



**WESTERN CAPE**  
LIQUOR AUTHORITY

**Annual Report 2020/21**

# Western Cape Liquor Authority

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Annual Report

2020/2021

Western Cape Province



# CONTENTS

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<b>Part A: General Information .....</b>	<b>6</b>
1. Public Entity's General Information .....	6
2. List Of Abbreviations/Acronyms .....	7
3. Foreword by the Chairperson .....	8
4. Chief Executive Officer's Overview .....	9
5. Statement of Responsibility and Confirmation of Accuracy for the Annual Report ..	11
6. Strategic Overview .....	12
6.1. Vision .....	12
6.2. Mission .....	12
6.3. Values .....	12
7. Legislative and Other Mandates .....	12
8. Organisational Structure .....	15
<b>Part B: Performance Information .....</b>	<b>18</b>
1. Auditor's Report: Predetermined Objectives .....	18
2. Situational Analysis .....	18
2.1. Service Delivery Environment .....	18
2.2. Organisational Environment .....	19
2.3. Key Policy Developments and Legislative Changes .....	26
2.4. Progress towards Achievement of Institutional Impacts and Outcomes .....	27
3. Performance Information by Component .....	29
3.1. Component 1: Liquor License Administration .....	29
3.2. Component 2: Liquor Licensing Tribunal .....	32
3.3. Component 3: Communication, Education and Stakeholder Relations .....	37
3.4. Component 4: Compliance and Enforcement .....	39
3.5. Component 5: Finance .....	44
3.6. Component 6: Corporate Services .....	46
4. Revenue Collection .....	48
4.1. Capital Investment .....	48
<b>Part C: Governance .....</b>	<b>52</b>
1. Introduction .....	52
2. Portfolio Committees (if applicable) .....	52
3. Executive Authority .....	52
4. The Accounting Authority/Board .....	52
5. Risk Management .....	56
6. Internal Control Unit .....	56

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7.	Internal Audit and Audit Committees .....	57
8.	Compliance with Laws and Regulations .....	57
9.	Fraud and Corruption .....	57
10.	Minimising Conflict of Interest .....	58
11.	Code of Conduct .....	58
12.	Health Safety and Environmental Issues .....	58
13.	Company/Board Secretary (if applicable) .....	58
14.	Social Responsibility .....	58
15.	Audit Committee Report .....	59
16.	BBBEE Compliance Performance Information .....	61
<b>Part D: Human Resource Management .....</b>		<b>64</b>
1.	Introduction .....	64
2.	Human Resource Oversight Statistics .....	65
<b>Part E: Financial Information .....</b>		<b>70</b>
1.	Report of the Auditor-General .....	70
2.	Annual Financial Statements .....	78

PART A:

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GENERAL INFORMATION

# a 1. PUBLIC ENTITY'S GENERAL INFORMATION

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<b>REGISTERED NAME:</b>	Western Cape Liquor Authority
<b>REGISTRATION NUMBER (if applicable):</b>	
<b>PHYSICAL ADDRESS:</b>	3rd Floor Sunbel Building 3 Old Paarl Road Bellville 7530
<b>POSTAL ADDRESS:</b>	Private Bag X6 Sanlamhof Bellville 7532
<b>TELEPHONE NUMBER/S:</b>	021 204 9700/021 204 9805
<b>FAX NUMBER:</b>	086 525 4513
<b>EMAIL ADDRESS:</b>	Liquor.Enquiries@wcla.gov.za
<b>WEBSITE ADDRESS:</b>	<a href="http://www.wcla.gov.za">www.wcla.gov.za</a>
<b>EXTERNAL AUDITORS:</b>	Auditor General South Africa
<b>BANKERS:</b>	Nedbank (PTY) LTD
<b>BOARD SECRETARIAT:</b>	Caylynne Symes

## 2. LIST OF ABBREVIATIONS/ACRONYMS

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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
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPF	Community Police Forum
DLO	Designated Liquor Officer
DOCS	Department of Community Safety
DotP	Department of the Premier
DPO	Deputy Presiding Officer
GB	Governing Board
GRAP	Generally Recognised Accounting Principles
LLT	Liquor Licensing Tribunal
LMATS	License Management and Tracking System
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)
RIA	Regulatory Impact Assessment
SALGA	South African Local Government Association
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

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As the Chairperson of the Governing Board, it gives me pleasure to present the Annual Report for the 2020/2021 financial year. The Annual Report provides an opportunity to reflect on the financial and non-financial performance of the WCLA for the year under review.

During the period under review the WCLA continued its focus on the implementation of Alcohol Harms Reduction Initiatives (AHRI). The compliance interventions embarked on in the Alcohol Harms Reduction Pilot Areas proved successful to the extent that we can explore Province wide implementation. The challenge remains for the WCLA to be self-sustainable in a manner that supports the AHRI while maintaining a delicate balance in the setting of license fees.



The Board is pleased to note that the external auditors have again provided an audit opinion that is unqualified with no findings, which is due reward to the Management team at the WCLA.

Communication initiatives were broadened and extended to specific stakeholders as well as to several social media platforms to increase the communication, education and awareness reach of the WCLA to facilitate broader public participation.

The filling of the vacancies on the Liquor Licensing Tribunal created additional capacity within the LLT to deal with the high number of applications. The filling of key vacancies at the WCLA including the appointment of a CEO is a highlight of the year under review.

To the Board members, whose term ended in March 2021, the WCLA acknowledges the time you committed to the WCLA and in particular the focus and professional contribution during your term on the Board.

On behalf of the Board, I would like to acknowledge the contribution made by all staff of the WCLA and for their dedication during an extremely challenging year.

Finally, the Board would like to acknowledge Minister Albert Fritz and the Department of Community Safety for their continuous support of our endeavours.

A handwritten signature in black ink, appearing to read 'R Kingwill', written in a cursive style.

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Ronald Kingwill  
Chairperson of the Governing Board  
Western Cape Liquor Authority  
Date: 31 July 2021

## 4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

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The 2020/21 year saw the WCLA confronting the reality of a once in a lifetime pandemic (COVID-19), a change in the composition of the Governing Board (GB) and a key vacancy in its leadership.

In confronting the above, the WCLA had the benefit of a strong GB in the final year of its 3 year-term, a capable management team, and sound systems and processes.

Since March 2021, the WCLA has a new Governing Board. In addition thereto, a capable Audit Committee that has demonstrated its value in overseeing the financial governance and performance of the WCLA with improved external audit outcomes.

A strong foundation now exists for the WCLA to further enhance its ability to effectively and efficiently regulate the retail sale and micro manufacturing of liquor in the best interest of the people of the Western Cape. The WCLA has aligned its operations in support of the Alcohol Harms Reduction (AHR) White paper, a policy imperative of the Western Cape Government (WCG).



Our collaborative interventions with the WCG and related agencies demonstrated that increased enforcement visibility can lead to improved compliance levels. Designated Liquor Officers of the South African Police Services responded positively to the efforts of the Authority. These interventions resulted in an increase in the number of non-compliance matters placed before the Liquor Licensing Tribunal (LLT). The severity of sanctions imposed by the LLT and its power to impose fines act as an effective deterrent. However, more is possible and capacity to do so will be prioritised.

