**	**50**	**49**	**1**	**4%**

The filling of vacancies is a tedious process. All advertising of positions are currently done in Die Burger and the Weekend Argus. The high volumes of applications received per post has led to the Authority appointing a response handling service provider. This has significantly reduced the turnaround times for the filling of vacant positions as the service provider has strict deadlines that it has to meet in terms of the contract signed between the two parties.

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	1	1	1
Senior Management	4	1	1	5
Professional qualified	13	2	1	14
Skilled	20	10	3	24
Semi-skilled	2	2	-	4
Unskilled	-	-	-	-
TOTAL	**40**	**16**	**6**	**48**

In terms of the skilled salary band, three out of the ten appointments in the 2015/16 period relate to positions that were vacated in the 2014/15 financial year. The remaining seven appointments in the 2015/16 financial year arose from 2 terminations and 5 critical post additions. The remaining termination was still to be filled at 31 March 2016.

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	5	10% (50)
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	1	2%(50)
Other	-	-
TOTAL	**6**	**12% (50)**

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

1. Salaries not being competitive;
2. Better benefits at other companies; and
3. Flat organisational structure – no growth potential.

As soon as a resignation is received, the necessary documentation is completed and sent 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	-

Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0.2	-	0.2	-	-	-	0.1
Senior Management	-	0.8	3	1.2	-	-	-	0.4
Professional qualified	2	2.3	2	3.3	1	0.1	3	1.1
Skilled	3	4.0	5	5.6	1	0.1	2	1.8
Semi-skilled	0	0.7	1	0.9	-	-	-	0.3
Unskilled	-	-	-	-	-	-	-	-
TOTAL	**6**	**8.0**	**11**	**11.2**	**2**	**0.2**	**5**	**3.7**

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	0.2	-	0.3	-	-	-	0.1
Senior Management	1	0.8	1	1.3	-	-	-	0.4
Professional qualified	2	2.3	4	3.5	-	0.1	-	1.1
Skilled	4	3.9	5	6.1	-	0.1	3	1.1
Semi-skilled	1	0.6	2	1.0	-	-	-	0.3
Unskilled	-	-	-	-	-	-	-	-
TOTAL	**8**	**7.8**	**12**	**12.2**	**-**	**0.2**	**3**	**3**

Levels	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top Management	-	-	-	-
Senior Management	-	-	-	-
Professional qualified	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**

PART E:
FINANCIAL INFORMATION

WESTERN CAPE
LIQUOR AUTHORITY

PART E: FINANCIAL INFORMATION

1. REPORT OF THE EXTERNAL AUDITOR

Report of the auditor-general to the Western Cape Provincial Parliament on the Western Cape Liquor Authority

Report on the financial statements

Introduction

1. I have audited the financial statements of the Western Cape Liquor Authority set out on pages 67 to 117, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The governing board, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised 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 Western Cape Liquor Act, 2008 (Act No.4 of 2008), 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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. 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 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA and the Western Cape Liquor Act.

Emphasis of matter

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

Material underspending of the budget

8. As disclosed in the statement of comparison of budget and actual, the entity has materially underspent the capital budget by R3,0 million (2014-15: R1,8 million).

Additional matter

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

Unaudited supplementary schedules

10. The supplementary information set out on pages 118 to 120 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

Report on other legal and regulatory requirements

11. 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 findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2016:
    - Objective 1: Communication, Education and Stakeholder Relations on pages 24 to 26
    - Objective 2: Compliance and Enforcement on pages 26 to 28
    - Objective 3: Liquor Licencing Administration on pages 28 to 30
    - Objective 4: Liquor Licencing Tribunal on pages 31 to 33

13. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPI).

14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

15. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives:
    - Objective 1: Communication, education and stakeholder relations
    - Objective 2: Compliance and enforcement
    - Objective 3: Liquor licencing administration
    - Objective 4: Liquor licencing tribunal

Additional matters

16. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

Achievement of planned targets

17. Refer to the annual performance report on page 24 to 33 for information on the achievement of the planned targets for the year.

Unaudited supplementary information

18. The supplementary information set out on pages 36 and 37 does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report on them.

Compliance with legislation

19. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows :

Financial statements

20. 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 Public Finance Management Act. Material misstatements of disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

21. Goods and services with transaction values above R500 000 were procured without inviting competitive bids, as required by treasury regulations 16A6.1.

Internal control

22. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. 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

23. Management did not adequately review the annual financial statements to ensure that the disclosures were fairly presented, supported and evidenced by reliable information, as material misstatements were identified in the financial statements.

24. Management's reviews and monitoring of compliance with procurement processes in line with applicable legislation was inadequate in preventing and detecting material non-compliance.

Auditor-General

Auditor-General
Cape Town
29 July 2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

2. ANNUAL FINANCIAL STATEMENTS

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:	3 rd Floor Sunbel Building 3 Old Paarl Road Bellville 7530
Bankers:	Nedbank Corporate
Auditors:	Office of the Auditor General of South Africa
Chief Executive Officer:	L Mdunyelwa
Chairperson of the Governing Board:	M Jones
Attorneys:	State Attorney
Audit Committee members:	E Hamman R Jaftha H Terblanche

WESTERN CAPE LIQUOR AUTHORITY

CONTENTS

GOVERNING BOARD MEMBERS' RESPONSIBILITIES AND APPROVAL

The Governing Board members are required by section 55 of the Public Finance Management Act, 1999 as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Authority as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Generally Recognised Accounting Practice (GRAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

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

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

The Governing Board members have reviewed the Authority's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the current financial position, they are satisfied that the Authority 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 annual financial statements set out on pages 2 to 45, which have been prepared on the going concern basis, were approved by the board and were signed on its behalf by:

Mr Michael Jones
Chairperson of the Governing Board
Western Cape Liquor Authority
Date: August 2016

WESTERN CAPE LIQUOR AUTHORITY

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2016

	Notes	2016	Restated 2015
NET ASSETS AND LIABILITIES			
Net Assets		**13,448,835**	**10,870,061**
Social and Education Fund Reserve	2	11,573	10,732
Accumulated Surplus		13,437,262	10,859,329
Non-Current Liabilities		**3,497,901**	**2,113,493**
Long-term Liabilities	3	2,143,360	2,113,493
Non-Current Provisions	4	1,054,875	-
Operating Lease Liabilities	5	299,666	-
Current Liabilities		**7,071,325**	**6,493,554**
Provisions	6	21,301	19,082
Current Employee Benefits	7	741,802	723,130
Payables from Exchange Transactions	8	1,969,942	1,443,730
Unspent Government Grants	9	4,011,489	3,730,185
Current Portion of Long-term Liabilities	3	326,792	577,427
Total Net Assets and Liabilities		**24,018,061**	**19,477,108**
ASSETS			
Non-Current Assets		**17,119,613**	**6,888,251**
Property, Plant and Equipment	10	15,632,430	5,367,575
Intangible Assets	11	1,487,182	1,520,676
Current Assets		**6,898,449**	**12,588,858**
Receivables from Exchange Transactions	12	295,574	6,741,306
Receivables from None- Exchange Transactions	12	83,000	
Cash and Cash Equivalents	13	6,519,875	5,847,552
Total Assets		**24,018,061**	**19,477,108**

