

**WESTERN CAPE LIQUOR
AUTHORITY
ANNUAL REPORT
2023/2024 FINANCIAL YEAR**

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PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

| | |
|---|---|
| REGISTERED NAME: | Western Cape Liquor Authority |
| REGISTRATION NUMBER (if applicable): | |
| PHYSICAL ADDRESS: | 3 rd Floor Sunbel Building 3 Old Paarl Road Bellville 7530 |
| POSTAL ADDRESS: | Private Bag X6 Sanlamhof Bellville 7532 |
| TELEPHONE NUMBER/S: | 021 204 9700/ 021 204 9805 |
| EMAIL ADDRESS: | Liquor.Enquiries@wcla.gov.za |
| WEBSITE ADDRESS: | www.wcla.gov.za |
| EXTERNAL AUDITORS: | Auditor General South Africa |
| BANKERS: | Nedbank (PTY) LTD |
| BOARD SECRETARIAT: | Caylynne Symes |

2. LIST OF ABBREVIATIONS/ACRONYMS

| | |
|-------|---|
| ACT | Western Cape Liquor Act (4 of 2008) as amended |
| AHRI | Alcohol Harms Reduction Initiatives |
| AGSA | Auditor General of South Africa |
| BBBEE | Broad Based Black Economic Empowerment |
| CE | Compliance and Enforcement |
| CEO | Chief Executive Officer |
| CES | Communication, Education and Stakeholder Relations |
| CFO | Chief Financial Officer |
| CPF | Community Police Forum |
| CS | Corporate Services |
| DLO | Designated Liquor Officer |
| DPO | Deputy Presiding Officer |
| DPOCS | Department of Police Oversight and Community Safety |
| FIN | Finance |
| GB | Governing Board |
| GRAP | Generally Recognised Accounting Principles |
| ICT | Information and Communication Technology |
| LLA | Liquor Licensing Administration |
| LLT | Liquor Licensing Tribunal |
| LMATS | License Management and Tracking System |
| NHW | Neighbourhood watch |
| MEC | Member of Executive Council |
| MTEF | Medium Term Expenditure Framework |
| PFMA | Public Finance Management Act |
| PO | Presiding Officer |
| PRF | Provincial Revenue Fund |

| | |
|-------|--|
| PSP | Provincial Strategic Plan (2019-2024) |
| SALGA | South African Local Government Association |
| SAPS | South African Police Service |
| SCM | Supply Chain Management |
| SITA | State Information Technology Agency |
| SMME | Small Medium and Micro Enterprises |
| TR | Treasury Regulations |
| WCG | Western Cape Government |
| WCLA | Western Cape Liquor Authority |

3. FOREWORD BY THE CHAIRPERSON

I take pleasure in presenting the WCLA'S Annual Report for the 2023/24 financial year. The end of the financial year coincided with the end of the terms of most members of the previous GB. Three (3) of the current board members served on the previous Governing Board.

The Governance Framework institutionalised by way of a Memorandum of Understanding concluded with the custodial department has been further strengthened by an agreement that Provincial Treasury should participate on the basis that agenda items related to policies and fee determination require collaboration between the WCLA, the custodial department and Provincial Treasury.

The WCLA demonstrated progress against the Strategic Plan and the Annual Performance Plan for the period under review. The WCLA is unambiguous in the acceptance of its regulatory role and responsibilities. It is better understood and appreciated by legislative and strategic partners. The responsiveness of both the SAPS and Local Government is noted in this regard.

A challenge that dogged the WCLA for more than a decade since detaching from a provincial department has been organizational structure limitations. The Ad Hoc nature thereof compromised strategy development and optimal mandate execution. The future growth and sustainability of the WCLA will remain precarious should the Organizational Structure not be prioritized. A phased implementation approach has commenced. Concurrence with the Macro Structure proposed is being facilitated with the WCG.

Enhanced inspectorate capacity and the revised stakeholder engagement methodology incorporating situational analysis resulted in greater visibility and impact. Aligned to this however is increased operational expenditure pressuring the WCLA budget while greater compliance resulted in decreased fine revenue collection. The WCLA responded by applying the fiscal initiatives as outlined by Provincial Treasury. The WCLA succeeded to protect and maintain its basic service offering.

The WCLA continued to develop stakeholder relations as this is key to the methodology embarked upon. Operational alignment and collaboration with legislated partners such as the SAPS (DLO's), Local Government and community representatives (CPF's and NHW's) has been strengthened. The new Strategic Planning cycle will acknowledge the opportunities for greater alignment and integration for enhanced safety outcomes for the province.

Prudent financial management continued to sustain our operations while also facilitating initiatives such as the elicence platform. The value of ICT as a lever for greater regulatory impact was not fully appreciated. This situation has been addressed with the appointment of a champion and the revision of the Organizational Structure. ICT initiatives are now being accelerated.

The Board's gratitude is extended to all staff of the WCLA for their commitment to building and growing an effective Regulator. The support of the Executive Authority and the Head of Department has been instrumental in the enablement of the WCLA.

Sibonile Khoza
Chairperson of the Governing Board
Western Cape Liquor Authority
Date: 31 July 2024

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

The WCLA extended its reach over the past year building on progress reported in prior years of the current planning cycle.

Internal processes have been optimized to strengthen partnerships that are key in facilitating the determination of Public Interest. These partnerships correlate to municipal boundaries enabling collaboration with municipalities and Designated Liquor Officers of the SAPS. This approach and methodology allowed for greater alignment and integration of systems, processes and structures championed by related extensions of government.

The impact of alcohol on communities will enable activism provided an understanding of the causal link between alcohol and social ills and harms is shared by stakeholders. Communication, Stakeholder and Awareness initiatives of the WCLA are aimed at aligning all components of the WCLA with stakeholders within localized areas in facilitating public interest. Communities can and should influence, direct and inform regulatory process and initiatives to enhance safety.

The WCLA remained committed to the budget principles as outlined in the Western Cape Fiscal Strategy, same being; protecting basic services outcomes; unlocking allocative efficiency; enhancing productive efficiency and enabling long term sustainability. The integration and alignment of the Risk management methodology with the core management approach of the WCLA matured for the period under review. A key learning has been that automation and digitization is a prerequisite to expedite the future growth, sustainability and impact of the WCLA.

The Liquor Authority supports the AHR White Paper recommendation that the cost of regulation be fully recovered from the industry. In this regard the WCLA, the custodial department and Provincial treasury committed to facilitating a Differentiated Pricing Model (DPM) to inform the determination of fees.

The liquor sector is acknowledged as a key contributor to economic growth in the Western Cape. Promoting the wellbeing of the province necessitates an appreciation for the value of regulation. Availability and access are critical aspects for effective regulation. The importance of the sector thus necessitates capable and effective regulation that ensures growth of the sector does not translate to increased harms and social ills. The need and appreciation for regulation must be understood, promoted and embraced by all.

The WCLA spent 98% of its approved budget. The Annual Financial Statements incorporated herein were compiled according to Generally Recognised Accounting Practice (GRAP) standards and outlines the financial position and financial performance of the entity for the 2023/24 financial year. The WCLA maintained a positive audit outcome building on prior years. Matters raised by the Auditor General in the 2022/23 financial year were responded to. The differentiated audit methodology allowed for savings in audit costs. Supply Chain Management policies and Revenue Management systems were reviewed and aligned to revised National and Provincial Treasury Regulations and Instructions. Integration of financial and administrative systems and processes to manage revenue will receive priority going forward.

In conclusion I express on appreciation of the Governing Board, the Liquor Licensing Tribunal and my colleagues at the WCLA. The Department of Police Oversight and Community Safety and the Minister of Police Oversight and Community Safety is acknowledged for enabling and supporting the WCLA.

Simion George

Chief Executive Officer
Western Cape Liquor Authority
Date: 31 July 2024



WESTERN CAPE
LIQUOR AUTHORITY

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 to be audited by the Auditor General.

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

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

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

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

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2024.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Simon George'.

Chief Executive Officer
Simon George
Date 31/05/2024

A handwritten signature in black ink, appearing to read 'Sibonile Khoza'.

Chairperson of the Board
Sibonile Khoza
Date

6. STRATEGIC OVERVIEW

6.1. Vision

Recognised by the public as leading the reduction of alcohol related harms through effective regulation of the retail sale and micro-manufacture of liquor in the Western Cape.

6.2. Mission

- Lead and promote the role of the public to reduce the impact of alcohol related harms.
- Effective and sustainable utilisation of resources to reduce the burden on the fiscus.
- In the public interest optimally regulate the liquor industry.

6.3. Values

In the execution of our mandate and functions, the WCLA places great reliance on the following values:

- **Accountability**

We take responsibility.

- **Caring**

To care for those, we serve and with whom we work.

- **Competence**

The ability and capacity to do the job we were employed to do.

- **Integrity**

To be honest and do the right thing.

- **Innovation**

To be open to new ideas and develop creative solutions to problems in a resourceful way.

- **Responsiveness**

To serve the needs of the residents of the Western Cape and employees.

7. LEGISLATIVE AND OTHER MANDATES

7.1 Constitutional mandates

The regulation of liquor licensing is a provincial competency in terms Schedule 5 of the Constitution. For this reason, the Western Cape Liquor Authority (a Schedule 3C Public Entity as provided for in the Public Finance Management Act 1 of 1999) has been established in terms of Section 2(1) of the Western Cape Liquor Act, Act 4 of 2008.

7.2 Legislative mandates

The Constitution, together with the Acts listed hereunder, guide and direct the actions, performance and responsibilities carried out in the Authority.

- Magistrate Court Act, 1944 (32 of 1944)
- Supreme Court Act, 1959 (59 of 1959)
- Criminal Procedures Act, 1977 (51 of 1977)
- Businesses Act, 1991 (Act 71 of 1991)
- Occupational Health and Safety Act, 1993 (85 of 1995)
- Labour Relations Act, 1995 (66 of 1995)
- South African Police Service Act, 1995 (68 of 1995)
- Basic Conditions of Employment Act, 1997 (75 of 1997)
- Employment Equity Act, 1998 (55 of 1998)
- Local Government: Municipal Structures Act, 1998 (117 of 1998)
- Public Finance Management Act, 1999 (1 of 1999)
- Promotion of Access to Information Act, 2000 (2 of 2000)
- Promotion of Administrative Justice Act, 2000 (3 of 2000)
- Local Government: Municipal Systems Act, 2000 (32 of 2000)
- Liquor Act, 2003 (59 of 2003)
- Western Cape Liquor Act, 2008 (4 of 2008)
- Western Cape Liquor Amendment Act, 2010 (10 of 2010)
- Western Cape Liquor Amendment Act, 2015 (3 of 2015)
- Public Finance Management Act, Act 1 of 1999 as amended by Act 29 of 1999
- Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)
- Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003)

7.3 Policy mandates

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

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

The purpose of the policy is to:

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

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

The Provincial Strategic Plan (2019-2024)

The Alcohol Harms reduction approach finds expression in the Western Cape Provincial Strategic Plan 2019-24. The WCLA's 5-Year Strategic Plan for the 2020-2025 period was guided by the Strategic Framework for the Provincial Strategic Plan, 2019-2024. It envisions a "safe Western Cape where everyone prospers" and an alignment to Vision Inspired Priority (VIP) 1, a safe and cohesive community.

Western Cape Government Recovery Plan (from Recovery to Growth)

In response to the disruptive nature and impact of the COVID-19 pandemic, the WCG responded with a Recovery Plan. It outlined a problem statement that required an urgent, whole of society response to create jobs, foster safe communities and promote the wellbeing of all citizens within the Western Cape.

The response of the Western Cape Liquor Authority to the above imperatives:

Safety is closely intertwined with the need to experience growth for more jobs. The role of alcohol in trauma which is globally recognised necessitates an effective regulator. The legislative review process is aimed at enhancing the efficiency and effectiveness of the entity in championing regulatory methodologies for greater regulatory impact.

7.4 Planned policy initiatives

The Alcohol Harms Reduction approaches are reflected in the Western Cape Provincial Strategic Plan 2019-24. The alignment of the Western Cape Liquor Authority in relation to National and Provincial mandates will be limited to giving effect within the current legislative mandate. The review and revision process of the legislative mandate of the WCLA is intended to bring closer alignment with the alcohol harms reduction focus. Accordingly, over the current five-year period, the WCLA will primarily focus on public interest when considering matters and enforcement. In support of this objective the WCLA will embark on a strategy to enhance community participation to qualitatively enhance the articulation of public interest.

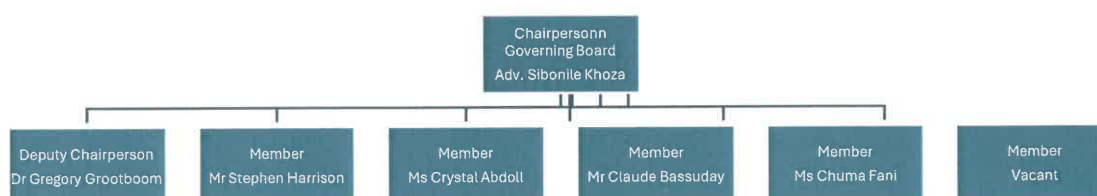
8. ORGANISATIONAL STRUCTURE

MINISTER

Minister of Police
Oversight and
Community Safety

Anroux Marais

GOVERNING BOARD



SENIOR MANAGEMENT



Note: Organisational Structure as at 31 July 2024

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 pre-determined 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 46 of the Auditors Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1. Service Delivery Environment

It is reported that alcohol accounts for 6.9% and 2.0% of the global burden of disease for males and females respectively. The average level of alcohol consumption worldwide declined slightly between 2010 and 2019. Men continue to consume about three times more alcohol than women. Alcohol is the leading risk factor for premature mortality and disability among those aged 20 to 39 years, accounting for 13% of all deaths in this age group. World Health Organization literature indicates that disadvantaged and especially vulnerable populations have higher rates of alcohol-related death and hospitalisation.¹

In the Western Cape, alcohol is linked to approximately 48% of road traffic deaths, 50% of murders and alcohol-related interpersonal violence accounts for 39% of disability-adjusted life years (DALYs) lost².

The prevalence of alcohol has a devastating impact on individuals, their families and seriously affects community life. The use of alcohol is one of the four most common modifiable and preventable risk factors for major non-communicable diseases (NCDs). There is emerging evidence that the use of alcohol contributes to the health burden caused by communicable diseases such as, for example, tuberculosis and HIV/AIDS³.

Reducing access to and the availability of alcohol and providing appropriate infrastructure to successfully implement policy measures is required from a regulatory perspective. The level of risk associated with the use of alcohol in developing countries is much higher than it is in wealthy countries increasingly protected by comprehensive laws capable of effective implementation⁴.

The WCLA has over the past year continued to demonstrate its commitment to reducing harms associated with the availability and access to liquor. Considerable challenges remain in respect thereof though. These include, amongst others, the following:

- 1) **Intersectoral action.** The range of challenges introduced by alcohol and the measures and initiatives required to mitigate such necessitates action across numerous sectors. The WCLA

¹ https://www.who.int/health-topics/alcohol#tab=tab_1

² (Western Cape Government Strategic Framework for the Provincial Strategic Plan 2019-2024)

³ Statistics South Africa mid-year population estimates, 2021

⁴ World Health Organization Global Strategy to reduce the harmful use of alcohol

operational methodology now provides for institutional engagement of role players such as the SAPS and Municipalities, Provincial Treasury and the Department of Police Oversight and Community Safety. Areas that present as opportunities for greater intersectoral action include, transport, justice, social welfare, agriculture, education, and economic operators. The need to ensure civil society is appropriately and adequately engaged cannot be overstated.

- 2) **Appropriate attention.** Preventing and reducing the harmful use of alcohol is perceived as being afforded a low priority amongst decision-makers. There appears to be a discrepancy between the increasing availability and affordability of alcoholic beverages and the ability to counteract the additional public health burden brought to bear on our communities. The WCLA better understands and confronts this challenge. The prevailing paradigm is being confronted in narratives and communication with partners and stakeholders. Effective Regulation makes business sense.
- 3) **Respecting “context” in recommending actions.** Most alcohol-related policy interventions emanate from high income countries. Concerns expressed relate to feasibility thereof within emerging or developing settings. Many interventions however have been implemented in a wide variety of cultures and settings and results found to be consistent with the underpinning theories and evidence accumulated in similar public health areas. The focus should be on appropriate tailoring of interventions to accommodate local context. This is what the situational analysis methodology of the WCLA is aimed at. It will also make monitoring and evaluation possible to inform adjustments. Initiatives such as restricting trading hours and monitoring the density of outlets is geared at precisely this.
- 4) **Strengthening information.** Systems for the collection, analysis and disseminating of data on alcohol consumption, alcohol-related harm and policy responses are being accessed. Gaps in knowledge remain. The WCLA will focus on information and knowledge production to optimise existing related resources.

The regulatory framework for alcohol has its foundation in our Constitution which provides legislative competencies across all three spheres of Government. Nationally, the Liquor Act, 2003 (Act 59 of 2003) governs macro-manufacturing by large-scale manufacturers and the distribution of liquor. Micro-manufacturing and retail sales are governed provincially. Local government has the right to administer matters related to the control of retail businesses within its geographical area.

The regulatory realities outlined above result in complexity in administering and enforcing diverse yet related legislation. No single approach, intervention or institution is solely capable of reducing alcohol-related harms. The White Paper acknowledges and recommends a range of interventions at multiple levels.

The WCLA is mandated by the Western Cape Liquor Act, 4 of 2008 as amended (the ‘Act’), to regulate liquor over an area spanning 129 462 km² in the Western Cape and serving a population in excess of 7 million people equalling 11,8% of the total South African population.⁵ As at 31 March 2024, 8 978 licences were on record compared to the 8 802 licences as at 31 March 2023.

⁵ Statistics South Africa mid-year population estimates, 2021

The number of licences in relation to categories are as follows:

| LICENCE TYPE | TOTAL LICENCES (as on 31 March 2024) | TOTAL LICENCES (as on 31 March 2023) |
|----------------------------|--------------------------------------|--------------------------------------|
| Consumption On | 5 221 | 5 116 |
| Consumption Off | 2 621 | 2 612 |
| Consumption On & Off | 330 | 289 |
| Micro manufacture Off | 584 | 582 |
| Micro manufacture On & Off | 222 | 203 |
| | 8 978⁶ | 8 802 |

The distribution in respect of the above is as follows:

| LICENCE TYPE | TOTAL LICENCES (as on 31 March 2024) | TOTAL LICENCES (as on 31 March 2023) |
|----------------|--------------------------------------|--------------------------------------|
| Cape Metropole | 4 108 | 4 023 |
| Cape Winelands | 1 932 | 1 876 |
| Central Karoo | 115 | 116 |
| Eden | 1 298 | 1 269 |
| Overberg | 786 | 778 |
| West Coast | 729 | 740 |
| | 8 978⁷ | 8 802 |

The Authority continues to assess the liquor production, distribution and consumption environment and agitates for the resources and capacity to regulate same effectively. Proposed legislative amendments will enhance efficiency and effectiveness beyond the initiatives aimed at greater compliance.