In support of the WCG call for citizen centric approaches to our service delivery models, the WCLA partners with stakeholders such as the Community Police Forums (CPFs), Neighbourhood Watch structures, as well as Local Drug Action Committees to share relevant information such as new liquor license applications. The Authority continued to use various media platforms to enhance information sharing with stakeholders.

The Authority prioritised its internal systems and processes to ensure optimum utilisation of available resources and to promote greater efficiency and effectiveness. The existing electronic platform was further enhanced for greater use and application. The adjudication of enforcement matters was included in the automated system which will enable the Authority to expedite the finalisation and monitoring of these matters administratively. Again, more is possible in this regard.

The AHR White Paper suggests that the cost of regulating the liquor industry be fully funded by the industry. This requires for the total operational cost of the WCLA at the very least be set off against the amount of fees collected, thus making the Authority self-sustainable. This can be achieved through a differentiated pricing model. To enable such a model legislative amendments are required. The legislative review process has commenced.

The WCLA spent 96.50% of the original budget that was approved at the beginning of the financial year. The under spending highlighted in the report relates to funds received through the adjustment budget process. These funds largely relate to the additional enforcement capacity and will be requested to be rolled over to the next financial year.

Supply chain management policies and Revenue Management systems were reviewed to ensure alignment with the updated National and Provincial Treasury Regulations and Instructions. After year end, the Authority received approval from Provincial Treasury for the condonation of irregular expenditure relating to the lease agreement dating back to 2015.

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The Authority sustained its clean audit from the previous financial year.

In conclusion I would like to express appreciation to the WCLA staff, the Governing Board of the Liquor Authority, the Liquor Licensing Tribunal, the Department of Community Safety, and the Minister of Community Safety for their continued support. The efforts of Mrs. L. Petersen as the Acting CEO for the period under review is acknowledged and appreciated.



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Simion George  
Chief Executive Officer  
Western Cape Liquor Authority  
Date: 31 July 2021

## 5. STATEMENT OF RESPONSIBILITY

### AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

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

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

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

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

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2021.

Yours faithfully



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Chief Executive Officer  
Simion George  
Date: 31 July 2021



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Chairperson of the Board  
Ronald Kingwill  
Date: 31 July 2021

## 6. STRATEGIC OVERVIEW

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### 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

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### 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 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 by the Authority.

- Magistrate Court Act, 1944 (32 of 1944)
- Supreme Court Act, 1959 (59 of 1959)
- Criminal Procedures Act, 1977 (51 of 1977)
- Liquor Act, 1989 (27 of 1989)
- Businesses Act, 1991 (Act 71 of 1991)
- Occupational Health and Safety Act, 1993 (85 of 1995)
- Labour Relations Act, 1995 (66 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 PSP outlines the priorities of the Western Cape Government in the form of five Vision Inspired Priorities (VIP's), namely:

- 1) Safe and Cohesive Communities
- 2) Growth and Jobs
- 3) Empowering People
- 4) Mobility and Spatial Transformation
- 5) Innovation and Culture

#### Western Cape Government Recovery Plan

As a recognition of and response to the COVID-19 pandemic the Recovery Plan was drafted during the 2020/21 financial year. It identifies the problems that require an urgent, whole of society response in order to create jobs, foster safe communities, and promote the well-being of all residents of the Western Cape.

### 7.4 Planned policy initiatives

The Alcohol Harms Reduction approach informs and finds expression 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 pursued, in as far as the legislative mandate allows. The legislative review process seeks to address two key elements; the first being the introduction of amendments aimed at enabling the WCLA to more effectively and efficiently regulate the liquor industry and secondly introduce interventions that will reduce alcohol related harms at a systemic level. The former is capable of an expedited process while the latter will require a full RIA

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process. Over the current Strategic Plan cycle, the WCLA will continue to 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 in order to qualitatively enhance the articulation of public interest.

# 8. ORGANISATIONAL STRUCTURE

AS AT 31 JULY 2021







PART B:

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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 70 of the Auditors Report, published as Part E: Financial Information.

# 2. SITUATIONAL ANALYSIS

## 2.1. Service Delivery Environment

According to the World Health Organisation (WHO) *“alcohol is a psychoactive substance with toxic and dependence-producing properties. Although alcohol consumption varies considerably around the world, the health burden caused by alcohol is enormous. The harmful use of alcohol is among the leading risk factors for disease burden in populations worldwide.”*

The link between alcohol, crime and violence is particularly prominent. Alcohol is linked to 50% of murders in the province.<sup>1</sup> It is attributable to 42.6% of intentional injuries nationally.<sup>2</sup> Cheap products target people experiencing poor socio-economic conditions, and risky drinking patterns directly correlate with low-income patterns.<sup>3</sup>

Amongst the WHO Member States, which includes South Africa, consensus was reached for a Global strategy to reduce the harmful use of alcohol and its associated health and social burden as a public health priority. South Africa's alcohol consumption rate has climbed with the country now ranked as one of the top 20 biggest drinking nations according to a statistical update from WHO (tracking alcohol consumption across 194 countries). In South Africa, the total estimated tangible and intangible cost attributed to harmful alcohol use was estimated to be between R245 and 280 billion, representing 10 to 12 per cent of the 2009 GDP. In contrast to the costs to the South African economy, the National Treasury estimates that the economic contribution of the alcoholic beverages sector for the year 2009/10 was R73 billion, or 2.9 per cent of GDP. The estimates point to a *net cost* to the economy of between 7 per cent to 10 per cent of GDP, **or R165 to R236 billion in 2009.** (White Paper pg.14). It should be noted, in no uncertain terms, that the liquor industry contributes to a significantly negative impact on the South African and Western Cape Economy.

In South Africa, the regulatory framework for alcohol finds its basis in the Constitution and includes laws across all three spheres of government. The current legal framework in respect of alcohol regulation in the Western Cape comprises legislation from the national, provincial and local spheres of government. At a national level, the Liquor Act, 2003 (Act 59 of 2003), governs macro-manufacturing by large-scale manufacturers and the distribution of liquor. Micro-manufacturing and retail sale are governed at a provincial level. Local government has the right to administer other matters that relate to the control of undertakings that sell liquor to the public.

The national government is currently undertaking a process to review and develop policies, legislation and regulations on alcohol, with a focus on tackling alcohol abuse and harms nationally.

1 Western Cape Government Department of Health (2018) Western Cape Injury Mortality profile for 2010 to 2016.

2 South African Medical Research Council

3 World Health Organisation. (2014) Global status report on alcohol and health

National government recognizes that the current regulatory framework for alcohol in South Africa is complicated. Regulations are provided for across all three spheres of government. Thus, the approach to retail regulation differs from province to province, complicating the regulation of liquor.

Overlap in legislation creates complexity and confusion in administering and enforcing legislation. No single approach or intervention can effectively reduce alcohol related harms in South Africa. A range of interventions at multiple levels is required for any major impact to be made.

In 2015 the Western Cape Provincial Cabinet directed that an alcohol related harms reduction policy be developed to guide the Western Cape Government's approach to alcohol generally and the regulation thereof, in particular.