WESTERN CAPE LIQUOR AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016	Restated 2015
REVENUE			
Revenue from Non-exchange Transactions		**36,980,422**	**36,322,884**
Government Grants and Subsidies	14	34,616,640	35,043,949
Penalties and Fines	15	1,220,705	1,269,693
Third Party Payments	16	-	8,790
Transfer of Assets	17	828,293	-
Other Income	18	682	452
Services In-kind	19	314,103	-
Revenue from Exchange Transactions		**1,740,737**	**2,080,646**
Application Fees	20	1,224,531	1,295,375
Interest Earned - External Investments		479,251	755,366
Other Income	18	36,955	29,905
Total Revenue		**38,721,159**	**38,403,530**
EXPENDITURE			
Employee Related Costs	21	16,818,627	15,193,203
Remuneration of Governing Board Members	22	580,360	257,339
Depreciation and Amortisation	23	1,535,679	514,583
Finance Charges	24	709,582	639,621
Grants and Subsidies Paid	25	19,042	1,390
General Expenses	26	16,284,182	12,597,664
Loss on disposal of Property, Plant and Equipment	27	194,912	69,996
Total Expenditure		**36,142,386**	**29,273,796**
NET SURPLUS FOR THE YEAR		**2,578,774**	**9,129,734**

WESTERN CAPE LIQUOR AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Social and Education Fund Reserve R	Accumulated Surplus R	Total R
Balance at 1 April 2014		**3,453**	**1,736,874**	**1,740,327**
Net Surplus for the year		-	9,129,734	9,129,734
Movement in Social and Education Fund Reserve		7,279	(7,279)	-
Balance at 31 March 2015	**2**	**10,732**	**10,859,329**	**10,870,061**
Net Surplus for the year		-	2,578,774	2,578,774
Movement in Social and Education Fund Reserve		841	(841)	-
Balance at 31 March 2016	**2**	**11,573**	**13,437,262**	**13,448,835**

WESTERN CAPE LIQUOR AUTHORITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016	Restated 2015
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Other Receipts		2,213,939	2,604,214
Government Grant		34,897,944	29,345,896
Interest		508,260	742,898
Payments			
Suppliers and Employees		(32,483,045)	(29,041,092)
Finance Charges		(689,240)	(626,125)
Grants and Subsidies Paid		(19,042)	(1,390)
Net cash inflow from Operating Activities	29	**4,428,815**	**3,024,401**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(3,367,110)	(1,885,208)
Purchase of Intangible Assets	11	(153,079)	(983,967)
Prepayment	12	-	(6,662,000)
Proceeds with disposal of Property, Plant and Equipment	27	6,500	-
Net cash outflow from Investing Activities		**(3,513,688)**	**(9,531,175)**
CASH FLOW FROM FINANCING ACTIVITIES			
Finance Lease Capital Redemption		(242,805)	(175,858)
Net cash outflow from Financing Activities		**(242,805)**	**(175,858)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**672,322**	**(6,682,633)**
Cash and Cash Equivalents at the beginning of the year		5,847,552	12,530,185
Cash and Cash Equivalents at the end of the year	30	6,519,874	5,847,552
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**672,322**	**(6,682,633)**

WESTERN CAPE LIQUOR AUTHORITY

STATEMENT OF COMPARISION OF BUDGET AND ACTUAL FOR THE YEAR ENDED 31 MARCH 2016

	Original Budget R	Adjustments R	Final Budget R	Cash Basis Actual R	Actual vs Final Budget R
REVENUE					
Government Grants and Subsidies	38,435,000	298,000	38,733,000	34,616,640	(4,116,360)
Penalties and Fines	1,510,911	(379,000)	1,131,911	1,137,705	5,794
Third Party Payments	-	7,030	7,030	-	(7,030)
Application Fees	913,550	274,475	1,188,025	1,224,531	36,506
Interest Earned - External Investments	500,000	(35,000)	465,000	508,260	43,260
Other Income	24,550	5,535	30,085	37,636	7,551
Total Revenue	**41,384,011**	**171,040**	**41,555,051**	**37,524,772**	**(4,030,279)**
EXPENDITURE					
Employee Related Costs	18,679,089	(1,957,317)	16,721,772	16,797,737	75,965
Remuneration of Governing Board Members	316,200	323,800	640,000	538,391	(101,609)
Depreciation and Amortisation	-	-	-	-	-
Finance Charges	-	-	-	-	-
Grants and Subsidies Paid	-	19,042	19,042	19,042	-
General Expenses	17,417,122	223,267	17,640,389	16,560,260	(1,080,129)
Loss on disposal of Property, Plant and Equipment	-	-	-	-	-
Total Expenditure	**36,412,411**	**(1,391,208)**	**35,021,203**	**33,915,430**	**(1,105,773)**
NET SURPLUS FOR THE YEAR	**4,971,600**	**1,562,248**	**6,533,848**	**3,609,342**	**(2,924,506)**
CAPITAL EXPENDITURE					
Property, Plant and Equipment	4,671,600	(272,973)	4,398,627	3,367,112	(1,031,514)
Intangible Assets	300,000	1,835,220	2,135,220	153,079	(1,982,141)
TOTAL CAPITAL EXPENDITURE	**4,971,600**	**1,562,247**	**6,533,847**	**3,520,191**	**(3,013,656)**

Refer to note 44.1 for explanations of material variances between the original and final budget.
Refer to note 44.2 for explanations of material variances between actual amounts and the final budget.
Refer to note 44.3 for reconciliation between the cash and accrual basis.
Material variances are considered to be any variances greater than R360 000.

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Public Finance Management Act (PFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 91(1) of the Public Finance Management Act, (Act No 1 of 1999).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the ASB.

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

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. 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.

1.5. 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.

1.6. 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.

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 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.

1.7. 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.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Authority:

Standard	Description	Effective Date
GRAP 20 (Original – June 2011)	**Related Party Disclosure** The objective of this Standard is to ensure that a Authority's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The Authority resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	**Unknown**
GRAP 32 (Original – Aug 2013)	**Service Concession Arrangements:** Grantor The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity. No such transactions or events are expected in the foreseeable future.	**Unknown**
GRAP 108 (Original – Sept 2013)	**Statutory Receivables** The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. No significant impact is expected as the Authority's does not have significant statutory receivables.	**Unknown**
IGRAP 17	**Service Concession Arrangements where a grantor controls a significant residual interest in an asset** This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No significant impact is expected as the Authority does not have any Concession Arrangements at this stage.	**Unknown**

These standards, amendments and interpretations will not have a significant impact on the Authority once implemented.

1.9. RESERVES

1.9.1 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 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).

1.10. LEASES

1.10.1 Authority as 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 licensing 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 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.

1.10.2 Authority as Lessor

Under a finance lease, the Authority recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Authority, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Authority recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11. 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.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Authority has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Authority has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.12. EMPLOYEE BENEFITS

1.12.1 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.

1.12.2 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to all employees who qualify, is recognised as it accrue to employees. Performance bonus provisions are based on the performance management policy and procedures as well as previous performance bonus payment trends.

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 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.

1.13.2 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.

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.

1.13.3 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:

	Years		Years
Other Assets		Leased Assets	
Computer Equipment	5 - 10	Office Equipment	3
Furniture and Fittings	5 - 30	Motor Vehicles	7
Office Equipment	10 - 30	Leasehold Improvements	15
Safety and Security	10	Capital Restoration Costs	15

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.