Effective regulation is geared towards encouraging licence holders to be compliant on the basis that it makes business sense. Non-compliance attracts interventions that disrupts business. Licence holders are reminded of the harms introduced by alcohol and to embrace regulation and appreciate the imposition of conditions to mitigate the harms that can be associated with their liquor licensed outlet.

⁶ LMATS Management Report as at 31 March 2024

⁷ LMATS Management Report as at 31 March 2024

The liquor sector has proven to be highly inelastic and resilient, recording outstanding returns and growth compared to other sectors of the economy despite harsh economic realities⁸.

The SAPS provides around 150 Designated Liquor Officers attached to Service Centres across the province. Effective collaboration with SAPS improved licence processing timelines. DLOs play a key role in facilitating the determination of public interest by the LLT. In time, our online platform will provide our strategic partners like the DLOs access to WCLA online platform to expedite processes.

Organisational environment

The Governing Board is the Accounting Authority and is responsible for providing strategic direction and oversight over the management of the Authority. Members of the Governing Board are independent non-executives appointed by the Minister after consultation with the parliamentary portfolio committee.

The Chief Executive Officer (CEO) is the executive head official of the Administration and is responsible for the implementation of the strategic direction provided by the Board and the day-to-day operations of the Authority. The CEO is delegated by the Governing Board to ensure compliance with governance principles and financial reporting standards including all related laws and regulations.

The WCLA conducts its business from offices situated in Bellville. The administration had 6 main components, namely:

1. Liquor Licensing Administration
2. Liquor Licensing Tribunal
3. Inspectorate: Compliance and Enforcement
4. Communication, Education and Stakeholder Relations
5. Finance
6. Corporate Services

As at 31 March 2024 the organizational structure of the Authority accommodated 88 permanent positions. An organizational design process was finalized which produced a new organizational structure. Concurrence has been sought with the custodial department on the process followed and the Macro Structure as proposed.

Liquor Licensing Administration

Administrative systems and processes expedite the application process. Applications processed must meet the minimum standard of completion. The administration provides support enabling the optimal functioning of the Liquor Licensing Tribunal.

The eLicence portal has improved access and interaction between the WCLA, licence applicants and license holders. There has been a slow and gradual increase in the number of user profiles

⁸ WCLA Situational Analysis – Impact of Covid-19 on the liquor industry in South Africa

registered. As of end March 2024 the eLicence portal surpassed the 3400-user profile mark. Since launching on 01 October 2022, the number of logins recorded stood at 19 283. The number of renewed licences with eLicence profiles totalled 2562 (out of a total of 8874 renewals paid).

Performance

The processing of applications within legislative timeframes proved challenging. A review of standard operating procedures and processing timelines was undertaken. Internal review mechanisms were reviewed and monitored. Trends in term of challenges were identified and where necessary, interventions introduced.

One such initiative was in an inter-component collaboration when receiving applications. This allowed for the immediate identification of inadequate and incomplete applications and facilitating timeous submission of DLO reports. Other interventions related to tracking system workflow reports and requests for extension by applicants, process reviews and management actions. These initiatives improved turnaround times.

Liquor Licensing Tribunal

The Liquor Licensing Tribunal (LLT) is the quasi-judicial body within the WCLA that considers and adjudicates all applications as provided for in the Act. The LLT is at the heart of the WCLA.

The Tribunal can only grant a licence if it is satisfied that the public interest will be served. In making this determination, it relies heavily on reports tabled by the DLO's and Local Government. Appeal Tribunal findings indicate great reliance is placed on the input from critical role players such as the Municipalities and the SAPS, more especially the DLOs.

Initiatives engaging and collaborating with our strategic partners resulted in increasingly more accurate and responsive reports from municipalities and DLO's. The LLT can with greater confidence determine public interest. Licence conditions are tailored on a case-to-case basis to mitigate negative impact on communities. Going forward specific attention will be given to licences trading liquor online.

The implementation of section 64 of the Western Cape Liquor Act that provides for a differentiation between compliant and non-compliant licence holders contributed to higher levels of compliance. Compliant licence holders may renew their licence via the automatic renewal process. Errant licence holders are compelled to apply for the renewal of their liquor licence. A real risk for errant licence holders is the prospect of losing their licence.

A total of 163 licences were identified as not capable of automatic renewal for 2024. They were compelled to apply to renew their licence by 30 September 2023. A total of 148 section 64 renewal applications were enrolled with the LLT. In two instances licence holders indicated they did not wish to renew. In thirteen (13) instances no formal applications were received resulting in these licences lapsing on 01 January 2024.

On considering an application in terms of section 64, the LLT has the same duties and powers as when considering an application for a new licence, including the right to refuse or grant the application, subject to such conditions as it may deem appropriate.

The Tribunal considered the 148 non-automatic renewal applications. Below is a summary of these application outcomes after consideration.

| OUTCOME | NUMBER OF APPLICATION |
|----------------------|-----------------------|
| Applications granted | 140 |
| Applications refused | 8 |
| Total | 148 |

Enforcement matters with a high impact on public interest are prioritized. A zero-tolerance approach is adopted towards transgressions related to minors and the on-selling of liquor to unlicensed liquor outlets.

Non-compliance with LLT orders was also prioritized and pursued. The implementation of section 82, and the practice to suspend licences pending payment of the fine, together with the threat of being subjected to the non-automatic renewal process, proved to be effective in promoting compliance.

Inspectorate: Compliance and Enforcement

The Inspectorate monitors and enforces compliance with the provisions of the Act and applicable legislation. The function entails:

- pre-licensing inspections and reports in respect of new, secondary and minor applications;
- routine compliance inspections;
- investigation of complaints;
- the issuing of compliance notices;
- Referral of errant license holder for prosecution to the Liquor Licencing Tribunal by means of section 73 reports
- Development Problem Statements (Situational analysis) to facilitate public interest;
- integrated enforcement operations;

The inspectorate demonstrated that increased visibility and focussed enforcement can lead to enhanced compliance rates. The Inspectorate inspected all licensed premises within a 12-month cycle.

The inspectorate on-boarded audit capacity in the final quarter of the period under review. This is aimed at developing methodologies for the consideration of differentiated pricing of liquor licence fees. The differentiation could be informed by turnover, volume, trading hours and or location of outlets.

During the financial year under review a series of engagements were concluded with local

municipalities and other strategic partners within the province aimed at facilitating public interest through established community and governmental platforms.

These engagements enabled greater alignment with strategic partners and strengthened relations with related structures enabling the Inspectorate to develop situational reports aimed at placing the LLT in a position to consider and determine public interest. These reports focused on, inter alia, the causal link between access and availability of liquor and the social harms and ills occasioned by same in a specific area. It also allowed the Inspectorate to plan and execute evidence-led interventions.

Education and communication initiatives are now directed at stakeholders collaboratively in the regulatory processes of the WCLA.

Communication, Education and Stakeholder Relations

Over the period under review the CES component was repositioned to align the resources of the WCLA for optimal utilization and greater impact. The regulatory impact of the WCLA centers around the operations of the WCLA being supported and enabled towards ensuring all licensed outlets respect the public interest.

The budget and resources availed to the CES component was increasingly aligned to operations aimed at executing the regulatory mandate of the WCLA.

Communication with communities and the public with interests in the licensing of specific premises has become a priority. Communication efforts and engagements focused on developing a shared understanding of the role and impact of liquor within a localized area by all interested parties and stakeholders. Ensuring partnerships between the WCLA and stakeholders are managed continuously in a mutually beneficial manner and towards greater regulatory impact.

Finance

The WCLA continues to work with the custodial department to improve efficiency and ensure that the cost of regulation is not an additional burden on the fiscus. The Finance Component aims to promote self-sustainability of the Authority. Self-sustainability will be achieved by improving the ability of the WCLA to mobilize resources as own revenue and on behalf of the Provincial Revenue Fund. The objective is to ensure the liquor industry pays for the cost of regulating the industry. This is achieved by ensuring that the fees charged by the WCLA are cost reflective.

The annual increase in revenue from Application and Granting Fees appears to be stabilizing at 12% post covid recovery, which saw noteworthy increases over the past 2 to 3 years. In line with expectations, revenue from fines & penalties, on the other hand, is starting to decline. This revenue has declined by 39% when compared to the previous year. This is largely driven by the increased inspectorate capacity and visibility resulting in increased compliance.

The WCLA strives to ensure that the liquor industry is regulated in a cost-effective manner. The year-on-year increase in general expenditure is aligned with CPI at 6%, whilst employee-related costs were maintained at R41 million. The WCLA maintains a lean budget with employee-related costs amounting to 57% of the total expenditure. As a result, opportunities for budget cuts are minimal.

Corporate Services

As a small entity managing tight resource allocations, the period under review presented considerable challenges. A high turnover of staff was experienced more especially within the finance component. Finding and retaining the right talent while simultaneously managing costs proved extremely difficult. The competition for talent is fierce especially post-pandemic. The WCLA had to respond in extraordinary fashion to mitigate risks pertaining to mandate execution.

Challenges were also experienced in relation to ICT. The Organizational Structure previously did not acknowledge the ICT function. The WCLA has traditionally relied on SITA in all respects. A position now exists to champion the ICT function. The Organizational Structure tabled with the custodial department now accommodates a structure for ICT.

2.2. Key policy developments and legislative changes

The Authority as part of the Provincial Legislative Task Team, headed by the Department of Police Oversight and Community Safety is in the process of considering critical amendments to the Liquor Act that is informed by two key objectives. The first is to introduce a provision that will impact on the reduction of harms associated with alcohol and in the second instance to simplify and enhance systems and processes of the WCLA to improve operational efficiency.

2.3. Progress towards Achievement of Institutional Impacts and Outcomes

| Outcome | Outcome Indicator | Five-year target | Progress in terms of five-year target |
|---|--|---|---|
| 1. Applications processed by the Liquor Licensing Administration within prescribed timeframes | 1. Timeous processing of permanent and secondary applications to be referred to the Liquor Licensing Tribunal | 100% of permanent and secondary applications processed by the Liquor Licensing Administration within prescribed timeframes | The applications processed within the prescribed timeframes achieved an overall average of 91% for the reporting period. The Tribunal needs to be placed in the position to make an informed decision regarding an application, and pertinent information, if outstanding, prevents this. The availability of DLO reports before any application can proceed thus poses a challenge, however the Administration aims to ensure that no application is enrolled without a DLO or Inspectorate report. In ensuring this, delays in the submission of these reports are still experienced during the processing timeline. Various initiatives have been employed towards ensuring that the risk related to these delays are mitigated and that further delays are prevented. |
| 2. Matters considered by the Liquor Licensing Tribunal within prescribed timeframes | 2. Timeous consideration of permanent and secondary applications and enforcement matters referred to the Liquor Licensing Tribunal | 100% of permanent and secondary applications and enforcement matters considered by the Liquor Licensing Tribunal within the | Ongoing system enhancements and the ongoing optimization of processes and procedures followed before enrolment and during the consideration stage contributed to most applications being dealt with within legislative timeframes. In most of the performance indicators the difference between actual achievement and the target is minimal. Section 82 proceedings were instituted in cases of non-compliance |

| Outcome | Outcome Indicator | Five-year target | Progress in terms of five-year target |
|---|---|---|---|
| | Tribunal | prescribed timeframes | with LLT orders. |
| 3. Community participation in the application and complaints processes | 3. Year on year increase in community participation during the application and complaints processes | Increased community participation in the application and complaints processes | The WCLA has increasingly become impactful in executing its mandate to regulate. The WCLA facilitated and registered greater collaboration and alignment between the various partners. The increased inspectorate capacity allowed for all licensed premises to be inspected throughout the Western Cape which has driven up the compliance rates. Community participation in the application process assisted the LLT in determining public interest and the introduction of in-person hearings welcomed. |
| 4. Compliance with the Act and license conditions by license holders | 4. Focus on compliance with the Act and license conditions by license holders | Year-on-year increase in compliance levels | Due to numerous factors, it was difficult to determine baselines since the introduction of the current strategic plan. Furthermore, the National State of Disaster severely impacted the normal operations of licensed establishments, and therefore the benefits of the increased inspectorate capacity were only experienced for the 2022/2023 and 2023/2024 reporting cycles respectively. The operations in the ABT areas have however proven to show increases in compliance levels based on repeat inspections. |
| 5. Compliance with relevant legislation and National and Provincial Treasury Instructions | 5. Focus on compliance with relevant legislation and National and Provincial Treasury | Audit opinion from Auditor-General of South Africa | The regularity audit for the WCLA was finalized by the Auditor-General on 31 July 2024, who thereafter issued a final unqualified audit opinion with no findings (Clean Audit). The clean audit means that the WCLA complied with all the relevant laws and regulations governing its |

| Outcome | Outcome Indicator | Five-year target | Progress in terms of five-year target |
|---|---|---|--|
| | Instructions | | <p>financial and performance affairs and that throughout the year under review, proper internal controls to manage performance and financial information were implemented. The WCLA has now achieved clean audit outcomes for five consecutive years.</p> <p>The clean audit affirms the commitment of the leadership of the WCLA to good governance and ethical administration. Good governance ensures that funding allocated goes towards mandate execution and not the funding of inefficiencies.</p> |
| 6. Alignment with the provincial government's strategic priorities, within a prescribed strategic framework | 6. Manage the performance monitoring and reporting processes for the WCLA | Publication of an audited Annual Report | <p>The Governing Board as constituted is the Accounting Authority for the WCLA which accounts to the Minister of Police Oversight and Community Safety as the Executive Authority. This results in the Department of Police Oversight and Community Safety being the custodial department for the WCLA. The department effectively thus is the vehicle utilized by the Minister to exercise executive authority responsibility in respect of the WCLA.</p> <p>All budget and planning processes applicable to the WCLA as an entity of Government will be facilitated via the Department of Police Oversight and Community Safety more specifically Programme 1. The parties acknowledge the respective roles, responsibilities and obligations attached and assigned to each institution.</p> |

PERFORMANCE INFORMATION BY COMPONENT

2.1 Component 1: Liquor Licensing Administration

The Liquor Licensing Administration Component provides a service to applicants and/or licence holders by way of the administering of applications, issuing of licences, certificates and notices and the renewals of valid licences.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from planned target to Actual Achievement 2023/24 | Reason for deviations |
|--|------------------------|--|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|--|
| Applications processed by the Liquor Licensing Administration within prescribed timeframes | Legislative compliance | 1.1 Percentage of permanent and secondary licence applications received by the Liquor Licensing Administration processed within prescribed timeframes. | 84.93% | 73.14% | 100% | 90.67% | 9.33% | <p>The Administration relies heavily on the receipt of reports required from the SAPS (DLO's) and Local Government (Municipalities) in the processing of applications. The intent is to only submit fully completed applications to the LLT for consideration. Delays in these reports are proving to be a challenge.</p> <p>An engagement methodology has been embarked upon which introduces a collective and shared understanding of regulation within a localised space. Internal processes have been introduced aligning component resources.</p> |

| | | | | | | | | |
|--|--|---|-----|-----|-----|-------|----------|--|
| | | 1.2 Percentage of licence applications processed via our online portal. | NEW | NEW | 10% | 0.78% | 9.22% | <p>The under-achievement can be attributed to the eLicence portal only accepting complete applications. Many applicants start the process without having all documentation at hand, hence they opt for the manual submission of applications.</p> <p>Once the legislative amendments are passed compelling applicants to lodge complete applications, it is envisioned that more applicants will make use of the eLicence portal for lodgements (as the more convenient option).</p> |
| | | 1.3 Percentage of licensees meeting the criteria in Section 64(1) of the Act that are subjected to the non-automatic renewal process. | NEW | NEW | 90% | 100% | (10.00%) | <p>All licensees meeting the criteria set in Section 64(1) were subjected to the non-automatic renewal process.</p> |

ANALYSIS OF PERFORMANCE INFORMATION

Two new indicators were introduced during the year under review, namely "Percentage of licence applications processed via our online portal" and the second being "Percentage of licensees meeting the criteria in Section 64(1) of the Act that are subjected to the non-automatic renewal process".

"Percentage of permanent and secondary licence applications received by the Liquor Licensing Administration processed within prescribed timeframes"

In respect of this APP indicator for applications processed, the under-performance is mainly attributed to delays in obtaining outstanding information before the application can be enrolled with the Liquor Licensing Tribunal. Delays in the submission of information such as DLO reports ultimately results in a delay in the processing of the application. The Administration aims to ensure that no application is enrolled without a DLO or Inspectorate report, however in ensuring this, delays in the submission of these reports are still experienced during the processing timeline.

"Percentage of licence applications processed via our online portal"

The under-performance in relation to this APP indicator is attributed to less applications being received via the eLicence portal than was initially anticipated. This is mainly because only complete applications can be submitted via the portal, hence many applicants choosing the manual option over the online portal. Once the legislative amendments are passed compelling applicants to lodge complete applications, it is envisioned that more applicants will make use of the eLicence portal for lodgements.

"Percentage of licensees meeting the criteria in Section 64(1) of the Act that are subjected to the non-automatic renewal process"

The learnings from the first implementation cycle of the section 64 process were internalized and informed the subsequent implementation cycle, hence the over-achievement on the target to achieve 100%.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

A review of the administrative standard operating procedures will ensure focus remains on adherence to the prescribed timelines. Incomplete applications for reasons other than Municipal and DLO reports will be clearly distinguished from others, which requires an interrogation of our systems and processes for greater efficiency. In those instances where applicants request additional time to supplement outstanding documents and which may result in delays in the processing timeframes, clear protocols will be developed for a uniform approach to apply. Proposed legislative amendments aimed at process efficiencies include a provision aimed at ensuring the lodgement and acceptance of only substantially complete applications.

CHANGES TO PLANNED TARGETS

No in-year changes to tabled APP indicators affected this component.