## 2.2. Organisational environment

The organisational structure has evolved over time to capacitate the WCLA in response to the mandate and the policy imperatives provided. Six components are provided for to process applications, facilitate and compel greater compliance, facilitate appreciation for the need and value of effective regulation and expediting the outcome of all license applications. The support and auxiliary services are provided by the corporate services and finance components.

In developing its strategies for the 2020/21 financial year the WCLA conducted a situational analysis which included a review of past and current performance and an assessment of the environment in which it functions. Techniques such as SWOT and PESTEL were utilised for this purpose.

## COVID-19

The global pandemic (COVID-19) was first reported in December 2019 by the World Health Organization. On 26 March 2020, South Africa entered a 'hard lockdown' bringing the economy and businesses to a halt in an attempt to curb the spread of the virus.

No-one could have predicted the impact of the global COVID-19 pandemic on our lives and livelihoods. Some organisations are still living through the difficult realisation that they're not as prepared for disruption as they thought they were. Whatever "business as usual" was like before, it doesn't matter anymore. What is most important right now is getting through this time and preparing for a post-COVID-19 world, where the widely held beliefs about the way we do things no longer apply. This will shape the way we work now and in the future.

In terms of Section 16(6)(a) of the Disaster Management Act, the Senior Manager: Corporate Services was assigned as the Western Cape Liquor Authority's COVID-19 Compliance Officer. It was agreed that although the appointment of the Compliance Officer would fall within the responsibility sphere of the Corporate Services Manager, the CEO and Management Team would together be accountable to ensure that all requirements of the Regulations are implemented and adhered to as an organisation. A SOP in response to this was therefore developed.

As the different alert levels were adjusted by the President, the Authority amended its Emergency SOP to be aligned with the requirements of the revised Regulations. In preparing the WCLA for a return-to-work situation, the Management Team developed a "Re-entering the Workplace Guide". This guide made provision for certain steps to be in place before any staff member was allowed to re-enter the WCLA Offices. The steps followed were as follows:

- Step 1: Preparing the workplace for re-entering of employees
- Step 2: Identifying the categories of employees to be prioritised to return to workplace.
- Step 3: Gaining the confidence of employees by showing visible commitment

Each step within the guide had different aspects attached to ensuring that the staff members returned to the workplace safely. These aspects were carefully thought through and discussed to ensure that the safety of the staff of the WCLA was always the first and foremost priority.

As per the “Re-entering the Workplace Guide”, part of the process was ensuring that those staff members who were able to work from home would be allowed to. This required that those identified staff members entered into “work from home agreements”. In short, this agreement allowed for employees who have been able to demonstrate consistent service delivery in terms of the required standard while in a work from home situation, provided that their absence from the workplace does not hinder service delivery in other areas, be allowed to continue to do so. The agreement covered the following:

- Conditions to be allowed to work from home
- Duties, Responsibilities and Performance Management/Evaluation
- Safety, Assets and Information Security

### **Liquor Licensing Administration**

The Liquor Licensing Administration (LLA) component is responsible for administering all liquor license applications, issuing of licenses, certificates and notices, as well as the renewal of all valid liquor licenses in the Western Cape.

#### The renewal process

Historically the WCLA has seen a considerable number of licenses lapse due to various reasons. One of these reasons is where license holders intentionally allow their licenses to lapse due to economic constraints and the closing down of the licensed establishments to which these licenses relate. Apart from these cases, a large number have however also lapsed due to the short payment of renewal fees, with penalties being imposed as well for not paying timeously.

For this reason, the WCLA employed various initiatives to prevent the unintended lapsing of licenses during the 2020/2021 financial year. It was found that by widening the communication footprint and urging license holders to update their contact details where necessary, we were able to reach an increased number of license holders, thus ensuring that renewal notices are emailed to those with email addresses and SMS communication being issued as reminders to pay timeously and to pay the correct amount. Regular updates to the WCLA website also assisted in this regard. Renewal information was also displayed at our reception area and as part of our education and awareness campaigns, education officers also included information on renewals in the education sessions. In partnership with the SAPS, we also managed to relay information on renewals to license holders. Various media releases containing renewal information was also published.

The renewal rate being in excess of 95% is as a result of the above initiatives and is also an improvement on prior year’s renewal figures.

Another initiative, that is currently still in progress, is the provision of alternative payment options for the payment of all fees. This initiative once implemented will allow license holders to make payments using various electronic platforms.

### **Liquor Licensing Tribunal**

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

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

- Presiding Officer
- 3 Deputy Presiding Officers
- SAPS representative
- SALGA representative
- 2 Citizens of the Republic, who are permanent residents in the Province (Representatives from the broader public)
- 4 Substitute Members

The composition and structure of the Tribunal was amended in the Western Cape Liquor Amendment Act, Act 3 of 2015 promulgated on 14 August 2015. The amendments provided for four substitute member positions on the Tribunal. The additional members allowed for the more efficient functioning of the Tribunal. The substitute members are utilised to form part of a Section 24 Committee as well as the Tribunal as and when needed. The Section 24 Committee may be tasked with the adjudication of Removal and Transfer applications.

The automated module within the LMaTS system, the Tribunal Management and Tracking System (TMaTS) was further enhanced. Provision was made for the Tribunal to include postponements on the system which assisted in the tracking and management of all applications that were postponed for further information. The adjudication of enforcement process on the system was extended to cover all Interim Order applications. This assisted tremendously in the tracking and implementation of these applications replacing time consuming manual systems and providing for an electronic record of all decisions.

## Communication, Education and Stakeholder Relations

The purpose of the Communication, Education and Stakeholder Relations (CES) component is to provide the communication, marketing, education and awareness and stakeholder relations services of the WCLA.

The COVID-19 pandemic and associated lockdowns had a significant impact on the operations of the CES component, due to the nature of education and stakeholder relations activities and the need to adapt engagement methods during this period. In addition, the CES Senior Manager resigned in the first quarter and a new Senior Manager was appointed in the third quarter, with the associated disruptions of this process.

During the 2020/2021 financial year, the WCLA has advanced the strategic objective of increasing community participation in order to effectively regulate liquor in the public interest despite the constraints of the COVID-19 environment. Education, awareness and engagement programmes shifted to virtual platforms instead of face-to-face activities. The WCLA communicated with stakeholders via email and video calls and maximised the newly launched website and social media platforms to share information and improve accessibility of the organisation. This has expanded the WCLA's capacity to utilise technology and online platforms for more efficient service delivery and will continue to be utilised going forward. A media campaign titled 'Booze is Everybody's Business' achieved success in emphasising the need for public participation in liquor regulation due to the harms associated with alcohol abuse and highlighting the opportunities for communities to play a role in licensing and enforcement.

Strategic partnerships have been strengthened to optimise resources and service delivery in the Western Cape, including collaboration with the Department of Community Safety (DoCS), Department of Health (DoH), Department of Economic Development and Tourism (DEDaT), Department of the Premier (DotP) and Department of Social Development (DSD). In particular, the WCLA played a key role in the government's response to the COVID-19 pandemic through alcohol-related enforcement of the National Disaster Management Act Regulations and

collaborating with DoCS and DEDaT to ensure business compliance with COVID-19 safety measures. The WCLA continues to engage with DSD as part of the Local Drug Action Committee (LDAC) programme, and participation in the rollout process of the National Drug Master Plan 2019-2024. Strategic engagements with DoCS and DotP focused on sharing of data strategies, to contribute to the WCLA's objective of achieving increased efficiency through evidence-based operations.