1.13.4 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.

1.14. INTANGIBLE ASSETS

1.14.1 Initial Recognition

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

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, licensed, 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.

1.14.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments 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.

1.14.3 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:

Intangible Assets	Years
Computer Software	10
Website Development	3

1.14.4 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.

1.15. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.15.1 Cash-generating assets

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.

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.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Authority estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.15.2 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.

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.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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.

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.

1.16. 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).

1.16.1 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.

1.16.2 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.

1.16.2.1 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 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.

1.16.2.2 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.

1.16.2.3 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.

1.16.3 De-recognition of Financial Instruments

1.16.3.1 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 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.

1.16.3.2 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.

1.16.4 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

1.17. REVENUE

1.17.1 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 Economic Development and Tourism 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 Licensing Tribunal or other law-enforcement agencies for non-compliance by the licensee. Fines imposed by the Liquor Licensing 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.

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.

All unclaimed deposits accumulated during the year must be allocated at year-end. At year-end, the Authority evaluates revenue streams received during the year. Based on the historic revenue streams of the current year, unknown receipts are reallocated on a weighted average basis to Revenue from Exchange Transactions, Revenue from Non-Exchange Transactions, payable to the principle in terms of the agency function.

Although unclaimed deposits are recognised as revenue, the Authority still keep record of these unclaimed deposits for three years in the event that a party should submit a valid claim, in which case it will be expensed.

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:

- 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.

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.

1.17.2 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.
- 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 Fees are charged in accordance with section 26(8), 36(1)(e), 38, 64(1) and 65(9) of the Western Cape Liquor Act. Application Fees mainly include applications for new liquor licenses or amendments to existing liquor licenses. 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.

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.
(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Authority being the Chief Executive Officer an all other Deputy Directors reporting directly to the Chief Executive Offices 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 measures 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 ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Authority's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.22.1 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 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.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

1.22.2 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Authority and other public entities to determine the useful life of the assets.

1.22.3 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.

1.22.4 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.

1.22.5 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.

1.22.6 Provision for Performance bonuses

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

1.22.7 Provision for Restoration of Lease Premises

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

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); 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.

		2016 R	2015 R
2.	**NET ASSET RESERVES**		
	Social and Education Fund Reserve		
	Opening balance	10,732	3,453
	Contributions made	750,700	539,000
	Expenditure incurred	(749,859)	(531,721)
	Total Net Asset Reserves	**11,573**	**10,732**

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 13.

		2016 R	2015 R
3.	**LONG-TERM LIABILITIES**		
	Capitalised Lease Liabilities - At amortised cost	2,470,152	2,690,920
	Less: Current Portion transferred to Current Liabilities	(326,792)	(577,427)
	Total - At amortised cost using the effective interest rate method	**2,143,360**	**2,113,493**

Capitalised Lease Liabilities are secured by Property, Plant and Equipment as set out in note 10.

Capitalised Leased Liabilities consist out the following contracts:

Supplier	**Description of leased item**	**Effective Interest rate**	**Annual escal-ation**	**Lease term**	**Maturity Date**
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554)	13.66%	0%	3 years	30 Apr 2016
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554E)	24.46%	0%	3 years	28 Feb 2017
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554E)	24.20%	0%	3 years	30 Jun 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554E)	24.20%	0%	3 years	30 Jun 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554E)	24.20%	0%	3 years	30 Jun 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C364E)	11.67%	0%	3 years	30 Jun 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C454E)	11.67%	0%	3 years	30 Jun 2018
Government Motor Transport	Ford Ranger 3.2XLT D/CAB 4X4	23.89%	5.93%	5 years	28 Feb 2020
Government Motor Transport	Hyundai Elantra - 1.8	28.86%	5.93%	5 years	29 April 2019
Government Motor Transport	Hyundai Elantra - 1.8	29.73%	5.93%	5 years	29 June 2019
Government Motor Transport	Hyundai H1.2.4 GLS Wagon	36.46%	5.93%	7 years	29 Mar 2020
Government Motor Transport	Toyota Etios - 1.5 XS	34.13%	5.93%	7 years	28 Apr 2020
Government Motor Transport	Toyota Hilux 2.7 4x2 D/CAB	33.74%	5.93%	7 years	27 Nov 2020
Government Motor Transport	Volkswagen Caddy - 2.0 Trendline	22.21%	5.93%	5 years	29 June 2019
Government Motor Transport	Volkswagen Polo 1.4 Trendline	35.19%	5.93%	7 years	28 Aug 2020
Government Motor Transport	Volkswagen Polo 1.4 Trendline	35.19%	5.93%	7 years	28 Aug 2020

The obligations under finance leases are scheduled below:	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	980,589	1,308,161
Payable within two to five years	3,582,656	3,597,210
Payable after five years		449,235
	4,563,245	5,354,606
Less: Future finance obligations	(2,093,096)	(2,663,687)
Present value of lease obligations	**2,470,152**	**2,690,920**

		2016 R	2015 R
4.	**NON-CURRENT PROVISIONS**		
	Provision for Restoration of Lease Premises	1,054,875	-
	Total Non-current Provisions	**1,054,875**	**-**
	Provision for Restoration of Lease Premises		
	Balance at beginning of year	-	-
	Additions	1,014,693	-
	Finance Charges	40,182	-
	Balance at end of year	**1,054,875**	**-**

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%.

		2016 R	2015 R
5.	**OPERATING LEASE LIABILITIES**		
	Operating Lease Liabilities	299,666	-
	Total Operating Lease Liabilities	**299,666**	**-**

The operating lease relates to the lease of office space. The lease period is for 5 years and the contract lapse on 31 May 2020. The lease payment 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 follow:

	2016 R	2015 R
Payable within one year	2,213,087	1,728,974
Payable within two to five years	8,229,779	9,972,416
Payable after five years		470,450
Total minimum lease payments	**10,442,866**	**12,171,840**

Motor vehicles:

Leasing arrangements:

Operating leases relate to 5 vehicles with anticipated remaining lease terms of 29 to 43 months as at 31 March 2016. The Authority 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 GRAP 13.

	2016 R	2015 R
6. PROVISIONS		
Legal Fees	-	-
Workmen's Compensation	21,301	19,082
Total Provisions	**21,301**	**19,082**
<u>**Legal Fees**</u>		
Balance at beginning of year	-	580,000
Contribution/(Reversal of Contribution) for the year	-	(338,032)
Expenditure for the year	-	(241,968)
Balance at end of year	-	-

This provision for legal fees relates to a High Court ruling against the Authority whereby the Authority was ordered to repay the legal fees of the opposing party. At 31 March 2014, a provision amounting to R580 000 was created as both the timing and amount payable was uncertain. During 2014/15 the legal fees were verified amounting to R241 968.

	2016 R	2015 R
<u>**Workmen's Compensation**</u>		
Balance at beginning of year	19,082	28,596
Contribution for the year	25,970	26,202
Expenditure for the year	(23,752)	(35,716)
Balance at end of year	**21,301**	**19,082**

Provision for Workmen's Compensation is based on the risk factor of 0.13% 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.