LINKING PERFORMANCE WITH BUDGET

| Component/activity/objective | 2023/24 | | | 2022/23 | | |
|---------------------------------|---------|--------------------|--------------------------|---------|--------------------|--------------------------|
| | 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 Licensing Administration | 14 091 | 13 857 | 234 | 14 241 | 14 027 | 214 |
| Total | 14 091 | 13 857 | 234 | 14 241 | 14 027 | 214 |

2.2 Component 2: Liquor Licensing Tribunal

This component is tasked with the responsibility of adjudicating liquor licence applications and complaints lodged regarding the conduct of a licensed business.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from planned target to Actual Achievement 2023/24 | Reason for deviations |
|--|------------------------|--|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|--|
| Matters considered by the Liquor Licensing Tribunal within prescribed timeframes | Legislative compliance | 2.1 Percentage of permanent and secondary license applications considered by the Liquor Licensing Tribunal within the prescribed timeframes. | 85.96% | 97.53% | 100% | 97.12% | 2.88% | Public interest consideration in instances may necessitate interrogation beyond procedural timelines. The Tribunal relies on input and information from all affected parties to determine public interest. Alignment of our systems and processes with strategic partners and inter-component collaboration has realised more accurate and responsive reports, enabling decision-making. |
| | | 2.2 Percentage of Section 73 reports accepted by the Prosecutor. | NEW | NEW | 100% | 51.26% | 48.74% | Quality control measures introduced by the office of the Prosecutor resulting in only matters that are warranted are being processed. |
| | | 2.3 Percentage of Section 73 reports referred to the Tribunal. | NEW | NEW | 100% | 93.39% | 6.61% | Quality control measures introduced by the office of the Prosecutor and the Tribunal Secretariat resulting in only matters |

| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from planned target to Actual Achievement 2023/24 | Reason for deviations |
|---------|--------|---|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|--|
| | | | | | | | | that are warranted being enrolled for consideration by the LLT. |
| | | 2.4 Percentage of all enforcement matters finalized by the Liquor Licensing Tribunal within 60 days of referral. | 84.25% | 90.72% | 100% | 100% | 0.00% | |
| | | 2.5 Percentage of compliance to Liquor Licensing Tribunal fines issued. | NEW | NEW | 100% | 52.47% | 47.53% | The Act provides for suspension of licences(s82) should a licence holder fail to pay fines imposed. This provision is being applied and all non-compliant licensees prioritised for s82. |
| | | 2.6 Percentage of Section 64 non-automatic renewal matters finalised by the Liquor Licensing Tribunal by 31 December. | NEW | 98.16% | 95% | 99.30% | (4.30%) | The Tribunal prioritised s64 applications to ensure timeous finalisation thereof. |

ANALYSIS OF PERFORMANCE INFORMATION

APP targets for applications are ambitious yet close to actual. Most licence applications are considered within the prescribed timeframes. Due to the complexity of some applications considerations and deliberations take longer. This may result in some matters moving outside of the prescribed timeframe.

Due to the nature of enforcement matters and possible consequences should a licence holder be found guilty of transgressions it is important that licence holders are afforded adequate opportunity to make representations on allegations. This in some cases will lead to the matter being postponed for further representations which may result in finalization outside of the required time frame.

The APP indicator for compliance to LLT orders was introduced to track compliance with Tribunal orders on the determined due date. The Act provides a tool in Section 82 to act against non-compliance. It, amongst others, allow the Tribunal to suspend trading on the licence until such time that the fine has been paid.

Indicator targets in respect of the Section 64 process were exceeded.

WOMEN, YOUTH AND PERSONS WITH DISABILITIES

The Tribunal follows a zero-tolerance approach towards license holders contravening the Act in selling liquor to Minors. If found guilty of such an offence, a hefty sanction will be imposed.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Ongoing management of the application case roll will continue to ensure applications are considered within legislative timeframes.

Ongoing interactions between the Presiding Officer, Inspectors and the Prosecutor will contribute to matters referred are meeting the Tribunal's criteria. This will contribute to reaching the target in relation to the enrolment of matters for the LLT.

Looking at enforcement matters at an earlier stage and managing the timeframes for representations started to contribute to the increase of matters that were considered within the required timeframes. The Tribunal will proceed with this approach to increase the number of applications considered within the required timeframes.

In cases where LLT orders were not complied with, Section 82 procedures will be implemented. A non-compliant licence holders licence will be suspended until adherence to the order.

CHANGES TO PLANNED TARGETS

No in-year changes to tabled APP indicators affected this component.

LINKING PERFORMANCE WITH BUDGET

| Component/activity/objective | 2023/24 | | 2022/23 | | (Over)/Under Expenditure |
|------------------------------|---------|--------------------|---------|--------------------|--------------------------|
| | Budget | Actual Expenditure | Budget | Actual Expenditure | |
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| Liquor Licensing Tribunal | 6 660 | 6 528 | 5 744 | 5 741 | 3 |
| Total | 6 660 | 6 528 | 5 744 | 5 741 | 3 |

2.3 Component 3: Inspectorate: Compliance and Enforcement

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

Outcomes, Outputs, Output Indicators, targets and Actual Achievements

| Component: Inspectorate: Compliance and Enforcement | | | | | | | | |
|---|---|---|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|---|
| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from planned target to Actual Achievement 2023/24 | Reason for deviations |
| Compliance with the Act and licence conditions by license holders | Proactive measures to ensure compliance | 3.1 Percentage of valid licences at the beginning of the financial year that are inspected by the end of that financial year. | NEW | NEW | 95% | 95.92% | (0.92%) | Variance negligible. |
| | | 3.2 Number of enforcement operations conducted with other agencies. | 261 | 305 | 280 | 296 | (16) | The over-achievement is due to the institutionalization of evidence-led and data driven interventions, which facilitates and compels the effective and efficient utilisation of resources, including collaboration with strategic partners. |
| | | 3.3 Percentage of complaints received finalised within two (2) months. | 97.02% | 89.42% | 95% | 97.12% | (2.12%) | The overachievement is attributed to the collaboration with other stakeholders to ensure that all licences operate in the public interest. |

| Component: Inspectorate: Compliance and Enforcement | | | | | | | | |
|---|--------|---|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|--|
| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from planned target to Actual Achievement 2023/24 | Reason for deviations |
| | | 3.4 Number of inspections conducted focused on under-age drinking and access to restricted areas*. | 5 991 | 5 656 | 2 400 | 2 692 | (292) | A risk-based approach to inspections introduced resulted in collaborative deployment targeting abuse of liquor by youth |
| | | 3.5 Percentage of all licensed premises to be inspected within three (3) months after issuing of licence. | NEW | NEW | 95% | 93.33% | 1.67% | Vacancies contributed to a decrease in capacity which resulted in additional workloads for the remaining officers which impacted timelines. |
| | | 3.6 Percentage of licensed outlets within the ABT areas inspected quarterly. | NEW | NEW | 100% | 100% | 0.00% | |
| | | 3.7 Number of Problem Statements developed for all local municipalities and the City of Cape Town sub-councils. | NEW | NEW | 25 | 32 | (7) | The overachievement can be attributed to additional situational analysis being developed for the City of Cape Town Metropolitan municipality |

* The overachievement at indicator 3.4 was primarily occasioned by the improved collaboration with legislative partners. See analysis of performance information below.

ANALYSIS OF PERFORMANCE INFORMATION

Performance show that all licensed premises were inspected within a 12-month cycle. Repeat inspections required quarterly at all licensed outlets within ABT areas were conducted. It was further intended that relationships with licensees remain continuous once a licence is issued to ensure they assume responsibility to operate in the public interest. Inspections are thus conducted within three (3) months after they have been issued.

Indicators which relate to operations, complaints investigated, and inspections focussed on under-age drinking are similar to previous years. Such interventions are essential in terms of collaborated efforts, building relations with the public and protecting the interest of children. The targets were adjusted to reflect impact of the additional capacity.

WOMEN, YOUTH AND PERSONS WITH DISABILITIES

One of the indicators above measures the "Number of inspections conducted focussed on under-age drinking and access to restricted areas". The target was over-achieved by a large margin due to increased capacity and the general checking of offences related to children during routine inspections. Six instances hereof were successfully prosecuted and sanctioned by the LLT.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The inspectorate has revised its inspection processes to ensure all new licences issued are divided equally, soliciting the assistance of the SAPS and Law Enforcement to ensure all licences are inspected within the prescribed timeframe.

CHANGES TO PLANNED TARGETS

None.

LINKING PERFORMANCE WITH BUDGET

| Component/activity/objective | 2023/24 | | | 2022/23 | | |
|------------------------------|---------|--------------------|--------------------------|---------|--------------------|--------------------------|
| | Budget | Actual Expenditure | (Over)/Under Expenditure | Budget | Actual Expenditure | (Over)/Under Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Inspectorate | 17 103 | 16 978 | 125 | 19 076 | 18 880 | 196 |

| | | | | | | |
|-------|--------|--------|-----|--------|--------|-----|
| Total | 17 103 | 16 978 | 125 | 19 076 | 18 880 | 196 |
|-------|--------|--------|-----|--------|--------|-----|

2.4 Component 4: Communication, Education and Stakeholder Relations

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

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

| Component: Communication, Education and Stakeholder Relations | | | | | | | | |
|---|--------------------------------|---|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|-----------------------|
| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from planned target to Actual Achievement 2023/24 | Reason for deviations |
| Community participation in the application and complaints processes | Increased public participation | 4.1 WCLA Annual Communication Plan developed. | NEW | NEW | 1 | 1 | 0 | |
| | | 4.2 Number of Liquor Consultants Forum engagements facilitated. | NEW | NEW | 4 | 4 | 0 | |
| | | 4.3 Number of campaigns conducted targeting licence | NEW | NEW | 1 | 1 | 0 | |

| Component: Communication, Education and Stakeholder Relations | | | | | | | | |
|---|--------|---|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|-----------------------|
| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from planned target to Actual Achievement 2023/24 | Reason for deviations |
| | | holders in understanding their roles and responsibilities as licensed outlets and the impact of liquor on priority groupings such as women, youth and children. | | | | | | |
| | | 4.4 Number of campaigns developed targeting communities on their role in influencing the determination of public interest. | NEW | NEW | 1 | 1 | 0 | |

ANALYSIS OF PERFORMANCE INFORMATION

Despite the reality of budget cuts and limited resources the CES continued messaging the facilitation of an appreciation for liquor regulation and enabling a shared understanding in localized areas to appreciate regulation through a safety lens and enabling the LLT to determine public interest.

WOMEN, YOUTH AND PERSONS WITH DISABILITIES

The operations of the WCLA remained focus on a reduction of harms associated with alcohol especially in respect of vulnerable groups. Activities embarked upon included distribution of educational and awareness material and collaboration with strategic partners who enjoy direct access to the public.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Not applicable.

CHANGES TO PLANNED TARGETS

No in-year changes to tabled APP indicators affected this component.

LINKING PERFORMANCE WITH BUDGET

| Component/activity/objective | 2023/24 | | | 2022/23 | | |
|--|---------|--------------------|--------------------------|---------|--------------------|--------------------------|
| | 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 | 2 465 | 2 157 | 308 | 5 048 | 4 362 | 686 |
| Total | 2 465 | 2 157 | 308 | 5 048 | 4 362 | 686 |

Note: Under-expenditure relate to cost of employment

2.5 Component 5: Finance

This component aims to enhance performance oriented financial management.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

| Component: Finance | | | | | | | | |
|--|------------------------|--|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|---|
| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from planned target to Actual Achievement 2023/24 | Reason for deviations |
| Compliance with relevant legislation and National and Provincial Treasury Instructions | Legislative compliance | 5.1 Percentage expenditure in relation to the allocated budget. | 128.50% | 93.48% | 98% | 98% | 0.00% | |
| | | 5.2 Percentage of invoices paid within 30 days after receipt of invoice. | 99% | 94.34% | 100% | 97% | 3.00% | Invoices were queried in negligible instances |
| | | 5.3 Audit opinion from Auditor General of South Africa. | Unqualified Audit Opinion | Unqualified Audit Opinion | Unqualified Audit Opinion | Unqualified Audit Opinion | 0 | |

ANALYSIS OF PERFORMANCE INFORMATION

There were no instances of significant under-achievements of targets on the finance component's performance indicators in the current year.

The underachievement in budget relates to roll-over funding from the 2021/22 year earmarked for the construction of a client service centre. Uncertainty of funding delayed procurement processes.

Valid queries against invoices renders them unpayable until the query is resolved and therefore in such instances payments will exceed 30 days if resolutions are not achieved in time.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The WCLA has upgraded its procurement and payment module, and this will increase the efficiencies surrounding the monitoring of invoices under dispute.

CHANGES TO PLANNED TARGETS

No in-year changes to tabled APP indicators affected this component.

LINKING PERFORMANCE WITH BUDGET

| Component/activity/objective | 2023/24 | | Budget | 2022/23 | | (Over)/Under Expenditure |
|------------------------------|---------|--------------------|--------|--------------------|--------------------------|--------------------------|
| | Budget | Actual Expenditure | | Actual Expenditure | (Over)/Under Expenditure | |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Finance | 15 109 | 14 871 | 16 167 | 16 102 | 65 | 65 |
| Total | 15 109 | 14 871 | 16 167 | 16 102 | 65 | 65 |

2.6 Component 6: Corporate Services

The Corporate Services Component provides strategic and administrative support to the Components of the WCLA to monitor and report on the achievements of the WCLA's performance targets.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

| Component: Corporate Services | | | | | | | | |
|--|------------------------|---|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|-----------------------|
| Outcome | Output | Output Indicator | Audited Actual Performance 2021/22 | Audited Actual Performance 2022/23 | Planned Annual Target 2023/24 | Actual Achievement 2023/24 | Deviation from planned target to Actual Achievement 2023/24 | Reason for deviations |
| Alignment with the provincial government's strategic priorities, within a prescribed strategic framework | Legislative compliance | 6.1 Number of Annual Performance Plans (APP) published. | 1 | 1 | 1 | 1 | 0 | |
| | | 6.2 Number of quarterly performance reports submitted to DotP. | 4 | 4 | 4 | 4 | 0 | |
| | | 6.3 Number of quarterly reports submitted to Parent department. | 4 | 4 | 4 | 4 | 0 | |

ANALYSIS OF PERFORMANCE INFORMATION

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

WOMEN, YOUTH AND PERSONS WITH DISABILITIES

The activities of this Component during the financial year especially when it came to its recruitment and selection process were focussed on the promotion of equal employment opportunities for all employees and applicants to achieve a diverse, inclusive workplace, foster a productive work environment and provide guidance and training to components and employees on EE compliance.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Not applicable.

CHANGES TO PLANNED TARGETS

No in-year changes to tabled APP indicators affected this component.

LINKING PERFORMANCE WITH BUDGET

| Component/activity/objective | 2023/24 | | | 2022/23 | | |
|------------------------------|---------|--------------------|--------------------------|---------|--------------------|--------------------------|
| | 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 | 18 204 | 17 573 | 631 | 24 557 | 20 464 | 4 093 |
| Total | 18 204 | 17 573 | 631 | 24 557 | 20 464 | 4 093 |

3. Revenue collection

| Sources of revenue | 2023/24 | | | 2022/23 | | |
|---|---------------|-------------------------|-------------------------|---------------|-------------------------|-------------------------|
| | Estimate | Actual Amount Collected | (Over)/Under Collection | Estimate | Actual Amount Collected | (Over)/Under Collection |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| REVENUE COLLECTED ON BEHALF OF THE PROVINCIAL REVENUE FUND | | | | | | |
| Automatic renewal | 49 093 | 53 066 | (3 973) | 47 267 | 46 400 | 867 |
| WCLA OWN REVENUE | | | | | | |
| Application fees | 3 668 | 2 930 | 738 | 2 162 | 2 790 | (628) |
| Granting fees | 5 465 | 5 524 | (59) | 5 150 | 4 755 | 395 |
| Other income | 50 | 258 | (208) | 78 | 84 | (6) |
| Interest received | 1 550 | 1 699 | (149) | 1 287 | 1 381 | (94) |
| Fines | 7 884 | 5 852 | 2 032 | 9 265 | 9 618 | (353) |
| Total Own Revenue | 18 617 | 16 262 | 2 355 | 17 942 | 18 628 | (686) |
| TOTAL COMBINED | 67 710 | 69 328 | (1 618) | 65 209 | 65 028 | 181 |

The WCLA is funded from a grant received from the Province via the Department of Police Oversight and Community Safety. The entity Budget is also informed by own revenue from licence fees and fines which are not required to be paid over to the Provincial Revenue Fund as well as interest earned on investments.

The Authority collects annual licence fees for automatic renewal of licenses in terms of s63(2) of the Western Cape Liquor Act (WCL Act). These fees are collected from compliant licence holders via the automatic renewal process and are paid to the Provincial Revenue Fund in terms of s30 of the WCL Act. During the 2023/24 financial year, the entity collected and paid R53 million to the Provincial Revenue Fund. This represents an over-collection of R3.9 million against the target for the year of R49 million and over-collection of R6.7 million when compared to the previous financial year.

All other fees such as application and granting fees, as well as fines and penalties are kept by the Authority as own revenue. The WCLA's own revenue is made up of the following:

- Application fees – mainly include fees charged for the processing of new licences and events licenses, and amendments to existing liquor licenses.
- Granting fees - represents fees charged for the issuing of new licenses and amendments to licenses following the successful application and approval of a licence.

- Fines and Penalties are charged in terms of the WCLA Act. Fines are imposed by the Liquor Licensing Tribunal in terms of s20 of the Liquor Act for non-compliance by licensees. Penalties constitute additional charges on late payment of licence fees.

In addition, the Authority invests available funds in interest bearing call accounts.

There was an under-collection of own revenue amounting to R2.4 million. This is largely driven by a decline in fines issued. With the increased inspectorate capacity, the number of non-compliance matters is declining. As the fines and penalties are declining, revenue from automatic renewals is increasing. Overall revenue collection is better than expected by R1.6 million.

4.1. Capital Investment

The Authority is supported by the State Information Technology Agency (SITA) for IT infrastructure. Phase 2 of the upgrade of the LMATS system was completed at the beginning of this financial year, and as a result, intangible assets under development amounting to R2.2 million were transferred to computer software. The upgrade allows licence holders to process applications and renewals through the online application portal.

The value of Intangible assets and Property, Plant and Equipment (PPE) amounts to R8.5 million and R10 million respectively. The LMATS system forms a major portion of the intangibles assets. Assets held under finance lease amounting to R4.2 million have been included in the value of PPE. These assets are depreciated and amortized in accordance with the relevant accounting policy.

| Infrastructure projects | 2023/24 | | | 2022/23 | | |
|----------------------------|--------------|--------------------|--------------------------|---------------|--------------------|--------------------------|
| | 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 | 0 | 0 | 0 | 0 | 0 | 0 |
| IT equipment | 0 | 0 | 0 | 1 425 | 887 | 538 |
| Cloud infrastructure | 0 | 0 | 0 | 1 587 | 806 | 781 |
| Online platform | 0 | 0 | 0 | 2 226 | 2 226 | 0 |
| Computer Software Licences | 1 855 | 1 853 | 2 | 0 | 0 | 0 |
| Client Services Centre | 0 | 0 | 0 | 4 951 | 0 | 4 951 |
| Total | 1 855 | 1 853 | 2 | 10 189 | 3 919 | 6 270 |

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 is applied through the precepts of the Public Finance Management Act (PFMA) and run-in tandem with the principles contained in the King's Report on Corporate Governance.

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

2. PORTFOLIO COMMITTEES

In respect of the year under review the WCLA participated in all engagements called and responded to questions directed to the WCLA by the Portfolio Committee facilitated by the Department of Police Oversight and Community Safety.