Engagement with local municipalities included the dissemination of a Municipal Reporting Template, which serves as a guideline for inputs to licensing processes that assist the LLT in consideration of applications. This reporting template highlights opportunities for consideration of the interest of the public to promote the reduction of alcohol-related harms.

### Compliance and Enforcement

In November 2020 the Authority undertook a detailed analysis of its enforcement capacity as outlined below. The White Paper on Alcohol Harms Reduction (AHR) was approved and adopted by the Western Cape Cabinet in 2017. Chapter 3 of the White Paper, which refers to Enforcement, also highlighted the capacity challenges as follows (*Figure 1*):

**The WCG is committed to the following policy interventions:**

Reduce unlicensed liquor outlets and focus on problematic outlets.

Capacitate and strengthen liquor enforcement units further through increased resources.

As discussed under the *Institutional arrangements* chapter, renewal fees based on volume category will provide additional resources for enforcement officers.

Figure 2: All valid licenses per District 8 November 2020

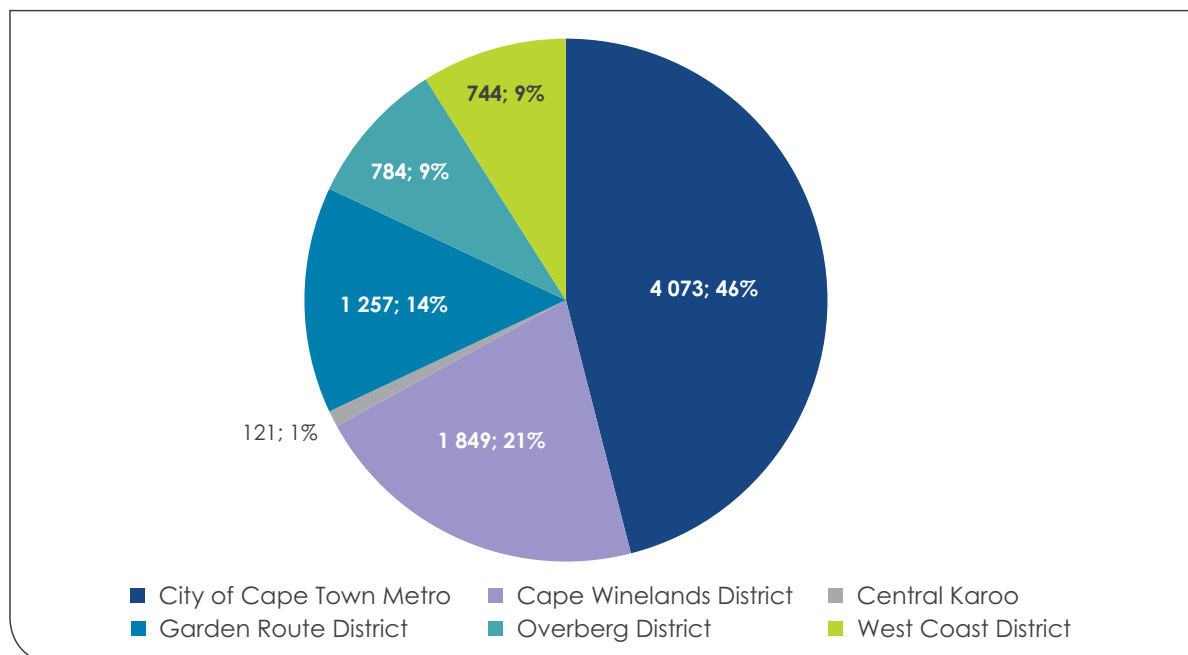


Figure 3: Inspection statistics based over four years up to 8 November 2020

Inspections for April 2017 to March 2018	3,194
Inspections for April 2018 to March 2019	3,906
Inspections for April 2019 to March 2020	3,929
Inspections for April 2020 to March 2021	2,975
Licenses Inspected over 4 year period	5,786
Licenses Awaiting Inspection	3,046
<ul style="list-style-type: none"> <li>- Inspections statistics based over four years up to 08 Nov 2020</li> <li>- Licenses inspected include all license statuses</li> <li>- Associations (duplicates) and Abandoned workflows are excluded from the above</li> <li>- Based on date inspections were conducted (not capturing date)</li> </ul>	

Figure 4: Outstanding inspections over the past 4 years up to 8 November 2020

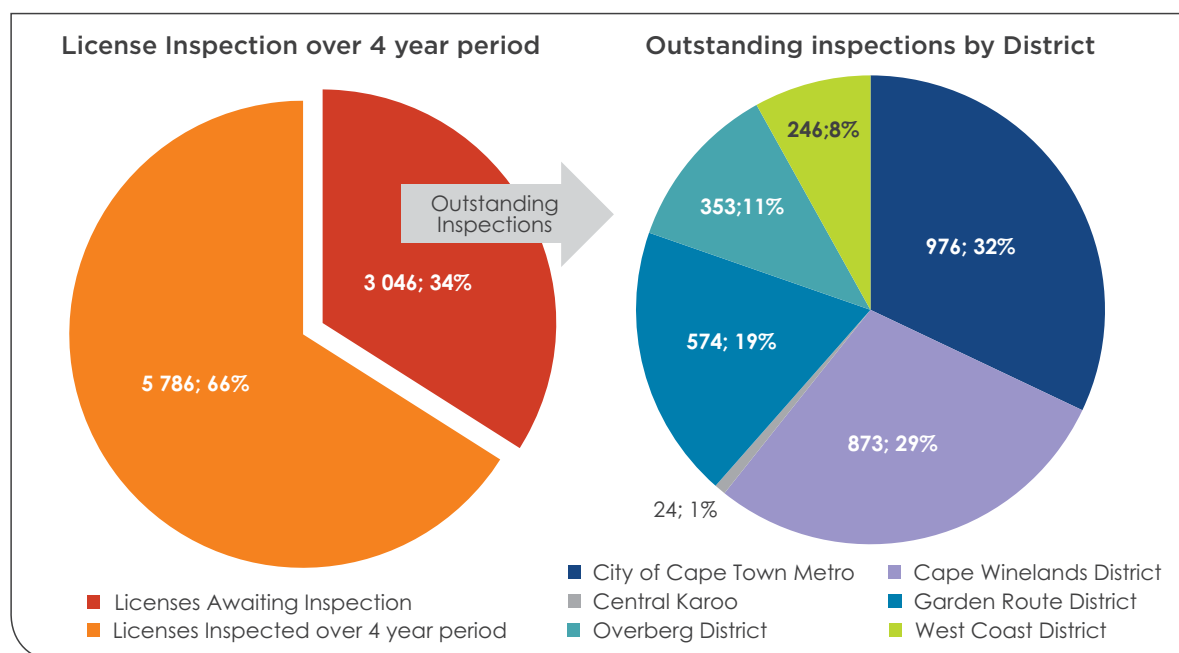


Figure 4 above illustrates that 3 046 licenses have not been inspected in the last 4 years. Sixty one percent (1849) are within the City of Cape Town Metro and Cape Winelands District.