	2016 R	2015 R
7. **CURRENT EMPLOYEE BENEFITS**		
Provision for Staff Leave	441,979	448,459
Provision for Performance Bonuses	299,823	274,671
Total Current Employee Benefits	**741,802**	**723,130**
The movement in current employee benefits is reconciled as follows:		
Provision for Staff Leave		
Balance at beginning of year	448,459	484,607
Contribution to current portion – Note 21	134,777	77,409
Expenditure incurred	(141,257)	(113,557)
Balance at end of year	**441,979**	**448,459**

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.

	2016 R	2015 R
Provision for Performance Bonuses		
Balance at beginning of year	274,671	252,470
Contribution to current portion – Note 21	299,823	274,201
Expenditure incurred	(274,671)	(252,000)
Balance at year-end	**299,823**	**274,671**

Performance bonuses are being paid to qualifying staff members after an evaluation of performance.

Defined contribution Pension Plan

Pension fund contributions has been included in personnel costs. Pension contributions amounting to R 1 936 011 was paid over to Verso Umbrella Retirement Pension Fund.

		2016	2015
		R	R
8.	**PAYABLES FROM EXCHANGE TRANSACTIONS**		
	Trade Payables	561,257	519,059
	Provincial Revenue Fund	1,380,542	876,688
	Accrued Interest on Finance Leases	28,143	47,983
	Total Payables from Exchange Transactions	**1,969,942**	**1,443,730**

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.

	2016	2015
Outstanding balance at beginning of year	876,688	702,620
Total amount collected on behalf of the Provincial Revenue Fund	26,681,604	27,584,938
Total amount of collections paid to the Provincial Revenue Fund	(26,177,750)	(27,410,870)
Outstanding balance as at year-end	**1,380,542**	**876,688**

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 Economic Development (DEDAT) who then pays the fees collected to the Provincial Revenue Fund. These payments are done in terms of the memorandum of understanding between the WCLA and DEDAT. No significant risks are identified.

		2016	2015
9.	**UNSPENT GOVERNMENT GRANTS**		
	Western Cape Department of Economic Development and Tourism	4,011,489	3,730,185
	Total Unspent Government Grants	**4,011,489**	**3,730,185**

In terms of Section 53 of the PFMA all accumulated cash surpluses should be surrendered to the Provincial Revenue Fund.

Unspent Government Grants are reconciled as follow:

	2016	2015
Opening balance	3,730,185	9,428,238
Grants received	38,732,506	38,240,500
Grants recognised as income	(34,616,640)	(35,043,949)
Grants surrendered	(3,834,562)	(8,894,604)
Closing balance	**4,011,489**	**3,730,185**

10. PROPERTY, PLANT AND EQUIPMENT

31 MARCH 2016

Reconciliation of Carrying Value	Cost					Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Contributions and Transfers	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Contributions and Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R		R	R	R
Other Assets	**3,123,670**	**5,994,597**	**30,293**	**(252,930)**	**8,895,630**	**(261,309)**	**(691,206)**	**-**	**29,319**	**(923,197)**	**7,972,434**
Computer Equipment	2,522,259	987,118	-	-	3,509,377	(199,890)	(416,249)	-	-	(616,140)	2,893,237
Office Equipment	221,205	582,380	-	(5,575)	798,011	(27,666)	(53,741)	-	1,031	(80,376)	717,635
Furniture and Fittings	380,206	3,493,985	30,293	(247,355)	3,657,129	(33,753)	(156,765)	-	28,288	(162,231)	3,494,898
Safety and Security	-	931,114	-	-	931,114	-	(64,451)	-	-	(64,451)	866,663
Leased Assets	**2,901,150**	**5,518,990**	**798,000**	**(600,410)**	**8,617,730**	**(395,937)**	**(657,901)**	**-**	**96,105**	**(957,733)**	**7,659,997**
Office Equipment	238,434	529,123	-	-	767,557	(121,185)	(212,097)	-	-	(333,282)	434,275
Motor Vehicles	2,662,716			(600,410)	2,062,307	(274,752)	(183,632)		96,105	(362,279)	1,700,028
Leasehold Improvements	-	3,975,173	798,000		4,773,173	-	(216,209)			(216,209)	4,556,964
Capital Restoration Costs	-	1,014,693	-	-	1,014,693	-	(45,962)	-	-	(45,962)	968,731
	6,024,821	**11,513,586**	**828,293**	**(853,340)**	**17,513,361**	**(657,246)**	**(1,349,107)**	**-**	**125,423**	**(1,880,930)**	**15,632,431**

There are no fully depreciated assets which is still in use or any assets held for disposal or any temporary idle assets as at reporting date. Leased Assets were pledged as security as per note 3.

31 MARCH 2015

Other Assets	**1,326,988**	**1,885,208**	**-**	**(88,526)**	**3,123,670**	**(124,748)**	**(155,091)**	**-**	**18,530**	**(261,309)**	**2,862,361**
Computer Equipment	731,879	1,837,018	-	(46,638)	2,522,259	(100,717)	(111,616)	-	12,442	(199,890)	2,322,369
Office Equipment	218,551	44,184	-	(41,530)	221,205	(10,728)	(22,968)	-	6,030	(27,666)	193,539
Furniture and Fittings	376,558	4,006	-	(358)	380,206	(13,303)	(20,508)	-	57	(33,753)	346,453
Leased Assets	**1,724,418**	**1,176,732**	**-**	**-**	**2,901,150**	**(140,988)**	**(254,949)**	**-**	**-**	**(395,937)**	**2,505,214**
Office Equipment	238,434	-	-	-	238,434	(41,707)	(79,478)	-	-	(121,185)	117,249
Motor Vehicles	1,485,984	1,176,732	-	-	2,662,716	(99,281)	(175,471)	-	-	(274,752)	2,387,965
	3,051,406	**3,061,940**	**-**	**(88,526)**	**6,024,821**	**(265,736)**	**(410,040)**	**-**	**18,530**	**(657,246)**	**5,367,575**

There are no fully depreciated assets which is still in use or any assets held for disposal or any temporary idle assets as at reporting date. Leased Assets were pledged as security as per note .

Included in the carrying value of Computer Equipment is an amount R1 755 610 relating to a server which was purchased. At year-end, the server was not yet installed and is therefore not considered to be ready for use as required by GRAP 17. Therefore no depreciation was calculated for this item.

	2016 R	2015 R
11. INTANGIBLE ASSETS		
Net Carrying amount at 1 April	**1,520,676**	**641,252**
Cost	1,641,950	657,983
Accumulated Amortisation	(121,274)	(16,731)
Additions	153,079	983,967
Amortisation	(186,572)	(104,543)
Net Carrying amount at 31 March	**1,487,182**	**1,520,676**
Cost	1,795,029	1,641,950
Accumulated Amortisation	(307,846)	(121,274)

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

Description	Remaining Amortisation Period	Carrying Value	
		2016	2015
LMATS - phase 1	7 years	206,318	232,547
LMATS - phase 2	7 years	79,517	89,545
LMATS - phase 3	8 years	228,471	256,242
LMATS - phase 4	8 years	143,609	160,580
LMATS - phase 5	8 years	153,724	171,467
LMATS - phase 6	8 years	239,386	266,386
FMATS	7 years	223,640	253,361
Website Development	2 years	59,946	90,547
TMS Software	10 years	5,315	-
TMS Software	10 years	147,257	-
		1,487,182	**1,520,676**

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.