3. EXECUTIVE AUTHORITY

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

4. THE ACCOUNTING AUTHORITY / GOVERNING BOARD

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

The Governing Board of the Authority oversee the implementation of the Western Cape Liquor Act and management of the business of the Authority. The Governing Board is responsible for policy, control, strategy direction, leadership, proper accountability, probity and transparency in all respects.

The fiduciary responsibilities of the Board are as follows:

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

The members of the Governing 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 Governing Board.

Composition of the Governing Board

Table 1 indicates the composition of the outgoing Governing Board whose term came to an end on 11 March 2024.

Table 2 indicates the composition of the current Governing Board that took up office on 20 March 2024.

Table 1

| Name | Designation (in terms of the Public Entity Board structure) | Date appointed | Date resigned | Qualification s | Area of Expertise | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | No. of Meetings attended |
|-------------------|---|-------------------|------------------|--|--------------------------------------|--|---|--------------------------------|
| Ronald Kingwill | Chairperson | 12/03/2021 | N/A | CA(SA), CTC, B Comm | Governance, Finance and Risk | N/A | Operations Committee; Finance, HR, IT & Ethics Committee; Differentiated Pricing Model Committee | 24 |
| Gregory Grootboom | Deputy Chairperson | 12/03/2021 | N/A | PhD Educational Psychology, B Ed (Psych), Med (Psychology) | Communication and Leadership | N/A | Communications and Stakeholder Relations Committee; Finance, HR, IT & Ethics Committee; Differentiated Pricing Model Committee | 24 |
| Carol-Ann Foulis | Member | 12/03/2021 | N/A | BA (English and Psychology), Post Dip (HRM), MBA (Development Studies) | Communication, Research | N/A | Communications and Stakeholder Relations Committee; OPS Committee; Differentiated Pricing Model Committee | 15 |
| Andreas le Roux | Member | 12/03/2021 | 30/11/2023 | MBA (Business Admin), Bsc Engineering (Mechatronics) | Governance, Planning, Strategy | N/A | Finance, HR, IT & Ethics Committee; OPS Committee; Communications & | 10 |

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| | | | | | | | | |
|------------------|--------|------------|------------|---|--------------------------------|-----|---|----|
| | | | | | | | Stakeholder Relations; Differentiated Pricing Model Committee | |
| Sibonile Khoza | Member | 15/11/2021 | N/A | LLM, Post-Graduate Diploma in Development Policy and Practice, LL.B. | Governance, Planning, Strategy | N/A | Finance, HR, IT & Ethics Committee; OPS Committee; Differentiated Pricing Model Committee | 4 |
| Tanya Wainwright | Member | 15/11/2021 | 31/07/2023 | LL.B. | Governance, Planning, Strategy | N/A | Communications and Stakeholder Relations Committee, OPS Committee; Differentiated Pricing Model Committee | 6 |
| Crystal Abdoll | Member | 01/03/2022 | N/A | Chartered Accountant, Post Grad Diploma in Internal Auditing, BCompt Hons | Governance, Finance and Risk | N/A | Finance, HR, IT & Ethics Committee; Audit & Risk Committee; Differentiated Pricing Model | 27 |

Table 2

| 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 |
|-------------------|---|----------------|---------------|--|--|---|---|--------------------------|
| Sibonile Khoza | Chairperson | 20/03/2024 | N/A | LLM, Post-Graduate Diploma in Development Policy and Practice, LL.B. | Governance, Planning, Strategy | N/A | - | - |
| Gregory Grootboom | Deputy Chairperson | 20/03/2024 | N/A | PhD Educational Psychology, B Ed (Psych), Med (Psychology), Advanced Certificate in Governance and Leadership (WITS) | Communication, Governance and Leadership | N/A | Finance, HR, IT & Ethics Committee; Operations Committee; Policy & Strategy Committee | - |
| Crystal Abdoll | Member | 20/03/2024 | N/A | Chartered Accountant, Post Grad | Governance, Finance and Risk | N/A | Finance, HR, IT & Ethics Committee; | - |

| | | | | | | | | |
|------------------|--------|------------|-----|--|--|---|---|---|
| | | | | Diploma in Internal Auditing, BCompt Hons | | | Audit & Risk Committee; Policy & Strategy Committee | |
| Chuma Fani | Member | 20/03/2024 | N/A | B. Admin, Public Administration (Hons) | Strategic Planning, Governance and Public Management | Western Cape Rental Housing Tribunal, Ditsong Museums of South Africa, Western Cape Gambling and Racing Board | Operations Committee; Policy & Strategy Committee | - |
| Claude Bassuday | Member | 20/03/2024 | N/A | B. Proc, LLB, LLM, Post Grad Diploma in Criminal justice and Forensic Auditing | Governance, Planning, Strategy | Western Cape Gambling and Racing Board, Western Cape Consumer Affairs Tribunal | Finance, HR, IT & Ethics Committee; Operations Committee; Policy & Strategy Committee | - |
| Stephen Harrison | Member | 20/03/2024 | N/A | BA, LLB, LLM in Public Law, Master of Public Health, B. Tech in Emergency Medical Care | Public Law, Public Health, Planning and Strategy | N/A | Finance, HR, IT & Ethics Committee; Operations Committee; Policy & Strategy Committee | - |
| Vacant | Member | - | - | - | - | - | - | - |

Governing Board and Committee meetings

| Governing Committee | Board/ | No. of meetings held | No. of members | Name of members |
|--|---------------|-----------------------------|-----------------------|---|
| Governing Board | | 5 | 7 | Ronald Kingwill, Gregory Grootboom, Carol-Ann Foulis, Andreas le Roux, Sibonile Khoza, Tanya Wainwright, Crystal Abdoll |
| OPS Committee | | 4 | 5 | Ronald Kingwill, Carol-Ann Foulis, Andreas le Roux, Tanya Wainwright, Sibonile Khoza |
| Finance, HR, IT and Ethics Committee | | 5 | 5 | Ronald Kingwill, Andreas le Roux, Sibonile Khoza, Gregory Grootboom, Crystal Abdoll |
| Communications and Stakeholder Relations Committee | | 1 | 4 | Gregory Grootboom, Carol-Ann Foulis, Andreas le Roux, Tanya Wainwright |
| Audit & Risk Committee | | 6 | 1 | Crystal Abdoll |
| Strategy & Planning Committee | | 2 | 7 | Ronald Kingwill, Gregory Grootboom, Carol-Ann Foulis, Andreas le Roux, Sibonile |

| | | | |
|--|--|--|--|
| | | | Khoza, Tanya Wainwright, Crystal Abdoll |
|--|--|--|--|

Note: Board members are required to attend other meetings, for example, stakeholder sessions, meetings with the Minister, participation on interview panels and any other engagements. These meetings are not provided for in the above table.

Remuneration of board members

The Governing Board was categorised at a B2 level. Payments per hour and day rate as follows:

| Sub-category B2 | R.p.d | R.p.h |
|--------------------|-------|-------|
| Chairperson | 4 005 | 501 |
| Deputy Chairperson | 2 820 | 353 |
| Member | 2 454 | 307 |

| Name | Remuneration R'000 | Other allowance R'000 | Other re-imbursements R'000 | Total R'000 |
|-------------------|-----------------------|--------------------------|--------------------------------|----------------|
| Ronald Kingwill | 70 | 5 | 4 | 79 |
| Gregory Grootboom | 31 | 4 | 17 | 52 |
| Carol-Ann Foulis | 26 | 5 | 1 | 32 |
| Andreas le Roux | 31 | 3 | 0 | 34 |
| Sibonile Khoza | 9 | 1 | 0 | 10 |
| Tanya Wainwright | 26 | 5 | 1 | 32 |
| Crystal Abdoll | 22 | 4 | 1 | 27 |

5. RISK MANAGEMENT

The Western Cape Liquor Authority has an Enterprise Risk Management Framework consisting of Risk Management Policy, Risk Management Implementation Plan, and the Risk Appetite Framework. The Risk Management policy provides the governance structure, risk appetite and the risk philosophy to guide our attitude towards risk at the entity level.

Core to the delivery of our mandate is the inculcation of a risk conscious and risk intelligent culture where risk across the Authority is embraced as a strategic and tactical enabler towards delivering on our promise and cementing its relevance in leading reduction in alcohol related harms. Our risk management strategy is robust as affirmed by regular risk assessments conducted, and the control improvement plans that are regularly evaluated and assessed for effectiveness. The Authority also adopted an attitude towards risk management where managers have elevated its prominence and utilises it as a tool to inform decision making, and to manage and optimise available resources.

Our Risk Management Framework is further aligned to the King IV™ principles on corporate governance as it decrees that the Governing Board must manage risk, with Principle 11 stating that, "the governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives".

The Authority has an effective Risk Management Committee in place chaired by the Chief Executive Officer and supported by the Manager: Compliance and Internal Control. The Risk Management Committee meets on a quarterly basis and oversees the management of compliance with risk management policies and procedures and reviews the adequacy of the risk management framework relative to identified risks and opportunities.

The Authority's robust risk management architect and governance structure echoes the principles enshrined in KING IV™, ISO 31 000, Public Sector Risk Management Framework, and the Committee of Sponsoring Organisations of the Treadway Commission frameworks.

6. INTERNAL CONTROL UNIT

The Western Cape Liquor Authority has an Internal Control Unit. The system of Internal Control at the WCLA is designed in such a way as to ensure:

- Integrity and reliability of financial information;
- Compliance with laws and regulations;
- Achievement of objectives;
- Efficiency and effectiveness of operations.
- Safeguarding of assets.

WCLA maintains a strong culture of internal controls and has designed controls that are effective and adequate to support the preparation of financial and performance information. Deficiencies in the design and operating effectiveness identified by Internal Audit were reported to the Audit & Risk Committee.

During the year under review, Internal Control Unit undertook the following activities:

- Provided an Enterprise-Wide Risk Management function;
- Developed Risk Management Framework;
- Rendered policy advice on policies relevant for the finance component;
- Coordinated Assurance Services;
- Managed the Irregular, Fruitless & Wasteful Expenditure process within the Authority and ensured that motivation for IFW is submitted for condonation to the relevant authority.
- Managed the loss control process and facilitated the gift register and the declaration of interest process;
- Reported to the Audit & Risk Committee on Risk Management and Internal Control function of the WCLA.

During the year under review, there were no significant control deficiencies identified in the control environment of the Authority.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

The Authority's Internal Audit Function is outsourced to a firm of Chartered Accountants and Auditors, Nexia SAB & T. The designated Chief Audit Executive holds appropriate industry credentials and is well placed to offer internal audit services as contracted. The Internal Auditors report administratively to the Chief Executive Officer and functionally to the Audit and Risk Committee.

In terms of the risk-based Internal Audit Plan, the Internal Audit function performed all the planned engagements for the 2023/24 financial year as per the audit plan approved by the Audit and Risk Committee.

The Authority's Audit and Risk Committee is established in terms of the Public Finance Management Act and comprises of three members at any one time. The Audit and Risk Committee is guided by its terms of reference and is chaired by an independent person who is not a member of the Governing Board. Members collectively have experience and expertise in risk management, auditing, governance, and financial reporting.

Five committee meetings were held during the year under review. These were attended by the Chief Executive Officer, Chief Financial Officer, Senior Managers and Manager: Compliance and Internal Control. The Chief Audit Executive (Director: Nexia SAB & T) and the Auditor – General of South Africa has unrestricted access to the Chairperson of the Audit & Risk Committee.

The table below discloses relevant information on the Audit and Risk committee members:

| Name | Qualifications | Internal or external | If internal, position in the public entity | Date appointed | Contract Expired | No. of Meetings attended |
|------------------|---|----------------------|--|-----------------|------------------|--------------------------|
| Francois Barnard | CA(SA); M Com (Tax) | External | - | 1 June 2020 | 31 May 2023 | 3 |
| Terence Arendse | CA(SA) | External | - | 1 May 2019 | - | 9 |
| Crystal Abdoll | Chartered Accountant, Post Grad Diploma in Internal Auditing, BCompt Hons | External | Board member | 1 March 2022 | - | 6 |
| Mbali Buthelezi | BCom Hons Accountancy, RGA, CIA | External | - | 6 November 2023 | - | 2 |

Notes:

Mr Francois Barnard fulfilled the role of Chairperson for the Audit and Risk Committee until his tenure in this position expired on the 31 May 2023. Mr Terence Arendse was appointed as the Chairperson of the Audit and Risk Committee at the conclusion of Mr Barnard's tenure.

The Chairperson of the Audit and Risk Committee is required to attend Board meetings as well as other meetings, for example, SCOPA and Standing Committee sessions. These meetings are included in the above table for the Chairperson.

8. COMPLIANCE WITH LAWS AND REGULATIONS

The Authority 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 potentially fraudulent activities. Fraud and corruption prevention forms an integral focus area of the risk assessment. The Authority has adopted and implemented its own fraud prevention policy and fraud response plan. Management and staff are responsible for the detection and prevention of fraud, misappropriations, and other irregularities.

10. MINIMISING CONFLICT OF INTEREST

Members of the Governing Board and Members of the Committees of the Governing Board are required to declare any interest in any matter to be discussed at Governing Board meeting or any Committee meeting, and to recuse themselves from meetings where such matters are discussed when appropriate. Declarations are recorded in meeting minutes.

The Authority has instituted a process where at the beginning of each financial year, all employee's complete declaration of interest forms. The Authority's Supply Chain Management Policy requires all members of bid specification, bid evaluation, and bid adjudication committees to declare any conflict of interest regarding matters before them and to recuse themselves from the meeting when such items are discussed.

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 in place to guide the employees as well as the Governing Board of the Authority on in terms of the manner in which the aforesaid parties represent 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

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

The Communication, Education and Stakeholder Relations component of the Authority also focuses on educating license holders regarding responsible trading and raising awareness amongst relevant stakeholders of the harms caused by alcohol abuse.

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2024

Audit and Risk Committee Responsibility

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

Audit Committee Members and Attendance

As required by its Charter, the Audit and Risk Committee has to meet at least four (4) times per annum, although additional meetings may be scheduled as the need arises. Six (6) meetings were held during the 2023/24 financial year.

| | <u>MEETINGS ATTENDED</u> |
|--|--------------------------|
| Mrs. C. Abdoll | 6 |
| Mr T. Arendse | 6 |
| Mrs. M. Buthelezi- appointed 6 November 2023 | 2 |

The Effectiveness of Internal Control

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

In-Year Management and Monthly/Quarterly Report

The Committee has extensively reviewed quarterly financial and performance reporting, together with findings from the Auditor General 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 Committee is satisfied with the quality of quarterly reports prepared and issued by the Authority during the period under review.

Governance of Risk

The Committee is responsible for the oversight of the risk management process. The Committee considered the risk management plan and the fraud plan and have reviewed the related registers and the updates thereto on a quarterly basis.

Auditor-General's Report

The Committee has:

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

Corrective actions on the detailed findings raised by the AGSA are monitored by the Audit Committee on a quarterly basis. The Committee concurs and accepts the AGSA's opinion regarding the Annual Financial Statements and proposes that these Audited Annual Financial Statements be accepted and read together with their report.


The Audit Committee commends the entity for achieving an unqualified audit opinion with no findings.

Evaluation of Financial Statements

The Committee has reviewed the Authority's financial statements prior to its submission to the Auditor General and made a recommendation for the Board's approval.

Appreciation

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



Terence Arendse
Chairperson of the Audit and Risk Committee
Western Cape Liquor Authority
Date: 5 August 2024

15. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBEE requirements of the BBEE Act of 2013 and as amended by the Department of Trade and Industry.

| Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following | | |
|--|---------------------|---|
| Criteria | Response Yes/ No | Discussion (include a discussion on your response and indicate what measures have been taken to comply) |
| Determining qualification criteria for the issuing of licenses, concessions or other authorisations in respect of economic activity in terms of any law? | Yes | The WCLA through its enabling legislation and the LLT determines qualification criteria for the issuing of liquor licenses. |
| Developing and implementing a preferential procurement policy? | Yes | The SCM policy (S1.4) of the WCLA makes provision for the implementation of preferential procurement. |
| Determining qualification criteria for the sale of state-owned enterprises? | No | The WCLA does not engage in the economic activity. |
| Developing criteria for entering into partnerships with the private sector? | No | The WCLA does not engage in the economic activity. |
| Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment? | No | The WCLA does not engage in the economic activity. |

PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

The year under review was characterised by a significant increase in staff turnover. This was particularly prevalent within the Finance component with young professionals being attracted by more lucrative offers elsewhere.

An Organisational design process has undertaken during the year under review which produced a structure adopted by the Governing Board. Applicable policies necessitate consultation with the Executive Authorities of the custodial department and Provincial Treasury.

The HR related challenges experienced by the WCLA over the past year primarily centred around the ability of the entity to attract and retain competent and skilled staff. The WCLA, when compared to Government, has less to offer in respect of service benefits and considerably less in relation to the private sector.

Notwithstanding the above the WCLA by virtue of its size and nature presents as an organization with promise and opportunity. The work environment as challenging as it may be, is capable of attracting ambitious individuals with a growth mind-set. Opportunities for individual growth and development abound and the WCLA will leverage this aspect more.

The internship/graduate program of the WCLA provides a pool of candidates for entry level positions.

The 2023/24 financial year has seen a significant pathway towards greater impact and a continued commitment to regulate in the public interest. This includes:

- Governing Board approval of the organisational design project
- Securing the appointment of an ICT Senior Manager to champion the enablement of IT as a strategic lever
- Established collaboration and partnerships with stakeholders facilitating internship placements at the Authority
- Emphasis on and responsiveness to Employee Wellness and wellness sessions

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by component

| 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) |
|--|--|-------------------------------|---|------------------|---|
| Liquor Licensing Administration | 41 033 | 10 586 | 25.80 % | 18 | 588 |
| Communication, Education and Stakeholder Relations | 41 033 | 1 379 | 3.36 % | 3 | 459 |
| Compliance and Enforcement | 41 033 | 14 910 | 36.34 % | 32 | 465 |
| Finance | 41 033 | 5 245 | 12.78 % | 8 | 655 |
| Corporate Services | 41 033 | 8 912 | 21.72 % | 13 | 685 |

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 | 1 774 | 4.34 % | 1 | 1 774 |
| Senior Management | 2 789 | 6.83 % | 4 | 797 |
| Professional qualified | 12 966 | 31.75 % | 19 | 682 |
| Skilled | 12 159 | 29.77 % | 24 | 507 |
| Semi-skilled | 11 153 | 27.31 % | 35 | 319 |
| Unskilled | 0 | 0 | 0 | 0 |
| TOTAL | 40 841 | 100% | 83 | 4 079 |

Performance Rewards

| Programme/activity/objective | Performance rewards | Personnel Expenditure (R'000) | % Of performance rewards to total personnel cost (R'000) |
|------------------------------|---------------------|-------------------------------|--|
| - | - | - | - |

* The Authority did not pay out performance bonuses for the year under review.