During the national lockdown, the country experienced decreased levels of violence and the link between violence and alcohol was well established in research. According to research conducted by the Department of Community Safety, during the lockdown period in the Western Cape both quantitative and qualitative data suggests that the ban on alcohol sales contributed to a decrease in assault and homicide in the 11 priority areas of the Safety Plan<sup>4</sup>. In line with the trend

4 Department of Community Safety 2020 - Violent Crime in 11 priority areas of the Western Cape during the COVID-19 lockdown





across the province, in the 11 priority areas the number of homicides sharply declined in the first two weeks of the lockdown and then increased somewhat over the next four weeks. COVID-19 lockdown has raised awareness of the burden imposed by alcohol on South African society.

Figure 6: FPS-recorded homicides in the Western Cape, Wks. 1-19, 2019 and 2020

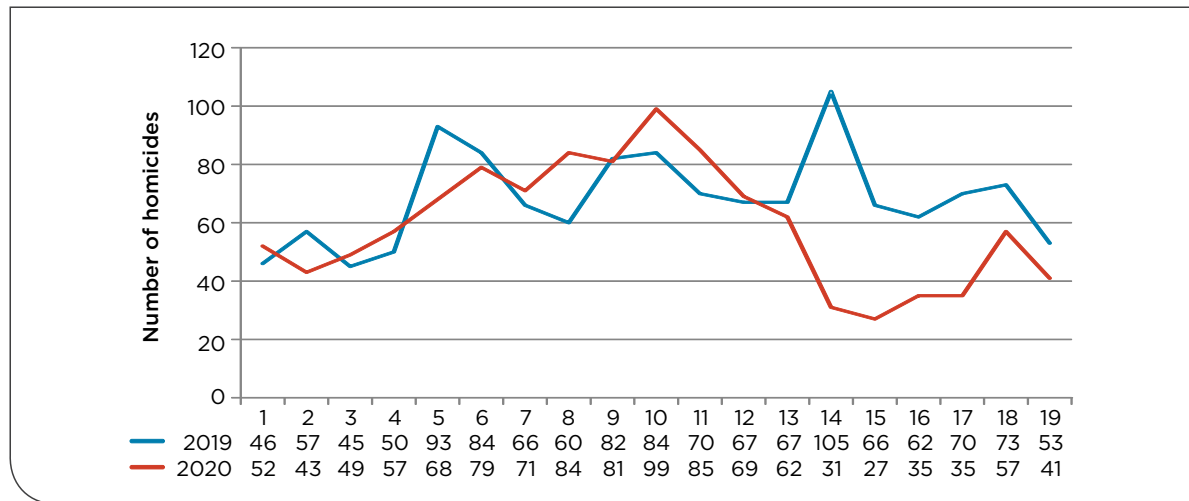
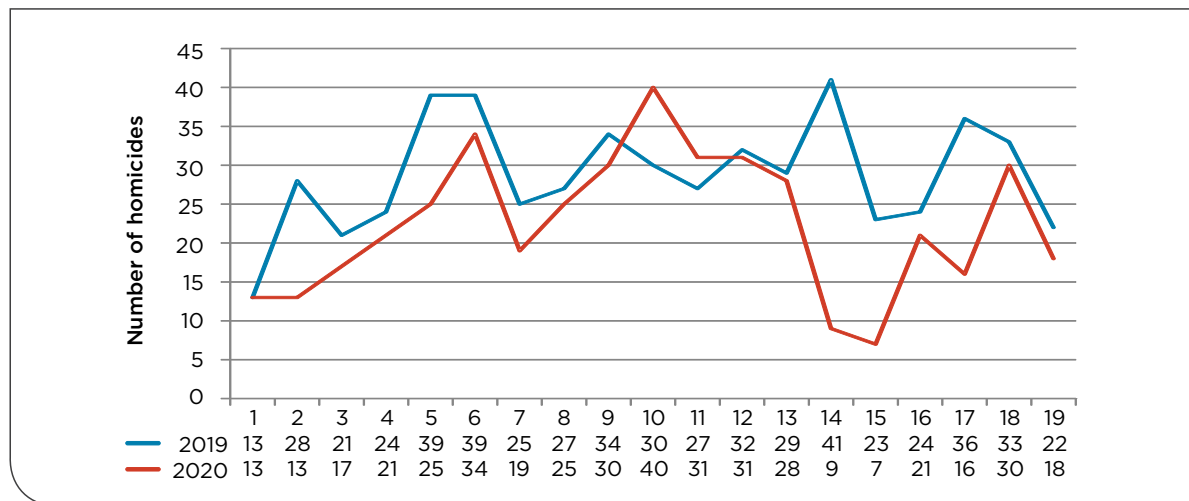


Figure 6: FPS-recorded homicides in the Western Cape, Wks. 1-19, 2019 and 2020



The WCLA has played a significant role in reducing alcohol-related harms during the current National State of Disaster. During the current National State of Disaster declared in terms of section 3 of the Disaster Management Act, 2002 (Act No. 57 of 2002), the WCLA played an instrumental role in preventing alcohol related harms by investigating those establishments which posed a threat to the health, wellbeing or safety of the public. Between 01 April 2020 and 31 March 2021, the WCLA investigated 382 contraventions of the National Disaster Management Act Regulations. Based on these investigations, 56 licenses were temporarily suspended in terms of section 71 due to an imminent threat to the health of the public. Fines to the amount of R3 677 270 were issued, of which an amount of R2 011 920 was suspended for a period of 24 months on condition that the license holder does not contravene the Act and license conditions again during this period. Furthermore, 4 licenses were revoked while 10 licenses were suspended as a

punitive sanction. This was achieved against a backdrop of inadequate capacity. The WCLA set aside R2.2 million of its own funding to appoint 5 Junior Liquor Inspectors to address the challenge of outstanding inspections within the City of Cape Town Metro and Cape Winelands District.

Furthermore, the WCLA received R9.1 million for the appointment of an additional 19 Junior Liquor Inspectors (boots on the ground) to be appointed at level 5 in the 16 priority areas/ABTs to perform both routine and risk-adjusted inspections. The existing 11 inspectors who are at level 9 would be responsible for supervising the 24 Junior Liquor Inspectors. The recruitment of the additional inspectors is at an advanced stage and deployment of the additional Junior Inspectors is expected within the new financial year.

## Finance

During the 2020/21 financial year the Finance component developed additional capacity to ensure sound financial management and a permanent CFO was appointed to lead the component. The process of preparing financial statements was strengthened and GRAP training was provided to staff to address a training gap which existed.

The Finance component aims to deliver cost-effective and timely support in a manner that ensures the self-sustainability of the WCLA. Self-sustainability will be achieved by improving the ability of the WCLA to mobilise resources as own revenue and on behalf of the Provincial Revenue Fund. The main objective is to ensure the WCLA collects and pays over more resources to the Provincial Revenue Fund than it receives in allocations from the fiscus. This will be achieved by ensuring that the fees charged by the WCLA are cost reflective through progressive annual fee increases. The WCLA will also work towards the implementation of a differentiated pricing model, through further legislative amendments that will introduce differentiated categories of licenses. The differentiated pricing model, once implemented, will provide some relief to smaller players while ensuring that the liquor industry sustainably contributes towards the costs of regulating the industry and the reduction of alcohol related harms.