There are no contractual commitments for the acquisition of intangible assets.

		2016 R	2015 R
12.	**RECEIVABLES FROM EXCHANGE TRANSACTIONS**		
	Accrued Interest on Investment Accounts	50,297	79,306
	Rental advance payment	172,897	-
	Prepayment	59,343	6,662,000
	Deposits	13,036	-
	Total Receivables from Exchange Transactions	**295,574**	**6,741,306**

The prepayment relates to a deposit which was paid to the landlord in terms of the lease agreement for the new offices residing in Bellville. The deposit was utilised for capital improvements to the leasehold property and also for the acquisition of movable assets.

	2016 R	2015 R
Accrued Interest on Investment Accounts		
Current (0 - 30 days)	50,297	79,306
Total	**50,297**	**79,306**
Prepayment and advance rental		
Current (0 - 30 days)	232,240	6,662,000
Total	**232,240**	**6,662,000**
Deposits		
Current (0 - 30 days)	13,036	-
Total	**13,036**	**-**
RECEIVABLES FROM NONE-EXCHANGE TRANSACTIONS		
Accrued Fines	83,000	-
Total Receivables from None- Exchange Transactions	**83,000**	**-**

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.

	2016 R	2015 R
13. CASH AND CASH EQUIVALENTS		
Call Investment Deposits	6,363,441	5,662,622
Primary Bank Accounts	152,239	184,930
Procurement Card	4,195	-
Total Cash and Cash Equivalents	**6,519,875**	**5,847,552**

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 account:

	2016 R	2015 R
Primary Bank Accounts		
Nedbank - account no 1452069883 (income account)	91,935	125,979
Nedbank - account no 1452069905 (expense account)	60,304	58,951
	152,239	**184,930**
Nedbank - account no 1452069883 (income account)		
Cash book balance at beginning of year	125,979	87,448
Cash book balance at end of year	91,935	125,979
Bank statement balance at beginning of year	125,979	87,448
Bank statement balance at end of year	91,935	125,979
Nedbank - account no 1452069905 (expense account)		
Cash book balance at beginning of year	58,951	52,721
Cash book balance at end of year	60,304	58,951
Bank statement balance at beginning of year	58,951	56,908
Bank statement balance at end of year	60,304	58,951
Call Investment Deposits		
Call investment deposits consist out of the following account:		
Nedbank - acc no 037881100168 - Call 1 (Grant)	2,718,647	1,000
Nedbank - acc no 037881100168 - Call 3 (Income)	3,643,952	5,650,010
Nedbank - acc no 037881100168 - Call 7 (Social and Education Fund)	841	11,613
	6,363,441	**5,662,622**
Procurement Card		
Nedbank		
Balance at beginning of year	-	-
Balance at end of year	4,195	-
	4,195	**-**

		2016 R	2015 R
14.	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Western Cape Department of Economic Development and Tourism	34,616,640	35,043,949
	Total Government Grants and Subsidies	**34,616,640**	**35,043,949**
14.1	Western Cape Department of Economic Development and Tourism		
	Opening balance	3,730,185	9,428,238
	Grants received	38,732,506	38,240,500
	Grants recognised as income	(34,616,640)	(35,043,949)
	Grants surrendered	(3,834,562)	(8,894,604)
	Closing balance	**4,011,489**	**3,730,185**

This grant enables the Authority to carry out its mandate to regulate the liquor industry in the Western Cape.

		2016 R	2015 R
15.	**PENALTIES AND FINES**		
	Penalties on late payments of licence renewals	931,505	992,593
	Fines imposed by the Liquor Licencing Tribunal	271,500	192,500
	Fines imposed by Designated Liquor Officer	17,700	84,600
	Total Penalties and Fines	**1,220,705**	**1,269,693**
16.	**THIRD PARTY PAYMENTS**		
	Property, Plant and Equipment	-	8,790
	Total Third Party Payments	**-**	**8,790**

Third party payments relate to insurance claims received for stolen assets.

		2016 R	2015 R
17.	**TRANSFER OF ASSETS**		
	Property, Plant and Equipment	**828,293**	-
	Landlord	798,000	-
	Other	30,293	-
	Total Transfer of Assets	**828,293**	**-**

As per the rental agreement, the landlord's monetary contribution towards the fitting out of the leased premise was determined at R798 000 for the current year.

		2016 R	2015 R
18.	**OTHER INCOME**		
	Copy of licences	30,050	29,905
	Unknown receipts recognised as income	682	452
	Sundry Income	6,905	-
	Total Other Income	**37,636**	**30,357**
	Disclosed as follow:		
	Revenue from Non-Exchange Transactions	682	452
	Revenue from Exchange Transactions	36,955	29,905
	Total Other Income	**37,636**	**30,357**

		2016 R	2015 R
19.	**SERVICES IN-KIND**		
	Rental of office space	284,996	-
	Telephone Services	29,107	-
	Total Services In-kind	**314,103**	**-**

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

The building which was occupied for the first 3 months of the 2015/16 financial year by the Authority (6th Floor Waldorf Building, from where its operations were conducted) is leased by the Department of Transport and Public Works. No rent was levied by this Department for the right of use granted to the Authority.

The Authority also made use of telephone services which is paid for by the Department of Transport and Public Works.

		2016 R	2015 R
20.	**APPLICATION FEES**		
	New licences	783,750	873,075
	Change of premises on existing licences	28,100	27,500
	Granting fees	22,650	25,500
	Licensee for transfer of licence to new owner	106,500	114,650
	Alterations of premises on existing licences	104,500	87,750
	Amendment of conditions on existing licences	10,000	15,000
	Interim or pending licence fee	124,831	106,450
	Transfer of financial interest on existing licences	21,500	29,750
	Other application fees	22,700	15,700
	Total Application Fees	**1,224,531**	**1,295,375**
21.	**EMPLOYEE RELATED COSTS**		
	Salaries and Wages	14,322,650	12,863,348
	Contribution to Leave Provision	134,777	77,409
	Contribution to Performance Bonuses Provision	299,823	274,201
	UIF	80,295	76,806
	Overtime	19,101	57,707
	Pension Fund Contributions	1,936,011	1,817,530
	Workmen's Compensation	25,970	26,202
	Total Employee Related Costs	**16,818,627**	**15,193,203**

	2016 R	2015 R
21. **EMPLOYEE RELATED COSTS (continued)**		
REMUNERATION OF MANAGEMENT PERSONNEL		
Chief Executive Officer - Thys Giliomee (1 April 2015 - 31 October 2015)		
Basic Salary	387,087	776,612
Pension Fund	58,061	112,027
Performance Bonus	20,602	22,931
Cell phone Allowance	5,700	12,350
Contributions for UIF	892	1,933
Total	**472,343**	**925,854**
Chief Executive Officer - Luzuko Mdunyelwa (1 January 2016 - 31 March 2016)		
Basic Salary	187,865	-
Pension Fund	28,180	-
Performance Bonus	-	-
Cell phone Allowance	2,850	-
Contributions for UIF	446	-
Total	**219,340**	**-**
Chief Financial Officer - Thembelani Mangena (6 January 2016 - 21 January 2016)		
Basic Salary	22,854	-
Pension Fund	3,428	-
Performance Bonus		-
Cell phone Allowance	-	-
Contributions for UIF	149	-
Total	**26,431**	**-**
Chief Financial Officer - Victoria Letswalo (8 February 2016 - 31 March 2016)		
Basic Salary	71,743	-
Pension Fund	10,761	-
Performance Bonus	-	-
Cell phone Allowance	1,043	-
Contributions for UIF	297	-
Total	**83,845**	**-**
Deputy Director: Liquor Licencing Administration - Leatitia Petersen		
Basic Salary	510,217	503,697
Pension Fund	76,532	72,812
Performance Bonus	13,001	14,734
Cell phone Allowance	7,200	7,800
Contributions for UIF	1,785	1,933
Total	**608,735**	**600,977**