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 |
|--|-------------------------------|------------------------------|--|--------------------------|--------------------------------|
| Liquor Licensing Administration | 10 586 | 26 | 0.25 % | 18 | 1.44 |
| Communication, Education and Stakeholder Relations | 1 379 | 4 | 0.29 % | 3 | 1.33 |
| Compliance and Enforcement | 14 910 | 46 | 0.31 % | 32 | 1.44 |
| Finance | 5 245 | 11 | 0.21 % | 8 | 1.38 |
| Corporate Services | 8 912 | 18 | 0.20 % | 13 | 1.38 |

Employment and vacancies

| Programme/activity/objective | 2022/23 No. of Employees | 2023/24 Approved Posts | 2023/24 No. of Employees | 2023/24 Vacancies | % of vacancies |
|--|--------------------------|------------------------|--------------------------|-------------------|----------------|
| Liquor Licensing Administration | 18 | 24 | 18 | 5 | 20.83% |
| Communication, Education and Stakeholder Relations | 4 | 6 | 3 | 3 | 50.00% |
| Compliance and Enforcement | 36 | 40 | 32 | 8 | 20.00% |
| Finance | 9 | 11 | 7 | 4 | 36.36% |
| Corporate Services | 14 | 15 | 13 | 2 | 13.33% |

| Programme/activity/objective | 2022/23 No. of Employees | 2023/24 Approved Posts | 2023/24 No. of Employees | 2023/24 Vacancies | % of vacancies |
|------------------------------|--------------------------|------------------------|--------------------------|-------------------|----------------|
| Top Management | 1 | 1 | 1 | 0 | 0.00% |
| Senior Management | 3 | 6 | 2 | 4 | 66.67% |
| Professional qualified | 18 | 22 | 19 | 3 | 13.64% |
| Skilled | 24 | 28 | 18 | 10 | 35.71% |
| Semi-skilled | 31 | 40 | 34 | 6 | 15.00% |

| | | | | | |
|--------------|-----------|-----------|-----------|-----------|---------------|
| Unskilled | 0 | 0 | 0 | 0 | 0.00% |
| TOTAL | 77 | 97 | 74 | 23 | 23.71% |

Employment changes

| Salary Band | Employment at beginning of period | Appointments | Terminations | Employment at end of the period |
|------------------------|-----------------------------------|--------------|--------------|---------------------------------|
| Top Management | 1 | 0 | 0 | 1 |
| Senior Management | 3 | 0 | 1 | 2 |
| Professional qualified | 18 | 3 | 2 | 19 |
| Skilled | 24 | 0 | 6 | 18 |
| Semi-skilled | 31 | 6 | 4 | 34 |
| Unskilled | 4 | 0 | 0 | 0 |
| Total | 81 | 9 | 13 | 74 |

Reasons for staff leaving

| Reason | Number | % of total no. of staff leaving |
|--------------------|-----------|---------------------------------|
| Death | - | - |
| Resignation | 12 | 12.37% (97) |
| Dismissal | - | - |
| Retirement | 1 | 1.03% (97) |
| Ill health | - | - |
| Expiry of contract | - | - |
| Other | - | - |
| Total | 13 | 13.40% (97) |

Note: Exit interviews are conducted with all staff on termination of service. A formal recruitment process commences once a position becomes vacant. Temporary positions are filled dependent on budget availability and capacity needs (Approvals sought from relevant parties).

* The WCLAs internal disciplinary process resulted in a dismissal sanction. The employee appealed the sanction at the CCMA where the outcome resulted in termination by mutual agreement.

Labour Relations: Misconduct and disciplinary action

| Nature of disciplinary Action | Number |
|-------------------------------|--------|
| Verbal Warning | - |
| Written Warning | - |
| Final Written warning | - |
| Dismissal | - |
| Suspension without pay | - |

Note: Progressive discipline sessions/Counselling are conducted to address instances that does not warrant a verbal or written warning.

Equity Target and Employment Equity Status

| Levels | MALE | | | | | | | |
|------------------------|----------|-----------|-----------|-----------|----------|----------|----------|----------|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 0 | 1 | 1 | 1 | 0 | 0 | 0 | 1 |
| Professional qualified | 4 | 5 | 5 | 5 | 0 | 0 | 2 | 2 |
| Skilled | 1 | 6 | 4 | 7 | 0 | 0 | 0 | 2 |
| Semi-skilled | 2 | 9 | 17 | 9 | 0 | 0 | 2 | 4 |
| Unskilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 7 | 21 | 28 | 22 | 0 | 0 | 4 | 9 |

| Levels | FEMALE | | | | | | | |
|------------------------|---------|--------|----------|--------|---------|--------|---------|--------|
| | AFRICAN | | COLOURED | | INDIAN | | WHITE | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 0 | 1 | 1 | 1 | 0 | 0 | 0 | 1 |
| Professional qualified | 2 | 4 | 6 | 4 | 0 | 0 | 0 | 2 |

| | | | | | | | | |
|--------------|----------|-----------|-----------|-----------|----------|----------|----------|----------|
| Skilled | 2 | 5 | 8 | 6 | 0 | 0 | 3 | 2 |
| Semi-skilled | 4 | 7 | 9 | 8 | 0 | 0 | 0 | 3 |
| Unskilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 8 | 17 | 24 | 19 | 0 | 0 | 3 | 8 |

| Levels | Disabled Staff | | | |
|------------------------|----------------|--------|---------|--------|
| | Male | | Female | |
| | Current | Target | Current | Target |
| Top Management | - | - | - | - |
| Senior Management | - | - | - | - |
| Professional qualified | - | - | - | - |
| Skilled | - | - | - | - |
| Semi-skilled | - | - | - | - |
| Unskilled | - | - | - | - |
| TOTAL | - | - | - | - |

Note: The WCLA has an approved Employment Equity Plan and attempts appointing the preferred equity targets once a position becomes vacant. The WCLA has included standard wording on the vacancy adverts indicating that preference in appointments will be given to employment equity targets groups.

PART E: PFMA COMPLIANCE REPORT

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1 Irregular Expenditure

a) Reconciliation of irregular expenditure

| Description | 2023/24 | 2022/23 |
|---|-----------|--------------|
| | R'000 | R'000 |
| Opening balance | 9 637 | 9 546 |
| Adjustment to opening balance | 0 | 91 |
| Opening balance as restated | 9 637 | 9 637 |
| Add: Irregular expenditure confirmed | 0 | 0 |
| Less: Irregular expenditure condoned | (9 553) | 0 |
| Less: Irregular expenditure not condoned and removed | 0 | 0 |
| Less: Irregular expenditure recoverable | 0 | 0 |
| Less: Irregular expenditure not recoverable and written off | 0 | 0 |
| Closing balance | 84 | 9 637 |

Note: Irregular expenditure to the value of R9 548 000 was condoned by the Western Cape Provincial Treasury in the year under review, whilst R4 168 was condoned by the governing board

Reconciling notes

| Description | 2023/24 | 2022/23 |
|---|----------|-----------|
| | R'000 | R'000 |
| Irregular expenditure that was under assessment | 0 | 0 |
| Irregular expenditure that relates to prior year and identified in the current year | 0 | 91 |
| Irregular expenditure for the current year | 0 | 0 |
| Total | 0 | 91 |

b) Details of irregular expenditure (under assessment, determination and investigation)

| Description | 2023/24 | 2022/23 |
|---|----------|----------|
| | R'000 | R'000 |
| Irregular expenditure under assessment | 0 | 0 |
| Irregular expenditure under determination | 0 | 0 |
| Irregular expenditure under investigation | 0 | 0 |
| Total | 0 | 0 |

c) Details of irregular expenditure condoned

| Description | 2023/24 | 2022/23 |
|--------------------------------|--------------|----------|
| | R'000 | R'000 |
| Irregular expenditure condoned | 9 553 | 0 |
| Total | 9 553 | 0 |

Note: Irregular expenditure to the value of R9 548 000 was condoned by the Western Cape Provincial treasury in the year under review.

d) Details of irregular expenditure removed – (not condoned)

| Description | 2023/24 | 2022/23 |
|--|----------|----------|
| | R'000 | R'000 |
| Irregular expenditure NOT condoned and removed | 0 | 0 |
| Total | 0 | 0 |

e) Details of irregular expenditure recoverable

| Description | 2023/24 | 2022/23 |
|-----------------------------------|----------|----------|
| | R'000 | R'000 |
| Irregular expenditure recoverable | 0 | 0 |
| Total | 0 | 0 |

f) Details of current and previous year irregular expenditure written off (irrecoverable)

| Description | 2023/24 | 2022/23 |
|-----------------------------------|----------|----------|
| | R'000 | R'000 |
| Irregular expenditure written off | 0 | 0 |
| Total | 0 | 0 |

Additional disclosure relating to Inter-Institutional Arrangements

g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

| Description |
|--------------|
| N/A |
| |
| Total |

h) Details of irregular expenditure where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)

| Description | 2023/24 | 2022/23 |
|--------------|---------|---------|
| | R'000 | R'000 |
| N/A | | |
| | | |
| | | |
| Total | | |

i) Details of disciplinary or criminal steps taken as a result of irregular expenditure

| Disciplinary steps taken |
|--------------------------|
| N/A |

1.2. Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

| Description | 2023/24 | 2022/23 |
|--|----------|----------|
| | R'000 | R'000 |
| Opening balance | 9 | 9 |
| Adjustment to opening balance | 0 | 0 |
| Opening balance as restated | 0 | 0 |
| Add: Fruitless and wasteful expenditure confirmed | 0 | 0 |
| Less: Fruitless and wasteful expenditure recoverable | 0 | 0 |
| Less: Fruitless and wasteful expenditure not recoverable and written off | 0 | 0 |
| Closing balance | 9 | 9 |

Reconciling Notes

| Description | 2023/24 | 2022/23 |
|--|----------|----------|
| | R'000 | R'000 |
| Fruitless and wasteful expenditure that was under assessment | 0 | 0 |
| Fruitless and wasteful expenditure that relates to the prior year and identified in the current year | 0 | 0 |
| Fruitless and wasteful expenditure for the current year | 0 | 0 |
| Total | 0 | 0 |

b) Details of fruitless and wasteful expenditure (under assessment, determination and investigation)

| Description | 2023/24 | 2022/23 |
|--|----------|----------|
| | R'000 | R'000 |
| Fruitless and wasteful expenditure under assessment | 9 | 0 |
| Fruitless and wasteful expenditure under determination | 0 | 0 |
| Fruitless and wasteful expenditure under investigation | 0 | 0 |
| Total | 9 | 9 |

Note: In the previous year, we have erroneously reported that R9 000.00 was under investigation, while in actual fact the amount is still under assessment.

c) Details of fruitless and wasteful expenditure recoverable

| Description | 2023/24 | 2022/23 |
|--|----------|----------|
| | R'000 | R'000 |
| Fruitless and wasteful expenditure recoverable | 0 | 0 |
| Total | 0 | 0 |

d) Details of fruitless and wasteful expenditure not recoverable and written off

| Description | 2023/24 | 2022/23 |
|--|----------|----------|
| | R'000 | R'000 |
| Fruitless and wasteful expenditure written off | 0 | 0 |
| Total | 0 | 0 |

e) Details of disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

| Disciplinary steps taken |
|--------------------------|
| N/A |
| |
| |

1.3 Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) & (iii)

a) Details of material losses through criminal conduct

| Description | 2023/24 | 2022/23 |
|-------------------------------------|----------|----------|
| | R'000 | R'000 |
| Theft | 0 | 0 |
| Other material losses | 0 | 0 |
| Less: Recoverable | 0 | 0 |
| Less: Not recovered and written off | 0 | 0 |
| Total | 0 | 0 |

b) Details of other material losses

| Nature of other material losses | 2023/24 | 2022/23 |
|---------------------------------|----------|----------|
| | R'000 | R'000 |
| N/A | 0 | 0 |
| Total | 0 | 0 |

c) Other material losses recoverable

| Nature of losses | 2023/24 | 2022/23 |
|------------------|----------|----------|
| | R'000 | R'000 |
| N/A | 0 | 0 |
| Total | 0 | 0 |

d) Other material losses not recoverable and written off

| Nature of losses | 2023/24 | 2022/23 |
|------------------|----------|----------|
| | R'000 | R'000 |
| N/A | 0 | 0 |
| Total | 0 | 0 |

2. LATE AND/ OR NON-PAYMENT OF SUPPLIERS

| Description | Number of invoices | Consolidated value |
|--|--------------------|--------------------|
| | | R'000 |
| Valid invoices received | 704 | 30 742 |
| Invoices paid within 30 days or agreed period | 685 | 30 275 |
| Invoices paid after 30 days or agreed period | 19 | 466 |
| Invoices older than 30 days or agreed period (unpaid and without dispute) | 0 | 0 |
| Invoices older than 30 days or agreed period (unpaid and in dispute) | 64 | 286 |

3. SUPPLY CHAIN MANAGEMENT

3.1 Procurement by other means

| Project Description | Name of supplier | Type of procurement by other means | Contract number | Value of contract R'000 |
|--|---------------------|------------------------------------|-----------------|-------------------------------|
| Maintenance Support: Sage 300 pastel system | Applico | Limited Bid | LB001_2023_24 | Rate based |
| Legal Subscriptions | Juta | Limited Bid | LB002_2023_24 | 19 |
| Procurement of Microsoft Licence for a period of three (3) years | SITA | Limited Bidding | LB003_2023_24 | 4 391 |
| SAGE Evolution 200. Three years maintenance and support | Preferred Solutions | Limited Bidding | LB004_2023_24 | 40 |
| Caseware software training | Adapt IT | Limited Bidding | LB006_2023_24 | 33 |
| Caseware software annual licence renewal | Adapt IT | Limited Bidding | LB007_2023_24 | 118 |
| SAGE Evolution 200 software annual licence renewal | Preferred Solutions | Limited Bidding | LB008_2023_24 | 141 |
| Total | | | | 4 742 + rate based |

3.2 Contract variations and expansions

| Project Description | Name of supplier | Contract modification type (Expansion or Variation) | Contract number | Original contract value | Value of previous contract expansion/s or variation/s (if applicable) | Value of current contract expansion or variation |
|--|--------------------|---|-----------------|-------------------------|---|--|
| | | | | R'000 | R'000 | R'000 |
| Additional printing required on branded T-shirts | Entrepo Promotions | Variation | VAR001-2023-24 | 402 | | 10 |

| | | | | | | |
|---|------------------------|-----------|----------------|-------|-----------|------------|
| Variation for the extension of the current cleaning contract to be extended for two months. | Zara Cleaning Services | Variation | VAR002-2023-24 | 498 | 0 | 75 |
| MTN 3 rd Variation of 3 data sim cards contract for 24 months. | MTN | Variation | VAR003-2023-24 | 499 | 57 | 9 |
| LMaTS licence and maintenance contract extension for two months. | Blue Gheko | Extension | LB016_2023-24 | 2 962 | 0 | 282 |
| Total | | | | | 57 | 376 |

PART F: FINANCIAL INFORMATION

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

Report on the review of the financial statements

1. I have reviewed the financial statements of the Western Cape Liquor Authority set out on pages 4 to 52, which comprise the statement of financial position as at 31 March 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

Conclusion

2. Based on my review, nothing has come to my attention that causes me to believe that the financial statements do not present fairly, in all material respects, the financial position of the Western Cape Liquor Authority as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Responsibilities of the accounting authority for the financial statements

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

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

5. My responsibility is to express a conclusion on the accompanying financial statements. I conducted my review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to review historical financial statements. The standard requires me to conclude on whether anything has come to my attention that causes me to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires me to comply with relevant ethical requirements.
6. A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. I am required to perform procedures, primarily consisting of making inquiries of management and others within the auditee, as appropriate, and applying analytical procedures, and evaluating the evidence obtained.

7. The procedures performed in a review engagement are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, I do not express an audit opinion on these financial statements.

Report on the annual performance report

8. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
9. I selected the following material performance indicators related to component 3: Inspectorate: Compliance and Enforcement presented in the annual performance report for the year ended 31 March 2024. I selected those indicators that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.
- Indicator 3.2: Number of enforcement operations conducted with other agencies.
 - Indicator 3.3: Percentage of complaints received finalised within two (2) months.
 - Indicator 3.4: Number of inspections conducted focused on under-age drinking and access to restricted areas.
 - Indicator 3.6: Percentage of licensed outlets within the ABT areas inspected quarterly.
10. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.
11. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
 - all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included
 - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
 - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
12. I performed the procedures for the purpose of reporting material findings only.
13. I did not identify any material findings on the reported performance information for the selected material performance indicators.

Report on compliance with legislation

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

Internal control deficiencies

18. I considered internal control relevant to my engagement on the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
19. I did not identify any significant deficiencies in internal control.

Professional ethics and quality control

20. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my engagements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
21. In accordance with the International Standard on Quality Management 1, the AGSA maintains a comprehensive system of quality management that includes documented policies and procedures on compliance with ethical requirements and professional standards.