During the 2020/21 round of consultations, the Provincial Minister of Community Safety initially suggested a 20% fee increase. A renewal fee increase of 20% (R76 per month for 98% (8 008) of license holders and R124 per month for 2% (154) of the license holders) would have resulted in R7,533 million which would have resulted in the WCLA being self-sustainable and having more resources to fund the additional enforcement capacity.

The Provincial Minister of Finance and Economic Opportunities requested that the WCLA give more thought to how it can balance funding the cost of regulation and harms reduction without compromising an already distressed sector and economic recovery in the Western Cape. This could presumably be a function of inter alia applying a differential approach to the implementation of the various tariffs or staggering the increase over time.

The WCLA considered the request from the Provincial Minister of Finance and Economic Opportunities and agreed that it would be rational to defer the objective of achieving self-sustainability for the WCLA to avoid compromising an already distressed sector and economic recovery in the Western Cape. In this regard a revised proposal of an increase of CPI plus one percent (4.1%) with future self-sustainability increases staggered over the MTEF period was submitted and later approved.

The WCLA has developed a roadmap to a differentiated pricing model in collaboration with DoCS which includes legislative amendments that would create a legislative framework for the introduction of the differentiated pricing model. As part of the efforts to implement differentiated regulatory processes, the Western Cape Provincial Cabinet has approved proposed amendments to the Western Cape Liquor Act. The amendments include providing for record keeping of liquor sold, including on-consumption and off-consumption premises. This will ensure that the sale of alcohol is recorded and the development of data to support a differentiation of outlets for regulatory purposes informing a differentiated pricing model.

### **Corporate Services**

The COVID-19 pandemic and the subsequent lockdown has proven that the WCLA is a resilient organisation, and that adaptability is one of our many strengths. This lockdown has proven that many functions within the organisation can be efficiently and effectively performed outside of the office. This has provided the WCLA with a new dimension in the way it views and manages its work force.

For the Corporate Services Component it was in many ways business as usual in a not so usual sense. Salaries and Board claims were paid out in the required time and the servicing of the WCLA officials with regards to a human resources function continued to be delivered unabated. The Board Secretariat function continued, and Board members were provided with the same support service as they would have been, had the pandemic not occurred.

The only function within Corporate Services that was significantly affected was the registry service. Unfortunately, the nature of the registry service provided does not allow for a work from home situation. With that said the Registry team is in the process of making all case files (new and old) available online via the WCLA's LMaTS system.

Initial challenges were experienced with staff accessing their home drives via the VPNra process (remote access). It was a new process that had its teething problems, but as time went by this too became part of everyday work life. The assistance of our support team, provided by SITA, has also made the transition of accessing the WCLA servers remotely a lot more manageable.

In light of the challenges experienced, a management decision was also taken that going forward all staff members would be provided with laptops once any desktop reached the end of its useful life. This would make the process of transitioning to a work from home situation, should it be required in future, a seamless process. This too will provide a lot more flexibility to the WCLA's Disaster Recovery and Business Continuity Plans.

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

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

## 2.4 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 over 90% for the first year of the five-year period. In the first quarter of the year under review the COVID-19 pandemic had a negative effect on the processing timeframes of applications.
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 prescribed timeframes	The Tribunal mainly focused on enforcement matters related to the COVID-19 National State of Disaster. This together with the lockdown period severely affected the timeframes for the finalisation of license applications. Furthermore, the significant increase in the number of non-compliance matters in turn impacted on the Tribunal turnaround times for enforcement matters. These matters were decided based on the papers in front of the Tribunal and no oral hearings took place. In many instances this necessitated the postponement of a matter to obtain further representations from the license holders or the office of the prosecutor which in turn affected the turnaround times of these matters.
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	All targets thus far have been met. Further analysis of the data is required to determine the rate of increase. Education and awareness campaigns have focused on informing the public on how to participate in these processes. The WCLA has also developed key partnerships with relevant departments (e.g., Department of Community Safety) to optimize resources and enable communities to play a more prominent role in licensing and enforcement.
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	The Compliance and Enforcement Component's performance was drastically affected by the National State of Disaster. Licensed outlets could not operate as normal, and inspectors mostly focused on the investigation of complaints related to contraventions of the Disaster Management Regulations. The first year of implementation would have been used to determine baselines for such indicators. This was however difficult as premises were either closed or restrictions were placed on the sale of liquor.
5. Compliance with relevant legislation and National and Provincial Treasury Instructions	5. Focus on compliance with relevant legislation and National and Provincial Treasury Instructions	Audit opinion from Auditor-General of South Africa	The regularity audit for the WCLA was finalised by the Auditor-General on 31 July 2021, 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 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 audits for two successive years, and this is the WCLA's 6th clean audit having previously obtained clean audits for the 2012/13, 2014/15, 2016/17, 2017/18 and 2019/20 financial years.

Outcome	Outcome indicator	Five-year target	Progress in terms of five-year target
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 clean audit affirms the commitment of the leadership of the WCLA to good governance and ethical administration. Taking into account the critical mandate to effectively regulate the retail sale and micro-manufacture of liquor in the Western Cape, the WCLA is leading by example.</p> <p>The Governing Board as constituted is the Accounting Authority for the WCLA which accounts to the Minister of Community Safety as the Executive Authority. This results in the Department of 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 Community Safety more specifically Programme 1. The parties acknowledge their respective roles, responsibilities and obligations attached and assigned to each institution.</p>

The CES Component transformed its education activities to utilise virtual platforms for engagement with various stakeholders, including license holders. While this shift was a necessity during the COVID-19 lockdown, the WCLA has maximised the opportunity to innovate the methods used for training of new license applicants and appointed managers of licensed premises. The WCLA now offers virtual training sessions, which will continue as part of our service offering and contributes to increased efficiency in the WCLA's regulation of liquor. As part of its efforts to increase public participation in licensing and enforcement, the WCLA has partnered with stakeholders such as the Community Police Forums (CPFs), Neighbourhood Watch (NHW) structures, as well as Local Drug Action Committees to share relevant information and elicit input into regulation processes. The WCLA has also strengthened relationships with provincial government departments and local municipalities to leverage existing forums and optimise resources for public participation.

The current Strategic Plan requires the Compliance and Enforcement component to ensure an increase in general compliance levels and specifically offences related to underage drinking and access to restricted areas. The component contributed hugely towards the efforts in achieving VIP1, "Safe and Cohesive Communities", especially during the State of Disaster. This should be clear from the number of licenses suspended during this time as well as the sanctions imposed.

In line with the WCG's Provincial Strategic Plans (PSP 2019-2024) VIP 5: Innovation and Culture, the anticipated move to the cloud hosted infrastructure is the first step from the Authority to aligning itself to the said VIP. Cloud based computing is viewed as one of the core building blocks in the digital transformation of the public service. Further projects include, but are not limited to, enhancements of the License Management and Tracking System (LMaTS) and an online application and walk-in customer centre platform. Engagements with the Authority's service providers in this regard are underway and will remain on-going.