	2016 R	2015 R
21. **EMPLOYEE RELATED COSTS (continued)**		
REMUNERATION OF MANAGEMENT PERSONNEL		
Deputy Director: Compliance and Enforcement - Shawn Willemse		
Basic Salary	510,217	503,697
Pension Fund	76,532	72,812
Performance Bonus	13,310	14,734
Cell phone Allowance	7,200	7,800
Contributions for UIF	1,785	1,933
Total	**609,044**	**600,977**
Deputy Director: Communication, Education and Stakeholder Relations - Philip Prinsloo		
Basic Salary	510,217	503,697
Pension Fund	79,548	72,812
Performance Bonus	13,464	14,734
Acting Allowance	20,103	
Cell phone Allowance	7,200	7,800
Contributions for UIF	1,785	1,933
Total	**632,317**	**600,977**
Deputy Director: Corporate Services - Marvin Jackson		
Basic Salary	510,217	503,697
Pension Fund	76,532	72,812
Performance Bonus	13,426	14,734
Cell phone Allowance	7,200	7,800
Contributions for UIF	**1,785**	**1,933**
Total	**609,159**	**600,977**

			2016 R	2015 R
22.	**REMUNERATION OF GOVERNING BOARD MEMBERS**			
	Sitting Allowances		580,360	257,339
	Total Remuneration of Governing Board Members		**580,360**	**257,339**
	Detail of sitting allowances per Governing Board Member			
	Michael Jones (Chairperson)	- contract commenced on 12 March 2015	208,030	-
	Clint Alexander (Deputy Chairperson)	- contract commenced on 12 March 2015	58,425	-
	André du Plessis	- contract commenced on 12 March 2015	70,564	-
	Hendri Terblanche	- contract commenced on 12 March 2015	72,882	-
	Ludick Sass	- contract commenced on 12 March 2015	47,052	-
	Rev Phillip Philander	- contract commenced on 12 March 2015	57,788	-
	Julia Modise	- re-appointed on 12 March 2015	65,620	11,753
	Mervyn Burton (Previous Chairperson)	- contract expired on 11 March 2015	-	113,810
	Mveleli Ncula (Previous Deputy Chairperson)	- contract expired on 11 March 2015	-	13,906
	John Klassen	- contract expired on 11 March 2015	-	47,795
	Ina du Bruyn	- contract expired on 11 March 2015	-	37,966
	Brian Beck	- contract expired on 11 March 2015	-	8,645
	Derick Block	- contract expired on 11 March 2015	-	23,465
			580,360	**257,339**
23.	**DEPRECIATION AND AMORTISATION**			
	Property, Plant and Equipment - note 10		1,349,107	410,040
	Intangible Assets - note 11		186,572	104,543
	Total Depreciation and Amortisation		**1,535,679**	**514,583**
24.	**FINANCE CHARGES**			
	Long-term Liabilities		669,400	639,621
	Non-current Provisions		40,182	-
	Other		-	-
	Total Finance Charges		**709,582**	**639,621**
25.	**GRANTS AND SUBSIDIES PAID**			
	Government Motor Transport		19,042	1,390
	Total Grants and Subsidies Paid		**19,042**	**1,390**

The subsidy paid relates to a price adjustment,

		2016 R	2015 R
26.	**GENERAL EXPENSES**		
	Advertising Fees	2,700,667	3,093,352
	Audit Fees - external	984,460	1,971,226
	Audit Fees - internal	263,726	222,756
	Bank Charges	19,222	21,326
	Cleaning Services	56,256	-
	Conferences and Seminars	141,159	207,119
	Consulting and Professional Fees	978,382	1,082,418
	Computer Equipment support	605,558	-
	Entertainment and Catering	39,348	27,409
	Fruitless and Wasteful	1,324	-
	Insurance	250,922	203,637
	Legal Fees	251,990	221,580
	Licence Fees	848,113	620,952
	Liquor Licencing Tribunal	1,944,571	1,808,285
	Operating Leases	2,578,513	228,787
	Postage	51,698	58,717
	Printing and Stationary	881,448	517,731
	Rates and Taxes	151,393	-
	Relocation Costs	204,670	-
	Repairs and maintenance	10,560	-
	Security	1,600	-
	Social and Education Fund	749,859	531,721
	Telephone	479,659	129,650
	Training	266,604	280,279
	Travel and Subsistence	1,405,937	1,316,771
	Water and Electricity	329,035	-
	Other	87,510	53,948
	Total General Expenses	**16,284,182**	**12,597,664**

		2016 R	2015 R
27.	**LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT**		
	Cash Proceeds from disposals	6,500	-
	Decrease in finance lease liability due to assets transferred	507,090	-
	Decrease in accrued interest	19,414	
	Book value of disposed items - note 10	(727,917)	(69,996)
	Cost	(853,340)	(88,526)
	Accumulated Depreciation	125,423	18,530
	Total Loss on Disposal of Property Plant and Equipment	**(194,912)**	**(69,996)**

Proceeds were received for the disposals of assets via an auction. The remainder of the asset disposals relate to assets which were stolen, obsolete assets which were donated and the transfer of assets. Insurance claims as per note 16 were received as compensation for the stolen assets.

	2016 R	2015 R
The book value of disposed items are summarised as follows:		
Donated	-	53,766
Stolen	-	16,230
Transferred to Government Motor Trading	504,305	-
Auctioned	223,612	-
Total book value of disposed Property, Plant and Equipment	**727,917**	**69,996**

28. **CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3**

The method and basis to allocate unknown deposits at year end have been changed by the Authority .Section 1.17.1 of the accounting policy.
Revenue -Non Exchange Transactions is changed to allocate the total amount of unknown deposits to the weighted average revenue streams paid to the Provincial Revenue Fund and the exchange transactions revenue.
The change in the policy resulted the following retrospective adjustments:

28.1 Payables from Exchange Transactions

		2015 R
	Unknown Receipts	
	Balance previous reported	307,391
	Transferred from Surplus-see note 28.2	142,996
	Transferred to Surplus-see note 28.2	(450,387)
	Restated Balance 31/03/2015	**-**
	Provincial Revenue Fund	
	Balance previous reported	464,920
	Unknown Receipts	411,768
	Restated Balance 31/03/2015	**876,688**

		2016	2015
		R	R
28.	**CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 (continued)**		
28.2	**Surplus**		
	Balance previous reported		**9,129,734**
	Other Income see- note 28.1		(142,996)
	Government Grants and Subsidies-see note 28.3		142,996
	Penalties and fines-see note 28.1		18,893
	Application Fees-see note 28.1		19,275
	Other Income - see note 28.1		452
	Government Grants and Subsidies-see note 28.3		(450,387)
	Government Grants and Subsidies-see note 28.4		411,768
	Restated Balance 31/03/2015		**9,129,735**
28.3	**Unspent Government Grants**		
	Balance previous reported		3,834,562
	Transferred to Surplus -see note 28.2		(142,996)
	Transferred from Surplus -see note 28.2		450,387
	Transferred to Surplus -see note 28.2		(411,768)
	Restated Balance 31/03/2015		**3,730,185**