Auditor-General

Cape Town

31 July 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

| Legislation | Sections or regulations |
|---|--|
| Public Finance Management Act 1 of 1999 | Sec 55(1)(a) Sec 55(1)(b) Sec 55(1)(c)(i) Sec 51(1)(b)(ii) Sec 53(4) Sec 57(b) Sec 51(1)(b)(i) Sec 51(1)(e)(iii) Sec 56 (1) Sec 57 (b) |
| Treasury Regulations, 2005 | Regulation 31.1.2(c) Regulation 30.1.1 Regulation 30.1.3(a) Regulation 30.1.3(b) Regulation 30.1.3(d) Regulation 30.2.1 Regulation 16A9.1(b)(ii) Regulation 16A9.1(e) Regulation 16A9.1(f) Regulation 33.1.1 Regulation 33.1.3 Regulation 16A 3.2 Regulation 16A 3.2(a) Regulation 16A 6.1 Regulation 16A6.2(a) Regulation 16A6.2(b) Regulation 16A 6.3(a) Regulation 16A 6.3(b) Regulation 16A 6.3(c) Regulation 16A 6.3(e) Regulation 16A 6.4 Regulation 16A 6.5 Regulation 16A 6.6 Regulation 16A 8.3 Regulation 16A 8.4 Regulation 16A 9.1(d) |

| Legislation | Sections or regulations |
|--|--|
| | Regulation 16A 9.2 Regulation 16A 9.2(a)(ii) Regulation 8.2.1 Regulation 8.2.2 |
| Companies Act 71 of 2008 | Sec 46(1)(a) Sec 46(1)(b) Sec 46(1)(c) |
| Construction Industry Development Board Act 38 of 2000 (CIDB) | Section 18(1) |
| Construction Industry Development Board Regulations 2004 | Regulation 17; 25(7A) |
| Second amendment National Treasury Instruction No. 5 of 202/21 | Paragraph 1 |
| Erratum National Treasury Instruction No. 5 of 202/21 | Paragraph 2 |
| National Treasury instruction No 5 of 2020/21 | Paragraph 4.8; 4.9; 5.3 |
| National Treasury Instruction No. 1 of 2021/22 | Paragraph 4.1 |
| National Treasury Instruction No. 4 of 2015/16 | Paragraph 3.4 |
| National Treasury SCM Instruction No. 4A of 2016/17 | Paragraph 6 |
| National Treasury SCM Instruction No. 03 of 2021/22 | Paragraph 4.1; 4.2 (b); 4.3; 4.4(a); 4.17; 7.2; 7.6 |
| National Treasury SCM Instruction No. 11 of 2020/21 | Paragraph 3.4(a); 3.4(b); 3.9 |
| National Treasury SCM Instruction No. 2 of 2021/22 | Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1 |
| Practice Note 11 of 2008/9 | Paragraph 2.1; 3.1(b) |
| Practice Note 5 of 2009/10 | Paragraph 3.3 |
| Practice Note 7 of 2009/10 | Paragraph 4.1.2 |
| Preferential Procurement Policy Framework Act 5 of 2000 | Section 1; 2.1(a); 2.1(f) |
| Preferential Procurement Regulations, 2022 | Regulation 4.1 Regulation 4.2 Regulation 4.3 Regulation 4.4 Regulation 5.1 Regulation 5.2 Regulation 5.3 Regulation 5.4 |
| Prevention and Combating of Corrupt Activities Act 12 of 2004 | Section 34(1) |

Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

General Information

| | |
|--|---|
| Country of incorporation and domicile | South Africa |
| Nature of business and principal activities | Regulation of the liquor industry in the Western Cape |
| Key enabling legislation | Western Cape Liquor Act (4 of 2008) as amended |
| Members of the Governing Board | Adv S Khoza (Appointed as Chairperson on 20 March 2024) Mr R Kingwill (Chairperson, Term ended on 11 March 2024) Dr G Grootboom (Deputy Chairperson) Ms C Abdoll Mr C Bassuday (Appointed on 20 March 2024) Ms C Fani (Appointed on 20 March 2024) Mr S Harrison (Appointed on 20 March 2024) Mr A Le Roux (Resigned on 30 November 2023) Ms C Foulis (Term ended on 11 March 2024) Ms T Wainwright (Resigned, 21 August 2023) |
| Registered office | 3rd Floor Sunbel Building 3 Old Paarl Road Bellville 7530 |
| Postal address | Private Bag X6 Sanlamhof Bellville 7532 |
| Bankers | Nedbank Limited |
| Auditors | Office of the Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors |
| Secretary | Ms C Symes |
| Attorneys | State Attorney |
| Chief Executive Officer | Mr S George |
| Audit Committee Members | Mr F Barnard (Chairperson, Term ended on 31 May 2023) Mr T Arendse (Chairperson) Ms C Abdoll Ms M Buthelezi (Appointed on 06 November 2023) |



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Index

The reports and statements set out below comprise the annual financial statements:

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| Statement of Financial Position | 4 |
| Statement of Financial Performance | 5 |
| Statement of Changes in Net Assets | 6 |
| Cash Flow Statement | 7 |
| Statement of Comparison of Budget and Actual Amounts | 8 |
| Significant Accounting Policies | 9 - 29 |
| Notes to the Annual Financial Statements | 30 - 52 |

Abbreviations used:

| | |
|-------|--|
| POCS | Western Cape Department of Police Oversight and Community Safety |
| GRAP | Generally Recognised Accounting Practice |
| PFMA | Public Financial Management Act |
| SETA | Sector Education and Training Authority |
| WCLA | Western Cape Liquor Authority |
| DEDAT | Western Cape Department of Economic Development and Tourism |



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Governing Board Members' Responsibilities and Approval

The members are required by the Public Finance Management Act (Act 1 of 1999), 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 the responsibility of the members to ensure that the annual financial statements present fairly the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

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

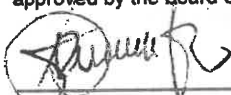
The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial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

The members have reviewed the entity's cash flow forecast for the year ending 31 March 2025 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operating for the next twelve months..

The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements.

The annual financial statements set out on pages 4 to 52, which have been prepared on the going concern basis, were approved by the board on 31 May 2024 and were signed on its behalf by:



Adv S Khoza
Chairperson of the Governing Board



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Statement of Financial Position as at 31 March 2024

| Figures in Rand | Note(s) | 2024 | 2023 |
|--|---------|-------------------|-------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 2 | 15 269 739 | 21 524 453 |
| Receivables from exchange transactions | 3 | 497 725 | 483 356 |
| Receivables from non-exchange transactions | 4 | 2 372 589 | 4 014 146 |
| | | 18 140 053 | 26 021 955 |
| Non-Current Assets | | | |
| Intangible assets | 5 | 8 466 622 | 9 682 822 |
| Property, plant and equipment | 6 | 9 968 249 | 10 441 912 |
| | | 18 434 871 | 20 124 734 |
| Total Assets | | 36 574 924 | 46 146 689 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 7 | 7 431 322 | 12 243 953 |
| Operating lease liability | 8 | 564 733 | 553 878 |
| Unspent conditional grants and funds to be surrendered | 9 | 912 122 | 5 546 101 |
| Unallocated deposits | 10 | 1 076 450 | 1 002 778 |
| Finance lease obligation | 11 | 332 805 | 668 543 |
| Employee benefit obligation | 12 | 3 596 864 | 3 014 994 |
| | | 13 914 296 | 23 030 247 |
| Non-Current Liabilities | | | |
| Finance lease obligation | 11 | 4 251 978 | 2 761 382 |
| Employee benefit obligation | 12 | 457 105 | 483 959 |
| Provisions | 13 | 1 637 265 | 1 519 205 |
| | | 6 346 348 | 4 764 546 |
| Total Liabilities | | 20 260 644 | 27 794 793 |
| Net Assets | | 16 314 280 | 18 351 896 |
| Reserves | | | |
| Social and education fund reserve | | 221 530 | 221 530 |
| Accumulated surplus | | 16 092 750 | 18 130 366 |
| Total Net Assets | | 16 314 280 | 18 351 896 |



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Statement of Financial Performance

| Figures in Rand | Note(s) | 2024 | 2023 |
|---|---------|---------------------|---------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Application fees | 14 | 2 930 278 | 2 790 235 |
| Granting fees | 15 | 5 523 686 | 4 755 213 |
| Interest earned | 16 | 1 698 557 | 1 380 701 |
| Other income | 17 | 257 734 | 84 259 |
| Total revenue from exchange transactions | | 10 410 255 | 9 010 408 |
| Revenue from non-exchange transactions | | | |
| Transfer revenue | | | |
| Fines, Penalties and Forfeits | 18 | 5 851 911 | 9 617 596 |
| Government grants & subsidies | 19 | 56 658 979 | 61 345 019 |
| Total revenue from non-exchange transactions | | 62 510 890 | 70 962 615 |
| Total revenue | | 72 921 145 | 79 973 023 |
| Expenditure | | | |
| Employee related costs | 20 | (41 356 620) | (41 471 332) |
| Remuneration of governing board members | 21 | (186 857) | (213 876) |
| Debt (Impairment)/reversal | 22 | 817 677 | (1 642 178) |
| Depreciation and amortisation | 23 | (5 167 136) | (3 655 181) |
| Impairments loss | 24 | (139 570) | (43 067) |
| Finance costs | 25 | (1 507 948) | (1 059 396) |
| General Expenses | 26 | (27 418 307) | (25 861 828) |
| Total expenditure | | (74 958 761) | (73 946 858) |
| (Deficit) surplus for the year | | (2 037 616) | 6 026 165 |



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Statement of Changes in Net Assets

| Figures in Rand | Social Education Fund | Accumulated surplus / deficit | Total net assets |
|--|-----------------------------|----------------------------------|---------------------|
| Balance at 01 April 2022 | 221 530 | 12 104 201 | 12 325 731 |
| Changes in net assets | | | |
| Surplus for the year | - | 6 026 165 | 6 026 165 |
| Total changes | - | 6 026 165 | 6 026 165 |
| Opening balance as previously reported | 221 530 | 18 656 426 | 18 877 956 |
| Adjustments | | | |
| Prior year adjustments note 32 | - | (526 060) | (526 060) |
| Balance at 01 April 2023 as restated* | 221 530 | 18 130 366 | 18 351 896 |
| Changes in net assets | | | |
| Deficit for the year | - | (2 037 616) | (2 037 616) |
| Total changes | - | (2 037 616) | (2 037 616) |
| Balance at 31 March 2024 | 221 530 | 16 092 750 | 16 314 280 |



Western Cape Liquor Authority

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Cash Flow Statement

| Figures in Rand | Note(s) | 2024 | 2023 |
|--|---------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Total amount collected on behalf of provincial revenue fund | 7 | 53 066 076 | 46 399 874 |
| Government Grants | 9 | 55 015 000 | 47 914 697 |
| Interest received | | 1 708 580 | 1 233 925 |
| Other receipts | | 17 008 935 | 14 536 603 |
| | | <u>126 798 591</u> | <u>110 085 099</u> |
| Payments | | | |
| Employees | | (41 161 906) | (41 914 043) |
| Suppliers | | (31 289 049) | (20 924 152) |
| Total amount of provincial revenue fund collections paid to PoCS | | (56 801 506) | (47 477 947) |
| Interest paid | 25 | (1 353 556) | (928 629) |
| | | <u>(130 606 017)</u> | <u>(111 244 771)</u> |
| Net cash flows from operating activities | 27 | <u>(3 807 426)</u> | <u>(1 159 672)</u> |
| Cash flows from Investing activities | | | |
| Purchase of property, plant and equipment | 6 | - | (936 604) |
| Purchase of other intangible assets | 5 | (1 853 516) | (4 474 969) |
| Net cash flows from investing activities | | <u>(1 853 516)</u> | <u>(5 411 573)</u> |
| Cash flows from financing activities | | | |
| Finance Lease Capital Redemption | | <u>(593 773)</u> | <u>(668 543)</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(6 254 715)</u> | <u>(7 239 788)</u> |
| Cash and cash equivalents at the beginning of the year | | 21 524 453 | 28 764 241 |
| Cash and cash equivalents at the end of the year | 2 | <u>15 269 738</u> | <u>21 524 453</u> |

The accounting policies on pages 9 to 29 and the notes on pages 30 to 52 form an integral part of the annual financial statements.



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | % |
|--|---------------------|--------------------|---------------------|------------------------------------|--|----|
| Figures in Rand | | | | | | |
| Revenue | | | | | | |
| Non-tax revenue | | | | | | |
| Sale of goods other than capital assets | 8 783 087 | 400 327 | 9 183 414 | 8 516 125 | (667 289) | -7 |
| Entity revenue other than sales | 9 959 130 | (524 980) | 9 434 150 | 9 345 256 | (88 894) | -1 |
| | 18 742 217 | (124 653) | 18 617 564 | 17 861 381 | (756 183) | |
| Transfer revenue of which: | | | | | | |
| Departmental transfers | 56 015 000 | (1 000 000) | 55 015 000 | 55 015 000 | - | 0 |
| Total revenue | 74 757 217 | (1 124 653) | 73 632 564 | 72 876 381 | (756 183) | |
| Expenditure | | | | | | |
| Compensation of employees | (47 844 586) | 6 591 576 | (41 253 010) | (41 032 993) | 220 017 | -1 |
| Good and services | (22 972 441) | (5 383 454) | (28 355 895) | (27 008 759) | 1 347 136 | -5 |
| Payments for capital assets | (3 940 190) | (83 469) | (4 023 659) | (3 922 507) | 101 152 | -3 |
| Total expenditure | (74 757 217) | 1 124 653 | (73 632 564) | (71 964 259) | 1 668 305 | |
| | - | - | - | 912 122 | 912 122 | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | - | - | - | 912 122 | 912 122 | |

The variances between the budget and actual amounts are explained in Note 38 of the financial statements.



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

| Figures in Rand | Note(s) | 2024 | 2023 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

When the final accounts have been closed, any transaction that occurs in respect of a prior period is considered by management individually and collectively for materiality, and the annual financial statements are amended with transactions that are material in amount or by nature.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.4 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current .

Where 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 Significant judgements and sources of estimation uncertainty

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



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell.

Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Useful lives of non-current assets

The entity's management determines the estimated useful lives and related depreciation or amortisation charges for non-current assets. This estimate is based on industry norms. Management also 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 non-current assets used within the entity and other public entities to determine the useful life of the assets.

Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Other key assumptions on useful lives of non-current assets are available on note 5 and 6.

Employee benefits obligation

Effective interest rate

The entity used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Accounting by principals and agent

The entity makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follows:

The fees referred to in sections 46(2), 48(1) and (4), 63(2) and 65(16) must be paid into the Provincial Revenue Fund in terms of Section 30 of the Western Cape Liquor Act. The WCLA therefore acts as an agent in this relationship.

Additional information is disclosed in Note 7



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

1.5 Significant Judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures an impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Additional information is disclosed in Note 4

1.6 Standards, amendments to standards and interpretations issued but not yet effective

In the current year the entity has adopted all new and revised standards and interpretations issued by the ASB that are relevant to its operations and are effective. The following GRAP standards have been issued, but are not yet effective during the current reporting period and the entity did not early adopt these GRAP standards.

| Reference | Topic | Effective date |
|-----------|--------------------------------------|----------------|
| GRAP 104 | Financial Instruments (Revised) | 01 April 2025 |
| GRAP 1 | Presentation of Financial Statements | 01 April 2024 |

Management has considered the above-mentioned GRAP standard and guidelines issued but not yet effective and anticipates that the adoption of the standard will not have a significant impact on the financial position, financial performance or cash flows of the entity.

1.7 Budget information

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2023/04/01 to 2024/03/31.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 37.

A difference of 10% or more, and if the amount exceeds R200 000, between budgeted and actual amounts is regarded as material. Comparative information is not required.

1.8 Financial instruments

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

1.8 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

1.8 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|--|
| Cash and cash equivalents | Financial asset measured at amortised cost |
| Receivable from exchange transactions (excluding prepaid expenditure) | Financial asset measured at amortised cost |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|-------------------------------------|--|
| Finance lease liability | Financial liability measured at amortised cost |
| Payables from exchange transactions | Financial liability measured at amortised cost |

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

1.8 Financial Instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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 entity categorises cash and cash equivalents as financial assets carried at amortised cost.



Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

1.8 Financial Instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Western Cape Liquor Authority

Annual Financial Statements for the year ended 31 March 2024

Significant Accounting Policies

1.8 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure 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 period.

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

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured 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 management. Trade discounts and rebates are deducted in arriving at the cost.

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|----------------------------------|---------------------|---------------------|
| Furniture and fixtures | Straight-line | 5 - 30 years |
| Motor vehicles (Leased assets) | Straight-line | 7 years |
| Office equipment | Straight-line | 3 - 30 years |
| Computer equipment | Straight-line | 5 - 10 years |
| Leasehold improvements | Straight-line | 15 years |
| Capital restoration costs | Straight-line | 15 years |
| Safety and security equipment | Straight-line | 10 years |
| Office equipment (leased assets) | Straight-line | 2 - 5 years |



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1.9 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 6).

The entity discloses relevant information relating to assets under a finance lease, in the notes to the financial statements (see note 11).

1.10 Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model as follows:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.11 Intangible assets

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.



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1.11 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

When licence fees comply with the recognition criteria of intangible assets then they are recognised as intangible assets. However, licence fees are expensed when the following conditions are met:

- the licence fee is for a period of one year or less; and
- the one year or less period falls exactly within the financial reporting period of the entity.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.



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1.11 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

| Item | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight-line | 1-18 years |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for a future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.



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1.12 Provisions and contingencies (continued)

Provision for restoration of leased premises

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and .

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.13 Leases

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

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

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rent is expensed in the period in which they are incurred.

Operating leases - lessee

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

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1.14 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The WCLA recognises statutory receivables when it obtains the right to receive fines, application fees, issuing fees, etc, in terms of Section 30 of the Western Cape Liquor Act.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from Exchange Transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from Non-exchange Transactions (taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.



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Significant Accounting Policies

1.14 Statutory receivables (continued)

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expired or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP.

Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees. Vested employee benefits are employee benefits that are not conditional on future employment.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and cellphone allowance
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.



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1.15 Employee benefits (continued)

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

The entity provides long-service awards in the form of cash payments and additional leave days to eligible employees, after completion of every three years' service up to 15 years. The projected unit credit method has been used to value the obligation.

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.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- 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 entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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 entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services. Application and Granting Fees are charged in accordance with section 26(8), 36(1)(e), 38, 46(2), 48(1), 48(4), 53(1), 59(7), 64(1), 65(4), 65(16), 66(2) and 66(6) of the Western Cape Liquor Act. Fees mainly include applications for new liquor licences, amendments to existing liquor licences and the related granting or issuing fees. The application documents are only supplied to the applicants on confirmation that the application fees have been received in the entity's bank account. Revenue is recognised when payment is received.



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1.16 Revenue from exchange transactions (continued)

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.



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1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised, and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity 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 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 is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Government grants

Funding from the Western Cape Provincial Treasury department via the PoCS 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. Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines and penalties



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1.17 Revenue from non-exchange transactions (continued)

Fines and penalties are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Services in-kind

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

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

1.18 Capital commitments

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

1.19 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.



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1.19 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

The entity acts as an agent for the Provincial Revenue Fund for the collection of licence renewal fees. The principal-agent relationship is defined in terms of the Western Cape Liquor Act of 2008 as amended. The entity collects licence renewal fees on behalf of the Provincial Revenue Fund, which is paid to PoCS who then pays the fees collected to the Provincial Revenue Fund.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.20 Related parties

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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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 entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.



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1.20 Related parties (continued)

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.21 Events after reporting date

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

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

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

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

1.22 Irregular expenditure

Losses emanating from irregular expenditure are recognised as a receivable in the statement of financial position when recoverable. The receivable is measured at the amount that is expected to be recovered and is de-recognised when settled or subsequently written-off as irrecoverable.

Irregular expenditure is recorded in the notes to the financial statements when and at amounts confirmed and comprises of:

- irregular expenditure that was under assessment in the previous financial year;
- irregular expenditure relating to previous financial year and identified in the current year; and irregular expenditure incurred in the current year.

1.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and wasteful expenditure incurred.

Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or receivables for recovery. Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable..