### 3. PERFORMANCE INFORMATION BY COMPONENT

#### 3.1 Component 1: Liquor Licensing Administration

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

#### Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Component: Liquor Licensing Administration									
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual target 2020/21	Actual Achievement until date of re-tabling	Deviation from planned target to Actual Achievement 2020/21	Reason for deviations	Reasons for revisions to the Outputs/ Output Indicators/ Annual Targets
Applications processed by the Liquor Licensing Administration within prescribed timeframes	Legislative compliance	1.1 Percentage of permanent and secondary license applications received by the Liquor Licensing Administration processed within prescribed timeframes	New	New	80%	73.19%*	(6.81%)	The reason for the under achievement is directly linked to the lockdown where the Authority was not able to receive and process applications.	The COVID-19 lockdown was considered when decreasing the target from 80% to 70%. The annual target is amended to take in to account the events that occurred in Q1 as a result of the National State of Disaster and the sub-sequent lockdown. The lockdown severely affected the Q1 achievement of the indicator and although this was not foreseen to be the case for Q3 and Q4 the impact of Q1 on the annual target might be significant that a change to the annual target is required.

\* Performance information in relation to the actual achievement against the annual target which was implemented in the originally tabled APP from 1 April 2020 to date of re-tabling (4 December 2020).

### Re-tabled: Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Component: Liquor Licensing Administration								
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual target 2020/21	Actual Achievement 20/21	Deviation from planned target to Actual Achievement 2020/21	Reason for deviations
Applications processed by the Liquor Licensing Administration within prescribed timeframes	Legislative compliance	1:1 Percentage of permanent and secondary license applications received by the Liquor Licensing Administration processed within prescribed timeframes	New	New	70%	83.97%*	13.97%	The over achievement is as a result of the decrease in the annual target that was brought about by the COVID-19 pandemic. In anticipation of the lockdown and non-activity in Q1 and Q2 the target was revisited, however due to the fact that we were able to recover sufficiently it resulted in the over achievement.

\* The actual achievement is inclusive of all four quarters of the financial year.

#### ANALYSIS OF PERFORMANCE INFORMATION

The COVID-19 national lockdown was considered when decreasing the target from 80% to 70%. The annual target was amended to take in to account the events that occurred in Q1 as a result of the National State of Disaster and the subsequent lockdown. The lockdown severely affected the Q1 achievement of the indicator and although this was not foreseen to be the case for Q3 and Q4 the impact of Q1 on the annual target might be significant that a change to the annual target is required.

#### WOMEN, YOUTH AND PERSONS WITH DISABILITIES

Not applicable

#### STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Not applicable.

### CHANGES TO PLANNED TARGETS

The COVID-19 lockdown was considered when decreasing the target for the indicator of this Component. The target was amended to take in to account the events that occurred in Q1 and Q2 of the financial year, as a result of the National State of Disaster and the subsequent lockdown. The lockdown affected the Q1 and Q2 achievements of the indicator.

### LINKING PERFORMANCE WITH BUDGET

Component/Activity/ Objective	2020/2021			2019/2020		
	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	11 695	9 759	1 936	12 645	12 157	488
Total	11 695	9 759	1 936	12 645	12 157	488



### 3.2 Component 2: Liquor Licensing Tribunal

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

#### Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Component: Liquor Licensing Tribunal									
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual target 2020/21	Actual Achievement until date of re-tabling	Deviation from planned target to Actual Achievement 2020/21	Reason for deviations	Reasons for revisions to the Outputs/ Output Indicators/ Annual Targets
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	New	New	80%	57.14%*	(22.86%)	Due to the COVID-19 State of Disaster Regulations and subsequent lockdown during the period under review applications could not be considered. It resulted in applications running over the required timeframes within which it had to be considered.	The COVID-19 lockdown was considered when decreasing the target from 80% to 65%. The annual target is amended to take into account the events that occurred in Q1 as a result of the National State of Disaster and the subsequent lockdown. The lockdown severely affected the Q1 and Q2 achievements of the indicator and although this is not foreseen to be the case for Q3 and Q4 the impact of Q1 and Q2 on the annual target might be significant that a change to the annual target is required.
			New	New	80%	83.44%*	3.44%	The Tribunal started to fully operate again on 10 June 2020.	The COVID-19 lockdown period resulted in the number of enforcement matters increasing considerably. This increase in the number of enforcement matters might impact on the timeframes within which such matters must be finalised. Furthermore, the fact that oral evidence is not allowed at this stage necessitates the request for further representations
		2.2 Percentage of all enforcement matters finalized by the Liquor Licensing Tribunal within 60 days of referral	New	New	80%	83.44%*	3.44%	During this period, the Tribunal mainly focused on enforcement matters related to the COVID-19 National State of Disaster. This resulted in the over	

Component: Liquor Licensing Tribunal									
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual target 2020/21	Actual Achievement 20/21 until date of re-tableting	Deviation from planned target to Actual Achievement 2020/21	Reason for deviations	Reasons for revisions to the Outputs/ Output Indicators/ Annual Targets
								achievement during this period	on paper. As a result of this, the timeframes for considering these matters might be exceeded. It is foreseen that for the reasons mentioned above the achievement of this indicator in the third and fourth quarters will be affected.

\* Performance information in relation to the actual achievement against the annual target which was implemented in the originally tabled APP from 1 April 2020 to date of re-tableting (4 December 2020).

**Re-tabled: Outcomes, Outputs, Output Indicators, Targets and Actual Achievements**

Component: Liquor Licensing Tribunal									
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual target 2020/21	Actual Achievement 20/21	Deviation from planned target to Actual Achievement 2020/21	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	New	New	65%	56.44%*	(8.56%)	The lockdown severely affected the Q1 and Q2 achievements. The impact of the under achievement was carried over into Q3 and Q4 due to the increase of cases on the case roll which in turn affected the timeframes within which it was considered. During this period the main focus of the Tribunal was still on enforcement matters. Vacancies in the substitute member positions furthermore exacerbated the situation as the Section 24 Committee could not function full time.	

## Re-tabled: Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Component: Liquor Licensing Tribunal								
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual target 2020/21	Actual Achievement 20/21	Deviation from planned target to Actual Achievement 2020/21	Reason for deviations
		2.2 Percentage of all enforcement matters finalized by the Liquor Licensing Tribunal within 60 days of referral	New	New	65%	66.54%*	1.54%	The Tribunal mainly focused on enforcement matters related to the COVID-19 National State of Disaster. This resulted in the over achievement.
		2.3 Report on the enforcement matters related to transgressions of the National State of Disaster considered by the Tribunal	New	New	4	4		

\* The actual achievement is inclusive of all four quarters of the financial year.

## ANALYSIS OF PERFORMANCE INFORMATION

As of the start of the national lockdown, the WCLA specifically had to intensify its enforcement efforts. In terms of the National Disaster Management Act and Regulations the WCLA Inspectors are appointed as Peace Officers and are accordingly classified as an essential service. The Tribunal as the adjudicatory body of the WCLA was therefore required to respond to the increased number of enforcement matters that needed to be considered. It was therefore decided that the Tribunal would focus on these matters. Especially the matters where there was an imminent threat to the health and wellbeing of the public. During the lockdown period arrangements were made for the Tribunal to consider these applications remotely via Zoom. The Tribunal succeeded in finalising a high number of these enforcement matters during this period. In total 260 enforcement matters were finalised. Enforcement matters related to National State of Disaster Regulations are reported on in more detail below.