		2016 R	2015 R
29.	**RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS**		
	Surplus for the year	2,578,774	9,129,734
	Adjustments for:		
	Depreciation	1,535,679	514,583
	Accruede Fines	(83,000)	
	Transfer of Assets	(828,293)	-
	Services In-Kind - Revenue	(314,103)	-
	Services In-Kind - Expenditure	314,103	-
	Non-current Provisions - increase in contributions	40,182	-
	Operating Lease Liabilities - increase	299,666	-
	Current Provisions - (decrease)/increase in contributions	25,970	(311,830)
	Current Provisions - expenditure incurred	(23,752)	(277,684)
	Current Employee Benefits - increase in contributions	434,599	351,610
	Current Employee Benefits - expenditure incurred	(415,928)	(365,557)
	Grants Received	38,732,506	38,240,500
	Grant Expenditure	(34,616,640)	(35,043,950)
	Grants Surrendered	(3,834,562)	(8,894,604)
	Loss on disposal of Property, Plant and Equipment	194,912	69,996
	Operating Surplus before changes in working capital	4,040,114	3,412,798
	Changes in working capital	388,702	(388,397)
	Increase in Payables from Exchange Transactions	545,626	(375,929)
	Increase in Receivables from Exchange Transactions	(156,925)	(12,468)
	Cash generated by operations	**4,428,815**	**3,024,401**
30.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investment Deposits - note 13	6,363,441	5,662,622
	Primary Bank Accounts - note 13	152,239	184,930
	Procurement card-note 13	4,195	-
	Total Cash and Cash Equivalents	**6,519,874**	**5,847,552**
31.	**RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**		
	Cash and Cash Equivalents - note 13	6,519,875	5,847,552
	Less: Social and Education Fund Reserve	(11,573)	(10,732)
	Less: Provincial Revenue Fund	(1,380,542)	(876,688)
	Less: Unspent Government Grants	(4,011,489)	(3,730,185)
	Net cash resources available for distribution	**1,116,271**	**1,229,947**

		2016 R	2015 R
32.	**UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**		
	Long-term Liabilities - note 3	2,470,152	2,690,920
	Used to finance property, plant and equipment - at cost	(2,470,152)	(2,690,920)
	Unused Long-term Liabilities	**-**	**-**

33. **IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

33.1 **Fruitless and wasteful expenditure**

Incident	Disciplinary steps/criminal proceedings	2016 R	2015 R
Late payment of Rental account	Waived ito sec. 12.7.3 of the regulations	462	-
Late payment of Rental account	Waived ito sec. 12.7.3 of the regulations	863	-

33.2 **Irregular expenditure**

Incident	Disciplinary steps/criminal proceedings	2016 R	2015 R
SCM procedures not followed in terms of the applicable legislation with the procurement of service	In process to be condoned	7,125	
SCM procedures not followed in terms of the applicable legislation with the procurement of service	In process to be investigated	9,450,881	-

34. **DEVIATIONS - SUPPLY CHAIN MANAGEMENT**

Deviations with the Supply Chain Management Regulations were identified and categorised as follow:

	2016 R	2015 R
Install new office layout (Decant area)	-	12,130
LLT workflow study	-	149,544
Translation services	8,800	-
Ant-virus software	93,472	
Cleaning Services	20,378	-
Legal Services	28,500	-
Cabinet for SITA	14,456	
	165,606	**161,674**

All deviations were approved by the Board.

	Bid Nr	Purchase Order	2016 R	2015 R
35. CAPITAL COMMITMENTS				
Capital commitments approved and contracted for:	**Bid Nr**	**Purchase Order**		
SANS Server (Installation costs)			-	151,695
Protective Equipment			-	240,498
Office Modernisation				10,210,000
LAN Infrastructure	LB006-2015/16	656	450,025	
T&S System	LB007-2015/16	655	44,735	
Tablets	WCLA 048	649	50,344	
Ant-Virus Software	DEV003	635	93,472	
LMATS	LB005-2015/16	634	2,081,435	
			2,720,011	**10,602,193**

Capital commitments will be financed with grant funding. Included in the amount committed for 2015 above is an amount of R6 662 000 which was paid to the landlord as per note 12.

35. 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 municipality's financial performance.

(a) Foreign Exchange Currency Risk

The Authority does not engage in foreign currency transactions.

(b) Price risk

The Authority is not exposed to price risk.

(c) 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 follow:

	2016	2015
0.5% Increase in interest rates (2015 - 0.5%)	32,599	29,238
0.5% Decrease in interest rates (2015 - 0.5%)	(32,599)	(29,238)

35. **CAPITAL COMMITMENTS (continued)**

(d) 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.

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.

	2016 R	2015 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from Exchange Transactions	236,231	79,306
Cash and Cash Equivalents	6,519,875	5,847,552
	6,756,106	**5,926,858**

	2016	2015
	R	R

35. **CAPITAL COMMITMENTS (continued)**

(e) 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 credit lines.

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

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
2016				
Long-term Liabilities	980,589	3,582,656	-	4,563,245
Payables from Exchange Transactions	1,969,942	-	-	1,969,942
Unspent Government Grants	4,011,489	-	-	4,011,489
Total	**6,962,020**	**3,582,656**	**-**	**10,544,675**
2015				
Long-term Liabilities	1,308,161	3,597,210	449,235	5,354,606
Payables from Exchange Transactions	1,443,730	-	-	1,443,730
Unspent Government Grants	3,730,185	-	-	3,730,185
Total	**6,482,076**	**3,597,210**	**449,235**	**10,528,521**

	2016 R	2015 R
37. FINANCIAL INSTRUMENTS		
In accordance with GRAP 104 the financial instruments of the Authority are classified as follows:		
37.1 Financial Assets		
Financial instruments at amortised cost		
Receivables from exchange transactions	236,231	79,306
Cash and Cash Equivalents	6,519,875	5,847,552
Total carrying amount of financial assets	**6,756,106**	**5,926,858**
37.2 Financial Liability		
Financial instruments at amortised cost		
Long-term Liabilities	2,470,152	2,690,920
Payables from Exchange Transactions	1,969,942	1,443,730
Unspent Government Grants	4,011,489	3,730,185
Current Portion of Long-term Liabilities	326,792	577,427
Total carrying amount of financial liabilities	**8,778,375**	**8,442,262**

38. EVENTS AFTER THE REPORTING DATE

On the 27th of October 2015 cabinet resolved and endorsed the transfer of the Western Cape Liquor Authority from the Department of Economic Development and Tourism to the Department of Community Safety with effect from I April 2016.

39. IN-KIND DONATIONS AND ASSISTANCE

The Authority did not receive any in-kind donations and assitance other than what is already reported in note - 19.

40. PRIVATE PUBLIC PARTNERSHIPS

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

41. CONTINGENT LIABILITY

The Authority was involved in a High Court matter (case nr 24440/15).
The matter was heard by the High Court on 14 March 2016. Judgement has been made against the Authority with a cost order.
The state attorney confirmed that no amount has been allocated and the matter must be taxed in order to determine cost.