1.24 Social and education fund reserve

The entity established a fund in terms of section 31 of the Western Cape Liquor Act for the following purpose:

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



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2. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|--------------------------|-------------------|-------------------|
| Bank balances | 350 109 | 316 305 |
| Call Investment Deposits | 14 918 625 | 21 207 990 |
| | 15 268 734 | 21 524 295 |
| Cash on hand | 1 005 | 158 |
| | 15 269 739 | 21 524 453 |

The entity had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|--|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| | 31 March 2024 | 31 March 2023 | 31 March 2022 | 31 March 2024 | 31 March 2023 | 31 March 2022 |
| Nedbank - account no 1452069883 (Income account) | 172 427 | 231 889 | 39 206 | 172 427 | 231 889 | 39 206 |
| Nedbank - account no 1452069905 (Expenditure account) | 177 682 | 84 416 | 81 259 | 177 682 | 84 416 | 81 259 |
| Nedbank call account - no 037881100168 (Grant) | 341 733 | 2 684 766 | 13 956 630 | 341 733 | 2 684 766 | 13 956 630 |
| Nedbank call account - no 937881100168 (Income) | 14 355 362 | 18 301 695 | 14 660 479 | 14 355 362 | 18 301 695 | 14 660 479 |
| Nedbank call account - no 037881100168 (Social and education fund) | 221 529 | 221 529 | 24 582 | 221 529 | 221 529 | 24 582 |
| Total | 15 268 733 | 21 524 295 | 28 762 156 | 15 268 733 | 21 524 295 | 28 762 156 |

3. Receivables from exchange transactions

| | | |
|------------------|----------------|----------------|
| Deposits | 19 523 | 19 523 |
| Accrued interest | 136 753 | 146 776 |
| Prepaid expenses | 341 449 | 317 057 |
| | 497 725 | 483 356 |

4. Receivables from non-exchange transactions

Statutory receivables included in receivables from non-exchange transactions above are as follows:

| | | |
|-----------|------------------|------------------|
| Fines | 2 086 929 | 3 210 036 |
| Penalties | 171 396 | 482 466 |
| Renewals | 114 264 | 321 644 |
| | 2 372 589 | 4 014 146 |

Statutory receivables general information

Transaction(s) arising from statute

Fines are issued in terms of sections 20(3)(b)(v) and 82(2)(b) of the Western Cape Liquor Act for breach of licence conditions or violation of a provision in the act.

Penalties are raised in terms of section 63(4) of the Western Cape Liquor Act for late renewal of licences.

Determination of transaction amount



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4. Receivables from non-exchange transactions (continued)

The fines are determined by the Liquor Licensing Tribunal, after considering the merits of each matter brought before it, subject to the limit of R142 639 as set out in the Western Cape Liquor Regulations 2011 as amended.

The penalties for late renewal of licences are prescribed in section 63(4) of the Western Cape Liquor Act as 150% of the prescribed renewal fee. The renewal of licences are prescribed in section 63(1) of the Western Cape Liquor Act

Receivables from non-exchange transactions impaired

Receivables from non-exchange transactions with a payment ratio more than 90% are not considered to be impaired. In instances where the payment ratio is less than 90%, the balance for that category of debtors is impaired based on the actual non-payment percentage of outstanding debt.

As of 31 March 2024, fines of R3 606 316 (2023: R5 547 100) were impaired and provided for. The amount of the provision for impairment was R1 519 387 as of 31 March 2024 (2023: R2 337 064). The net fines receivable after taking into account the effect of the provision for impairment was R2 086 929 as at 31 March 2024 (2023: R3 210 036).

The ageing of the fines is as follows:

| | | |
|--------------------------|------------------|------------------|
| Current (0-30 days) | 10 000 | 325 000 |
| 31-60 days | 40 000 | 355 000 |
| 61-90 days | 350 000 | 400 000 |
| 91-120 days | 110 000 | 1 110 000 |
| 121-365 days | 753 886 | 1 991 700 |
| > 365 days | 2 342 430 | 1 365 400 |
| Provision for impairment | (1 519 387) | (2 337 064) |
| | 2 086 929 | 3 210 036 |

Reconciliation of provision for impairment of receivables from non-exchange transactions

| | | |
|--------------------------|------------------|------------------|
| Opening balance | 2 337 064 | 694 886 |
| Provision for impairment | (817 677) | 1 642 178 |
| | 1 519 387 | 2 337 064 |



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5. Intangible assets

| | 2024 | | | 2023 | | |
|-------------------------------------|---------------------|---|------------------|---------------------|---|------------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 14 414 899 | (6 026 708) | 8 388 191 | 11 820 683 | (4 424 456) | 7 396 227 |
| Intangible assets under development | 78 431 | - | 78 431 | 2 286 595 | - | 2 286 595 |
| Total | 14 493 330 | (6 026 708) | 8 466 622 | 14 107 278 | (4 424 456) | 9 682 822 |

Reconciliation of intangible assets - 2024

| | Opening balance | Additions | Disposals- Cost | Transfers | Disposals- Accumulated Amortisation | Amortisation | Total |
|-------------------------------------|--------------------|------------------|--------------------|-------------|---|--------------------|------------------|
| Computer software, other | 7 396 227 | 1 853 516 | (1 467 464) | 2 208 164 | 1 467 464 | (3 069 716) | 8 388 191 |
| Intangible assets under development | 2 286 595 | - | - | (2 208 164) | - | - | 78 431 |
| | 9 682 822 | 1 853 516 | (1 467 464) | - | 1 467 464 | (3 069 716) | 8 466 622 |

Reconciliation of intangible assets - 2023

| | Opening balance | Additions | Disposals- Cost | Transfers | Disposals- Accumulated Amortisation | Amortisation | Total |
|-------------------------------------|--------------------|------------------|--------------------|-----------|---|--------------------|------------------|
| Computer software, other | 4 823 758 | 3 568 598 | (810 711) | 906 371 | 810 711 | (1 902 500) | 7 396 227 |
| Intangible assets under development | 984 802 | 2 208 164 | - | (906 371) | - | - | 2 286 595 |
| | 5 808 560 | 5 776 762 | (810 711) | - | 810 711 | (1 902 500) | 9 682 822 |



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5. Intangible assets (continued)

Other information

During the year ended 31 March 2024, intangible assets under development amounting to R2 208 164 were transferred to computer software after Phase 2 of the online client services platform was completed and became available for use.

The entity reviewed the useful lives of its assets as at 31 March 2024



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6. Property, plant and equipment

| | 2024 | | 2023 | |
|----------------------------------|---------------------|---|---------------------|---|
| | Cost / Valuation | Accumulated depreciation and impairment | Cost / Valuation | Accumulated depreciation and impairment |
| Furniture and fixtures | 3 766 702 | (2 085 071) | 1 681 631 | 3 766 703 |
| Motor vehicles (Leased assets) | 4 633 857 | (546 070) | 4 087 787 | 3 413 923 |
| Office equipment | 1 280 376 | (1 052 356) | 228 020 | 1 280 376 |
| Computer equipment | 6 871 890 | (5 825 705) | 1 046 185 | 6 911 325 |
| Leasehold improvements | 4 773 173 | (2 763 646) | 2 009 527 | 4 773 173 |
| Safety and security equipment | 1 079 106 | (905 006) | 174 100 | 1 123 842 |
| Office equipment (Leased assets) | 1 249 967 | (1 069 217) | 180 750 | 1 285 487 |
| Capital restoration costs | 1 032 069 | (471 820) | 560 249 | 1 032 069 |
| Total | 24 687 140 | (14 718 891) | 9 968 249 | 23 586 898 |
| | | | | (13 144 986) |
| | | | | 10 441 912 |

Reconciliation of property, plant and equipment - 2024

| | Opening balance | Additions | Disposals- Cost | Disposals- Accumulated Depreciation | Depreciation | Impairment loss | Total |
|----------------------------------|--------------------|------------------|--------------------|---|--------------------|--------------------|------------------|
| Furniture and fixtures | 1 932 140 | - | - | - | (250 509) | - | 1 681 631 |
| Motor vehicles (Leased assets) | 2 661 076 | 2 138 412 | (918 478) | 469 759 | (262 982) | - | 4 087 787 |
| Office equipment | 348 562 | - | - | - | (120 542) | - | 228 020 |
| Computer equipment | 1 684 701 | - | (39 434) | 7 390 | (606 472) | - | 1 046 185 |
| Leasehold improvements | 2 328 611 | - | - | - | (319 084) | - | 2 009 527 |
| Safety and security equipment | 302 240 | - | (44 736) | 34 665 | (118 069) | - | 174 100 |
| Office equipment (Leased assets) | 582 949 | - | (35 520) | 12 894 | (379 573) | - | 180 750 |
| Capital restoration costs | 601 633 | - | - | - | (40 189) | (1 195) | 560 249 |
| | 10 441 912 | 2 138 412 | (1 038 168) | 524 708 | (2 097 420) | (1 195) | 9 968 249 |



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6. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment - 2023

| | Opening balance | Additions | Disposals- Cost | Disposals- Accumulated Depreciation | Depreciation | Impairment loss | Total |
|----------------------------------|------------------|------------------|--------------------|-------------------------------------|--------------------|-----------------|-------------------|
| Furniture and fixtures | 2 114 597 | 59 506 | - | - | (241 963) | - | 1 932 140 |
| Motor vehicles (Leased assets) | 1 580 696 | 1 750 959 | (1 026 632) | 500 572 | (144 519) | - | 2 661 076 |
| Office equipment | 497 282 | - | - | - | (114 088) | (34 632) | 348 562 |
| Computer equipment | 1 302 252 | 877 091 | - | - | (494 642) | - | 1 684 701 |
| Leasehold improvements | 2 646 822 | - | - | - | (318 211) | - | 2 328 611 |
| Safety and security equipment | 414 624 | - | - | - | (112 384) | - | 302 240 |
| Office equipment (Leased assets) | 399 500 | 466 800 | - | - | (283 351) | - | 582 949 |
| Capital restoration costs | 653 591 | - | - | - | (43 523) | (8 435) | 601 633 |
| | 9 609 364 | 3 154 356 | (1 026 632) | 500 572 | (1 752 681) | (43 067) | 10 441 912 |

Assets subject to finance lease (Net carrying amount)

| | 2024 | 2023 |
|------------------|------------------|------------------|
| Motor vehicles | 4 087 787 | 2 661 076 |
| Office equipment | 180 750 | 582 949 |
| | 4 268 537 | 3 244 025 |

Expenditure incurred to repair and maintain property, plant and equipment

The entity spent R272 571 (2023: R103 724) on repairs and maintenance of property, plant and equipment.

The entity reviewed the useful lives of its assets as at 31 March 2024

There are no restrictions on the title of the PPE, except for assets held under finance leases.



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7. Payables from exchange transactions

| | | |
|----------------------------|------------------|-------------------|
| Trade payables | 1 438 767 | 6 372 226 |
| Income received in advance | 825 330 | 640 298 |
| Licence-holder refunds | 4 624 939 | 4 070 191 |
| Provincial revenue fund | 206 608 | 952 038 |
| Other | 335 678 | 209 200 |
| | 7 431 322 | 12 243 953 |

The licence-holder refunds relate to overpayments of the amount due to the entity. This includes licence-holders who continue to pay the renewal fees even though their licences lapsed in previous periods and are no longer valid.

Provincial revenue fund

| | | |
|--|----------------|----------------|
| Opening balance | 952 038 | 2 030 111 |
| Total amount collected on behalf of provincial revenue fund | 53 066 076 | 46 399 874 |
| Total amount of provincial revenue fund collections paid to PoCS | (53 811 506) | (47 477 947) |
| | 206 608 | 952 038 |

The fees referred to in sections 63(2) and 65(16) must be paid into the Provincial Revenue Fund in terms of Section 30 of the Western Cape Liquor Act. The WCLA therefore acts as an agent in this relationship.

8. Operating lease liability

| | | |
|---------------------|---------|---------|
| Current liabilities | 564 733 | 553 878 |
|---------------------|---------|---------|

A lease agreement for the building was concluded on 11 March 2021 for a period of 5 years from 1 April 2021 until 31 March 2026. The lease payments escalate at a rate of 8% per annum. Renewal of the lease at the end of the term is available. The entity does not engage in any sub-lease arrangements. The entity did not pay any contingent rent during the year.

The vehicles under the operating lease have an anticipated remaining lease terms of 21 months, as at 31 March 2024. The entity 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. No daily tariffs are charged for the trailer. 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:

Minimum lease payments due

| | | |
|-------------------------------------|------------------|-------------------|
| - within one year | 3 385 787 | 3 194 139 |
| - in second to fifth year inclusive | 3 588 935 | 6 974 721 |
| - later than five years | - | - |
| | 6 974 722 | 10 168 860 |

9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|--|----------------|------------------|
| Department of Police Oversight and Community Safety (PoCS) | 912 122 | 5 527 568 |
| Department of Economic Development and Tourism (DEDAT) | - | 18 533 |
| | 912 122 | 5 546 101 |



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9. Unspent conditional grants and receipts (continued)

Movement during the

| | | |
|--------------------------------------|----------------|------------------|
| Balance at the beginning of the year | 5 546 101 | 19 106 000 |
| Grants received from PoCS | 55 015 000 | 45 688 000 |
| Grants received from DEDAT | - | 2 226 697 |
| PoCS grant recognised as income | (56 658 979) | (58 365 878) |
| DEDAT grant recognised as income | - | (3 108 718) |
| Amount surrendered to PRF | (2 990 000) | - |
| | <u>912 122</u> | <u>5 546 101</u> |

The entity received conditional grants from PoCS as per the transfer payment agreements. The unspent conditional grants represent the amount to be surrendered.

10. Unallocated deposits

| | | |
|----------------------|------------------|------------------|
| Unallocated deposits | <u>1 076 450</u> | <u>1 002 778</u> |
|----------------------|------------------|------------------|

The amount includes unverified payments from licence holders. This is as a result of deposits made without appropriate references for identification and which the licence holders have not yet provided proof of payments to enable verification.



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|--|-------------------------|-------------------------|
| 11. Finance lease obligation | | |
| Minimum lease payments due | | |
| - within one year | 1 840 709 | 1 826 207 |
| - in second to fifth year inclusive | 7 826 129 | 5 056 911 |
| - later than five years | - | - |
| | <u>9 666 838</u> | <u>6 883 118</u> |
| less: future finance charges | (5 082 055) | (3 453 193) |
| Present value of minimum lease payments | <u>4 584 783</u> | <u>3 429 925</u> |
| Present value of minimum lease payments due | | |
| - within one year | 332 805 | 668 543 |
| - in second to fifth year inclusive | 4 251 978 | 2 761 382 |
| - later than five years | - | - |
| | <u>4 584 783</u> | <u>3 429 925</u> |
| Non-current liabilities | 4 251 978 | 2 761 382 |
| Current liabilities | 332 805 | 668 543 |
| | <u>4 584 783</u> | <u>3 429 925</u> |

It is the entity's policy to lease certain motor vehicles and equipment under finance leases.

Finance leases which relate to vehicles have a lease term of between 5 to 8 years. The effective annual interest rate on the finance lease payables for motor vehicles is between 26% and 49%. Interest on finance lease payables are charged by Government Motor Transport to replace vehicles at the end of their useful lives and to recoup operating expenditure such as tracking, insurance and Government Motor Transport overhead expenditure.

All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The ownership of the leased assets does not transfer to the entity at the end of the lease term.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 6.

12. Employee benefit obligation

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

| | | |
|-------------------------|-------------------------|-------------------------|
| Long service awards | 699 188 | 557 890 |
| Staff incentive bonus | 2 126 665 | 1 970 880 |
| Staff leave | 1 228 116 | 970 183 |
| | <u>4 053 969</u> | <u>3 498 953</u> |
| Non-current liabilities | 457 105 | 483 959 |
| Current liabilities | 3 596 864 | 3 014 994 |
| | <u>4 053 969</u> | <u>3 498 953</u> |

12.1 Long Service awards

| | | |
|---|-----------------------|-----------------------|
| Opening balance | 557 890 | 660 412 |
| Benefits paid | (66 000) | (87 000) |
| Next expense recognised in the statement of financial performance | 207 298 | (15 522) |
| | <u>699 188</u> | <u>557 890</u> |

Next expense recognised in the statement of financial performance



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|---|------------------|------------------|
| 12. Employee benefit obligation (continued) | | |
| Current service cost | 170 966 | (43 523) |
| Interest cost | 36 332 | 28 001 |
| | 207 298 | (15 522) |
| 12.2 Staff Incentive bonus | | |
| Opening balance | 1 970 880 | 1 930 991 |
| Benefits paid | (2 237 270) | (1 901 804) |
| Net expense recognised in the statement of financial performance | 2 393 056 | 1 941 693 |
| | 2 126 666 | 1 970 880 |
| Net expense recognised in the statement of financial performance | | |
| Current service cost | 2 393 056 | 1 941 693 |
| 12.3 Staff leave | | |
| Opening balance | 970 183 | 1 136 386 |
| Benefits paid | (239 925) | (189 525) |
| Net expense recognised in the statement of financial performance | 497 858 | 23 322 |
| | 1 228 116 | 970 183 |
| Net expense recognised in the statement of financial performance | | |
| Current service cost | 497 858 | 23 322 |



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13. Provisions

Reconciliation of provisions - 2024

| | Opening Balance | Change in discount factor | Total |
|--|--------------------|---------------------------------|-----------|
| Provision for Restoration of Leased Premises | 1 519 205 | 118 060 | 1 637 265 |

Reconciliation of provisions - 2023

| | Opening Balance | Change in discount factor | Total |
|--|--------------------|---------------------------------|-----------|
| Provision for Restoration of Leased Premises | 1 416 507 | 102 698 | 1 519 205 |

The current lease contract states that at termination date, the entity will be liable for the restoration of the leased premises back to "base building condition". The entity estimates that the outflows would only occur by 31 May 2030.

This is, however, dependent on the continued renewal of the lease, which is uncertain.

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 average weighted investment rate of prime less 4% was used.

14. Application fees

| | | |
|--|------------------|------------------|
| New licences | 1 153 812 | 1 168 099 |
| Licence for transfer of licence to new owner | 263 400 | 233 728 |
| Alteration of premises | 259 455 | 292 161 |
| Non-automatic renewals of licences | 323 574 | 237 620 |
| Interim or pending licence fee | 224 850 | 199 476 |
| Transfer of financial interest on existing licence | 57 732 | 60 751 |
| Temporary and event licences | 514 050 | 418 575 |
| Other | 133 405 | 179 825 |
| | 2 930 278 | 2 790 235 |

Other application fees consists of minor applications with removal/change of premises fees, ammendment of conditions of licences, application to store liquor, extended trading.



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| 15. Granting fees | | |
| Licence issuing fee | 1 192 138 | 1 159 696 |
| Issuing fee for temporary and event licences | 3 133 780 | 2 524 153 |
| Transfer of licence issuing fee | 875 274 | 788 115 |
| Other | 322 494 | 283 249 |
| | 5 523 686 | 4 755 213 |
| 16. Interest earned | | |
| Interest revenue | | |
| Bank-call accounts | 1 698 557 | 1 380 701 |
| 17. Other income | | |
| Copies | 58 794 | 84 259 |
| Profit on sale of assets | 198 940 | - |
| | 257 734 | 84 259 |
| 18. Fines, Penalties and Forfeits | | |
| Fines imposed by the Liquor Licencing Tribunal | 2 197 000 | 6 194 000 |
| Penalties on late payments of licence renewals | 1 499 936 | 1 411 382 |
| Penalties on late payments of event licences | 2 154 975 | 2 012 214 |
| | 5 851 911 | 9 617 596 |
| 19. Government grants & subsidies | | |
| Operating grants | | |
| Department of Police Oversight and Community Safety(PoCS) | 56 658 979 | 58 365 878 |
| SETA | - | (129 577) |
| | 56 658 979 | 58 236 301 |
| Capital grants | | |
| Western Cape Department of Economic Development and Tourism | - | 3 108 718 |
| | 56 658 979 | 61 345 019 |
| 20. Employee related costs | | |
| Salaries and wages | 32 871 983 | 34 399 885 |
| Staff incentive bonus | 2 229 139 | 1 941 692 |
| UIF | 174 048 | 187 883 |
| Workmens compensation | 67 033 | 81 525 |
| Leave pay | 497 857 | 23 322 |
| Defined contribution plans | 3 939 918 | 3 505 194 |
| Overtime payments | 383 756 | 432 214 |
| Long-service awards | 170 966 | (43 524) |
| Group risk and funeral benefit | 499 382 | 400 430 |
| Cellphone allowances | 522 538 | 542 711 |
| | 41 356 620 | 41 471 332 |



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|--|------------------|------------------|
| 20. Employee related costs (continued) | | |
| Chief Executive Officer - Simion George | | |
| Basic salary | 1 422 519 | 1 359 955 |
| Pension fund | 194 921 | 187 890 |
| 13th cheque | 113 802 | 108 796 |
| Other | 42 592 | 76 046 |
| | 1 773 834 | 1 732 687 |
| Chief Financial Officer - Sandiso Gcwabe (resigned on 31 December 2022) | | |
| Basic salary | - | 697 936 |
| Pension fund | - | 96 537 |
| 13th cheque | - | 74 447 |
| Other | - | 122 977 |
| | - | 991 897 |
| Acting Chief Financial Officer: Selwyn Adams (1 January 2023 - 27 October 2023) | | |
| Basic salary | 353 217 | 120 798 |
| Pension fund | 49 715 | 18 837 |
| Other | 99 525 | 29 422 |
| | 502 457 | 169 057 |
| Chief Financial Officer: Xoliswa Ngqongwa (appointed on 06 November 2023) | | |
| Basic salary | 354 694 | - |
| Pension fund | - | - |
| 13th cheque | - | - |
| Other | 6 388 | - |
| | 361 082 | - |
| Senior Manager: Liquor Licencing Administration - Leatlila Petersen | | |
| Basic salary | 811 336 | 755 610 |
| Pension fund | 102 662 | 98 050 |
| 13th cheque | 65 300 | 60 975 |
| Other | 36 967 | 54 094 |
| | 1 016 265 | 968 729 |
| Senior Manager: Corporate Services - Marvin Jackson | | |
| Basic salary | 823 251 | 766 946 |
| Pension fund | 111 725 | 99 522 |
| 13th cheque | 66 260 | 61 889 |
| Other | 29 727 | 54 385 |
| | 1 030 963 | 982 742 |



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| 20. Employee related costs (continued) | | |
| Senior Manager: Compliance and Enforcement - Adv. Martell Van Lill (resigned on 23 August 2023) | | |
| Basic salary | 320 853 | 722 605 |
| Pension fund | 43 985 | 100 325 |
| 13th cheque | - | 58 311 |
| Other | 15 651 | 57 078 |
| | 380 489 | 938 319 |
| Acting Senior Manager: Compliance and Enforcement - Craig Horne (appointed on 24 August 2023) | | |
| Basic salary | 314 632 | - |
| Pension fund | 52 062 | - |
| 13th cheque | 42 796 | - |
| Other | 82 995 | - |
| | 492 485 | - |
| Senior Manager: Communications, Education and Stakeholder Relations - Rebecca Campbell (resigned on 24 February 2023) | | |
| Basic salary | - | 596 014 |
| Pension fund | - | 82 154 |
| 13th cheque | - | 53 328 |
| Other | - | 69 023 |
| | - | 800 519 |
| Acting Senior Manager: Communications, Education and Stakeholder Relations - Stefanie Sampson (appointed on 01 March 2023) | | |
| Basic salary | 524 232 | 40 266 |
| Pension fund | 86 948 | 5 858 |
| 13th cheque | 42 188 | - |
| Other | 134 218 | 6 238 |
| | 787 586 | 52 362 |
| Secretariat: Liquor Licencing Tribunal - Johan Dreyer | | |
| Basic salary | 547 085 | 511 752 |
| Pension fund | 116 873 | 110 345 |
| 13th cheque | 47 315 | 44 199 |
| Other | 30 895 | 47 523 |
| | 742 168 | 713 819 |

Allan Gray Umbrella Retirement Fund

The Allan Gray Umbrella Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of their salaries, as required by the Rules. The fund has 67 employees (2023: 63 employees) who are members and they contributed a total of R1 939 885 (2023: R1 705 085).

Allan Gray Group Retirement Annuity Fund

The Allan Gray Group Retirement Annuity Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of their salaries, as required by the Rules. The fund has 67 employees (2023: 63 employees) who are members and they contributed a total of R2 000 033 (2023: R1 798 257).



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21. Remuneration of Governing Board Members

| | | |
|--|----------------|----------------|
| Adv S Khoza (Appointed as Chairperson on 20 March 2024) | 10 896 | 8 625 |
| Mr R Kingwill (Chairperson, Term ended on 11 March 2024) | 59 003 | 69 546 |
| Dr G Grootboom (Deputy Chairperson) | 34 320 | 30 634 |
| Ms C Abdoll | 33 676 | 22 014 |
| Mr A Le Roux (Resigned on 30 November 2023) | 18 138 | 30 935 |
| Ms C Foulis (Term ended on 11 March 2024) | 20 482 | 26 093 |
| Ms T Wainwright (Resigned, 21 August 2023) | 10 342 | 26 029 |
| | 186 857 | 213 876 |

22. Debt impairment/reversal

| | | |
|----------------------------|-----------|-----------|
| Debt (reversal)/impairment | (817 677) | 1 642 178 |
|----------------------------|-----------|-----------|

The impairment relates to fines issued to licence-holders by the Liquor Licence Tribunal.

23. Depreciation and amortisation

| | | |
|-------------------------------|------------------|------------------|
| Property, plant and equipment | 2 097 420 | 1 752 681 |
| Intangible assets | 3 069 716 | 1 902 500 |
| | 5 167 136 | 3 655 181 |

24. Impairment loss

| | | |
|-----------------|---------|--------|
| Impairment loss | 139 570 | 43 067 |
|-----------------|---------|--------|

25. Finance costs

| | | |
|----------------|------------------|------------------|
| Finance leases | 1 353 556 | 928 698 |
| Other | 154 392 | 130 698 |
| | 1 507 948 | 1 059 396 |



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|---|--------------------|--------------------|
| 26. General expenses | | |
| Advertising fees | 4 596 606 | 3 680 633 |
| Audit fees - external | 747 597 | 1 251 492 |
| Audit fees - internal | 565 110 | 359 152 |
| Bank charges | 73 733 | 40 354 |
| Catering | 11 009 | 40 887 |
| Cleaning services | 188 013 | 176 436 |
| Computer and equipment support | 1 537 781 | 2 709 148 |
| Conferences and seminars | 823 130 | 1 001 245 |
| Consulting and professional fees | 2 761 537 | 1 632 403 |
| Insurance | 321 172 | 269 447 |
| Legal fees | 222 435 | 66 834 |
| Liquor licence tribunal | 4 218 618 | 3 790 300 |
| Operating leases | 3 200 894 | 2 928 538 |
| Postage and courier | 111 276 | 93 732 |
| Printing and stationery | 551 286 | 611 995 |
| Rates and taxes | 293 471 | 290 499 |
| Repairs and maintenance | 272 571 | 103 724 |
| Social and education fund | - | 15 366 |
| Software licence fees | 1 481 422 | 883 905 |
| Subscriptions and membership fees | 77 015 | 47 875 |
| Telephone and fax | 688 870 | 707 716 |
| Training | 271 407 | 270 622 |
| Travel and subsistence | 2 935 683 | 3 329 076 |
| Water and electricity | 1 172 316 | 1 321 939 |
| Other | 295 355 | 238 510 |
| | 27 418 307 | 25 861 828 |
| 27. Cash used in operations | | |
| (Deficit) surplus | (2 037 616) | 6 026 165 |
| Adjustments for: | | |
| Depreciation and amortisation | 5 167 136 | 3 655 181 |
| Profit on sale of assets | (198 940) | 52 215 |
| Impairment loss | 139 570 | 43 067 |
| Debt impairment/(reversal) | (817 677) | 1 642 178 |
| Movements in employee benefit obligations (decrease)/increase | 354 768 | (228 835) |
| Movements in provisions | 118 060 | 102 698 |
| Current Employee Benefits - Finance cost | 36 332 | 28 001 |
| Other non-cash items | 348 158 | 604 544 |
| Changes in working capital: | | |
| Receivables from exchange transactions | (14 369) | 768 171 |
| Operating lease | 10 855 | - |
| Other receivables from non-exchange transactions | 2 459 234 | (1 285 063) |
| Payables from exchange transactions | (4 812 630) | 1 058 247 |
| Unspent conditional grants and receipts | (4 633 979) | (13 559 899) |
| Unallocated deposits | 73 672 | (66 342) |
| | (3 807 426) | (1 159 672) |



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28. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

| | At amortised cost | Total |
|--|----------------------|-------------------|
| Cash and cash equivalents | 15 269 739 | 15 269 739 |
| Receivables from exchange transactions | 156 276 | 156 276 |
| | 15 426 015 | 15 426 015 |

Financial liabilities

| | At amortised cost | Total |
|-------------------------------------|----------------------|-------------------|
| Payables from exchange transactions | 6 605 992 | 6 605 992 |
| Finance lease liability | 4 584 783 | 4 584 783 |
| | 11 190 775 | 11 190 775 |

2023

Financial assets

| | At amortised cost | Total |
|--|----------------------|-------------------|
| Cash and cash equivalents | 21 524 453 | 21 524 453 |
| Receivables from exchange transactions | 166 299 | 166 299 |
| | 21 690 752 | 21 690 752 |



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| | | |
|-----------------|------|------|
| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|

28. Financial instruments disclosure (continued)

Financial liabilities

| | At amortised cost | Total |
|-------------------------------------|-------------------|-------------------|
| Payables from exchange transactions | 12 480 688 | 12 480 688 |
| Finance lease liability | 2 288 470 | 2 288 470 |
| | 14 769 158 | 14 769 158 |

Financial instruments in Statement of financial performance

2024

| | At amortised cost | Total |
|---|-------------------|----------------|
| Interest income (calculated using effective interest method) for financial instruments at amortised cost | 1 698 557 | 1 698 557 |
| Interest expense (calculated using effective interest method) for financial instruments at amortised cost | (1 507 948) | (1 507 948) |
| | 190 609 | 190 609 |

2023

| | At amortised cost | Total |
|---|-------------------|----------------|
| Interest income (calculated using effective interest method) for financial instruments at amortised cost | 1 380 701 | 1 380 701 |
| Interest expense (calculated using effective interest method) for financial instruments at amortised cost | (535 293) | (535 293) |
| | 845 408 | 845 408 |



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|---|---|----------------|
| 29. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | 850 932 | 466 800 |
| Total capital commitments | | |
| Already contracted for but not provided for | 850 932 | 466 800 |
| 30. Contingencies | | |
| Mbeko Venfolo N.O vs WCLA: WCP/038239 - 21 on Washington | - | 2 000 000 |
| Mbeko Venfolo N.O vs WCLA | | |
| The State Attorney is assisting the entity in appealing a High Court order relating to licence number WCP/038239 - 21 on Washington. The judgment was handed down by the Western Cape High Court on 31 January 2020. Order granted against the WCLA with cost amounting to R 222 435 which have been included in liabilities. | | |
| 31. Related parties | | |
| Relationships | | |
| Western Cape Provincial Minister of Police Oversight and Community Safety | Mr Reagan Allen | |
| Governing board members | Refer to note 21 | |
| WCLA and PoCS (Custodial Department) are subject to common control | PoCS | |
| WCLA and DEDAT are subject to common control | DEDAT | |
| WCLA and Western Cape Government Motor Transport are subject to common control | Western Cape Government Motor Transport | |
| Members of key management | Refer to note 20 | |
| Related party balances | | |
| Department of Police Oversight and Community Safety | | |
| Balance at the beginning of the year | 952 038 | 2 030 111 |
| Total amount collected on behalf of provincial revenue fund | 53 066 076 | 46 399 874 |
| Total amount of provincial revenue fund collections paid to PoCS | (53 811 506) | (47 477 947) |
| | 206 608 | 952 038 |
| Government Motor Transport | | |
| Accrued expenses | (240 065) | (230 273) |
| Leased vehicles | 1 423 039 | 1 041 654 |
| DEDAT | | |
| Balance at the beginning of the year | 18 533 | 900 554 |
| Grants received from DEDAT | - | 2 226 697 |
| DEDAT grant recognised as income | (18 533) | (3 108 718) |
| Government Motor Transport | | |
| Interest paid on finance lease liability included under finance charges | 1 353 556 | 928 698 |
| Kilometre tariff included under general expense | 1 352 657 | 1 375 209 |
| Operating lease - Vehicles | 602 458 | 507 153 |



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32. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2023

| | Note | As previously reported | Correction of error | Restated |
|--------------------------------|------|------------------------|---------------------|------------------|
| Motor vehicles (Leased assets) | | 4 440 555 | (1 026 632) | 3 413 923 |
| Accumulated depreciation | | (1 253 419) | 500 572 | (752 847) |
| | | <u>3 187 136</u> | <u>(526 060)</u> | <u>2 661 076</u> |

2023

| | Note | As previously reported | Correction of error | Restated |
|------------------|------|------------------------|---------------------|-------------------|
| General Expenses | | <u>25 335 767</u> | <u>526 060</u> | <u>25 861 827</u> |

Statement of financial performance

Errors

Motor vehicles (Leased assets) - Amount was in respect of the asset disposal that was not recorded during the 2022/23 financial year. The motor vehicles were sent back to GMT in the period between 01 April 2022 - 31 March 2023.

33. Risk management

Financial risk management

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

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the board. Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity's operating units. The board provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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



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33. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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 entity to incur a financial loss.

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

The entity 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 entity 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.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

| Financial instrument | 2024 | 2023 |
|--|------------|------------|
| Cash and cash equivalents | 15 269 739 | 21 524 295 |
| Receivables from exchange transactions | 156 276 | 166 299 |

Market risk

Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

The entity's interest rate risk arises from cash in current banking institutions and call deposit investments. This financial asset is at variable rates thus expose the entity to cash flow interest rate risk..

At 31 March 2024, if the weighted average interest rates on the financial asset had been 1% higher/lower with all other variables held constant, surplus for the year would have been R152 697 (2023: R215 244) lower/higher, mainly as a result of higher/lower interest income on financial assets at variable rates.

Cash flow interest rate risk

| Financial instrument | Current interest rate | Due in less than a year | Due in one to two years | Due in two to three years | Due in three to four years | Due after five years |
|---|-----------------------|-------------------------|-------------------------|---------------------------|----------------------------|----------------------|
| Trade and other receivables - normal credit terms | 7,95 % | 15 269 739 | - | - | - | - |



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34. Services In-kind

The entity received services in-kind under voluntary or non-voluntary schemes which included free security services, training, workshops, legal advice and technical assistance from government departments and entities. These services in-kind have not been recognised as they were assessed not to be significant to the entity's operations and/or basic service delivery objectives.

35. Events after the reporting date

Adjusting event:

To the best of our knowledge there were no events and transactions, both favourable and unfavourable, that occurred between the reporting date and the date when the annual financial statements were authorised for issue.

Non-adjusting events:

To the best of our knowledge there were no events and transactions, both favourable and unfavourable, that occurred between the reporting date and the date when the annual financial statements were authorised for issue.

36. Segment information

General information

Identification of segments

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

Information about geographical areas

The entity's operations are in the Western Cape Province and the offices are located in Bellville. No geographical segment information is available and the cost to develop such information would be excessive. Therefore, no geographical segment information has been disclosed.



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37. Reconciliation between budget and statement of financial performance

The amounts in the annual financial statements were recast from the accrual basis to the cash basis to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

| | | |
|---|----------------|--------------------|
| Net (deficit) surplus per the statement of financial performance | (2 037 616) | 6 026 165 |
| Adjusted for: | | |
| Net Cash Flows from operating activities - Government Grants | (4 633 979) | (13 559 899) |
| Net Cash Flows from operating activities - Depreciation and amortisation | 5 167 136 | 3 655 181 |
| Net Cash Flows from operating activities - Movement in receivables | (406 978) | (516 892) |
| Net Cash Flows from operating activities - Debt impairment | (817 677) | 1 642 178 |
| Net Cash Flows from operating activities - Finance costs | 1 507 948 | 928 698 |
| Net Cash Flows from operating activities - Movement in payables | 3 813 725 | 260 247 |
| Net Cash Flows from operating activities - Employee benefit obligations | (450 013) | (200 834) |
| Net Cash Flows from operating activities - Movement in provisions | 118 061 | 102 698 |
| Net Cash Flows from operating activities - Unallocated deposits | 73 672 | (66 342) |
| Net Cash Flows from operating activities - Impairment loss/ (reversal) | 139 570 | 43 067 |
| Cash flows from investing activities - Property Plant and Equipment purchases | - | (936 604) |
| Provincial revenue fund cash transactions not included in approved budget | 885 562 | 1 078 074 |
| Cash flows from investing activities - Intangible assets purchases | (1 853 516) | (4 474 969) |
| Cash flows from financing activities - Finance Lease capital redemption | (593 773) | (668 543) |
| Net surplus (deficit) per approved budget | 912 122 | (6 687 775) |

38. Budget differences

Material differences between budget and actual amounts

Statement of financial performance

Revenue

The Authority's own revenue collection was down 7% largely driven by below expectation in revenue from fines & penalties. This revenue is shrinking in line with increased inspectorate capacity, and therefore improved compliance.

Departmental Transfers

As of March 31, 2024, the Authority has successfully received 100 percent of the Grant allocation revenue as per the terms outlined in the transfer agreement.

Good and services

Under-expenditure in goods and services is mainly due to advertising and marketing costs that fell below the budget, largely as a result of lower than expected applications for new licenses .

39. BBBEE Performance

Management Control Element

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.