	2016 R	2015 R
42. SEGMENT REPORTING		
42.1 Specific segment reporting		
There are no segments for which separate financial information is available, and therefore the Authority only has one reporting segment.		
42.2 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.		
43. RELATED PARTIES		
43.1 Related party transactions		
The Western Cape Department of Economic Development and Tourism (DEDAT) is considered to be a related party, as DEDAT has significant influence over the Authority. Mr Alan Winde is the Western Cape Provincial Minister of Economic Opportunities. Both the Western Cape Trade and Investment Promotion Agency (WESGRO) and the Authority reports to Mr Alan Winde. WESGRO and its subsidiary, Saldanha Bay IDZ Licencing Company (SOC) Ltd, are therefore also considered to be related parties. Transactions during the year include the following:		
The Western Cape Department of Economic Development and Tourism (DEDAT)		
Government Grants and Subsidies - refer to note 14		
Western Cape Trade and Investment Promotion Agency (WESGRO)		
No transactions were undertaken with this related party		
Saldanha Bay IDZ Licencing Company (SOC) Limited		
No transactions were undertaken with this related party		
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. This 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:		
Capital redemption of finance lease liability - note 3	48,798	105,101
Interest paid on finance lease liability included under Finance Charges - note 24	691,062	608,449
Grants and Subsidies paid - note 25	19,042	1,390
Kilometer tariff included under General Expenses (Travel and Subsistence) - note 26	622,834	526,382
Operating Leases - Vehicles	201,862	-
Department of Transport and Public Works		
Services In-Kind - note 19		
Casidra (SOC) Limited		
DEDAT and the Department of Agriculture has a total shareholding in Casidra (SOC) Limited under the oversight of the Provincial Minister of Economic Oppertunities . No transactions were undertaken with this related party.		

	2016 R	2015 R

43.2 **Compensation of management personnel**

The compensation of management personnel and governing board members' sitting allowances are set out in notes 21 and 22 to the financial statements.

43.3 **Related party transactions with management personnel**

No business transactions took place between the Authority and management personnel and their close family members (including close members of family members) during the year under review.

	2016	2015
	R	R

44. **EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL**

44.1 **Original budget vs final budget**

Government Grants and Subsidies were increased due to additional funds allocated by Provincial Treasury

Penalties and Fines were decreased after the midyear assessment which indicated a decrease in penalties levied

Application Fees were increased after the midyear assessment which indicated an increased trend in applications.

Interest Earned on Investments was decreased due to lower as anticipated investment.

Other Income was increased due to more licence copies issued as anticipated

Employee Related Cost were decreased due to the period where vacancies were not filled

Remuneration of Board Members were increased due to a 5.5 % increase in the remuneration rates and the vast increase in the number of Board sittings.

Grants and Subsidies Paid were included after the midyear assessment.

General Expenses were increased mainly due to increasing cost of consulting and professional fees.

Property Plant and Equipment were increased to accommodate additional IT equipment

Intangible Assets were increased due to additional software needed

44.2 **Actual amounts vs final budget**

In terms of paragraph 1.7 of the accounting policy only deviations of amounts exceeding R360 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.

General Expenditure is less than budgeted for due to savings on expenditure over a broad spectrum. The savings are indicative of effective and good procurement of goods and services

44.3 RECONCILIATION BETWEEN CASH AND ACCRUAL BASIS	Note	Accrual Basis R	Adjustments R	Cash Basis R
Revenue				
Government Grants and Subsidies		34,616,640	-	34,616,640
Penalties and Fines		1,220,705	(83,000)	1,137,705
Third Party Payments		-	-	-
Transfer of Assets	(i)	828,293	(828,293)	-
Services in-kind	(i)	314,103	(314,103)	-
Application Fees		1,224,531	-	1,224,531
Interest Earned - External Investments	(ii)	479,251	29,009	508,260
Other Income		37,636	-	37,636
Total Revenue		**38,721,159**	**(1,196,387)**	**37,524,772**
Expenditure				
Employee Related Costs	(iv)	(16,818,627)	20,889	(16,797,737)
Remuneration of Governing Board Members	(v)	(580,360)	41,969	(538,391)
Depreciation and Amortisation	(i)	(1,535,679)	1,535,679	-
Finance Charges	(vi)	(709,582)	709,582	-
Grants and Subsidies Paid		(19,042)	-	(19,042)
General Expenses	(vii)	(16,284,182)	(276,078)	(16,560,260)
Loss on disposal of Property, Plant and Equipment	(i)	(194,912)	194,912	-
Total Expenditure		**(36,142,386)**	**2,226,955**	**(33,915,431)**
Surplus for the year		**2,578,774**	**1,030,567**	**3,609,341**
Capital Expenditure				
Property, Plant and Equipment	(viii)	(11,513,586)	8,146,474	(3,367,112)
Intangible Assets		(153,079)	-	(153,079)
		(11,666,665)	**8,146,474**	**(3,520,191)**

(i) Non-cash flow items	
Transfer of Assets	(828,293)
Services in-kind	(314,103)
Depreciation	1,535,679
Loss on disposal of Property, Plant and Equipment	194,912
Total Adjustments	**588,196**
(ii) Interest Earned - External Investments	
Interest accrued in previous year	79,306
Interest accrued in the current year	(50,297)
Total adjustments	**29,009**
(iii) Penalties and Fines	
Accrued Fines	(83,000)
	(83,000)

44.3 RECONCILIATION BETWEEN CASH AND ACCRUAL BASIS

	Cash Basis R
(iv) Employee Related Costs	
Contribution to Current Employee Benefits	434,599
Payments made towards Current Employee Benefits	(415,928)
Provisions - contributions made	25,970
Provisions - expenditure incurred	(23,752)
Total Adjustments	**20,889**
(v) Remuneration of Governing Board Members	
Unpaid accruals at 31 March 2015 paid in current year	-
Unpaid accruals at 31 March 2016	41,969
Total Adjustments	**41,969**
(vi) Finance Charges	
Accrued Interest at 31 March 2015 paid in current year	(47,983)
Accrued Interest at 31 March 2016	28,143
Finance Charges on Non-Current Provisions - non cash flow item	40,182
Finance Charges on Finance leases transferred to General Expenses	689,240
Total Adjustments	**709,582**
(vii) General Expenses	
Unpaid accruals at 31 March 2015 paid in current year	(519,059)
Unpaid accruals at 31 March 2015	561,257
Finance Charges on Finance leases transferred	(689,240)
Capital redemption on Finance leases	(242,805)
Straight-lining of operating leases	299,666
Services in-kind	314,103
Total Adjustments	**(276,078)**
(viii) Property, Plant and Equipment	
Leased asset additions are not a cash transaction	
Office modernisation prepayment movement	6,602,657
Restoration (Provision)	1,014,693
Konica (finance lease)	529,123
Total Adjustments	**8,146,474**

Western Cape Liquor Authority

3rd Floor, Sunbel Building, 3 Old Paarl Road, Bellville, 7530
Private Bag X6, Sanlamhof, Bellville, 7532

tel: +27 21-204 9700
www.westerncape.gov.za **email: Philip.Prinsloo@wcla.gov.za**

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