The significant increase in the number of non-compliance matters in turn impacted on the Tribunal turnaround times for enforcement matters. These matters were decided based on the papers in front of the Tribunal and no oral hearings took place. In many instances this necessitated the postponement of a matter to obtain further representations from the license holders or the office of the prosecutor which in turn affected the turnaround times of these matters.

In respect of the consideration of license applications the operations of the Tribunal were severely impacted during the National State of Disaster Lock Down periods. This mainly contributed to the under achievement of applications considered within required timeframes. During the third and fourth quarter the operation of the Section 24 committee was also affected due to vacant positions in the substitute member positions which furthermore influenced the turnaround times for considerations.

#### **WOMEN, YOUTH AND PERSONS WITH DISABILITIES**

Under-age drinking is prevalent in communities impacting negatively on the community. 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 hefty sanctions will be imposed. During the year under review the Tribunal in one instance found a license holder guilty of this offence and a hefty fine, R100 000.00 of which R60 000.00 is suspended for a period of two years on condition that no similar contravention takes place, was issued.

#### **STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE**

Vacant substitute member positions had been filled and the appointees started on 19 April 2021. The Section 24 Committee therefore will be able to function optimally again which will assist in the consideration of applications within the required timeframes.

Legislative amendments currently being considered include the amendment of the powers of the Section 24 Committee to include enforcement cases as well. That will provide the opportunity to create a dedicated enforcement arm within the Tribunal that could focus on a full time basis on applications. This will free up capacity within the Tribunal to fully focus on license applications. The legislated process for the appointment of managers is also currently part of the legislative review, and if passed, will create further capacity within the Tribunal.

#### **CHANGES TO PLANNED TARGETS**

The COVID-19 lockdown was considered when decreasing the targets for the two indicators for this component. Both annual targets were amended to take in to account the events that occurred in Q1 and Q2 of the financial year, as a result of the National State of Disaster and the subsequent lockdown. The lockdown severely affected the Q1 and Q2 achievements of the indicators.

#### **REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC**

During the National State of Disaster period, which included the lockdown periods, A Standard Operating Procedure was drafted to allow the Tribunal to proceed with the consideration of enforcement matters. Where necessary these sittings took place remotely via Zoom. Focus was placed on matters which would assist to give effect to the National State of Disaster Regulations. Section 71 of the Western Cape Liquor Act was mainly utilised in this regard as the section provides for an interim order to suspend a license upon application by an inspector or a designated liquor officer if there is an imminent threat to the health, wellbeing or safety of the public.

The Tribunal also continued to consider matters where contraventions of the Act and license conditions took place. This in many instances included transgressions related to the State of Disaster Regulations.

Ninety-seven Section 71 matters were considered. In fifty-six of these matters, it was found that there was an imminent threat to the health, wellbeing or safety of the public and the licenses were subsequently suspended.

Seventy-seven transgressions of license conditions which included transgressions of the National State of Disaster Regulations were also considered. In fifty-nine cases it was found that transgressions indeed took place. Subsequently four licenses were revoked, while in six matters the licensee was issued with stricter conditions. Ten licenses were suspended and in thirty-nine cases fines were issued.

**TABLE: PROGRESS ON INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC**

Programme/ Sub-Programme	Intervention	Geographic location (Province/ District/ local municipality) (where possible)	No. of Beneficiaries (where possible)	Disaggregation of Beneficiaries (where possible)	Total allocation per intervention (R'000)	Budget spent per intervention	Contributions to the Outputs in the APP (where applicable)	Immediate outcomes
Liquor Licensing Tribunal	Report on the enforcement matters related to transgressions of the National State of Disaster considered by the Tribunal	Whole of the Western Cape Province	All citizens of the Western Cape are beneficiaries.	Numbers cannot be determined.	0	0	Safety and Well-being	Slowing the spread

**LINKING PERFORMANCE WITH BUDGET**

Component/Activity/ Objective	2020/2021			2019/2020		
	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 Tribunal	3 358	3 152	206	3 900	3 761	139
Total	<b>3 358</b>	<b>3 152</b>	<b>206</b>	<b>3 900</b>	<b>3 761</b>	<b>139</b>

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

The purpose of this component is to provide a communication, marketing, 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 2018/19	Audited Actual Performance 2019/20	Planned Annual target 2020/21	Actual Achievement 2020/21	Deviation from planned target to Actual Achievement 2020/21	Reason for deviations
Community participation in the application and complaints processes	Increased public participation	3.1 Number of engagements with local authorities	New	New	26	26	-	
		3.2 Number of public participation interventions attended with Stake-holders	New	New	36	36	-	
		3.3 Report on public participation in the application processes	New	New	4	4	-	
		3.4 Report on public participation in the enforcement processes	New	New	4	4	-	
		3.5 Number of awareness sessions with license holders directed at priority groupings of women and youth	New	New	10	10	-	

#### ANALYSIS OF PERFORMANCE INFORMATION

All the planned targets for the 2020/2021 financial year were achieved by the CES component. However, there was a need to amend the approach utilised to reach the targets to comply with the National Disaster Management Act Regulations addressing the COVID-19 pandemic.

Outcome indicators had to be implemented without any face-to-face engagements. Using social media, email, virtual platforms and sound stakeholder relations with various structures (such as local municipalities, Community Policing Forums and Neighbourhood Watches), the component contributed towards increasing public participation in the liquor license applications and complaints processes.

- 3.1 Number of engagements with local authorities – Information was shared via email and the local municipalities' communication channels were used to disseminate information to communities.
- 3.2 Number of public participation interventions attended with Stakeholders – Email engagement assisted in sharing information with communities via various structures (such as Community Policing Forums and Neighbourhood Watches).
- 3.3 Report on public participation in the application processes – This report highlights the number of objections received on license applications, to quantify the impact of engagement and awareness activities on public participation.
- 3.4 Report on public participation in the enforcement processes – This report details complaints related to existing licensed premises to quantify public participation in enforcement processes.
- 3.5 Number of awareness sessions with license holders directed at priority groupings of women and youth – Various communication channels were utilised to share information relevant to the impact of alcohol abuse on women and youth.

#### WOMEN, YOUTH AND PERSONS WITH DISABILITIES

The WCLA strives to prioritise vulnerable groups in its operations as well as in relation to the harms associated with alcohol abuse, which affect women and youth in particular. Education and awareness activities have included a focus on social, health and economic harms such as Gender-Based Violence and Foetal Alcohol Spectrum Disorder.

#### 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	2020/2021		2019/2020		(Over)/Under Expenditure R'000
	Budget R'000	Actual Expenditure R'000	Budget R'000	Actual Expenditure R'000	
Communication, Education and Stakeholder Relations	3 814	3 255	4 536	4 052	484
Total	3 814	3 255	4 536	4 052	484

### 3.4 Component 4: Compliance and Enforcement

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

#### Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Component: Compliance and Enforcement									
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual target 2020/21	Actual Achievement 20/21 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/21	Reason for deviations	Reasons for revisions to the Outputs/ Output Indicators/ Annual Targets
Compliance with the Act and license conditions by license holders	Proactive measures to ensure compliance	4.1 Number of applications granted inspected within 12 months after date of issue	New	New	500	26*	(474)	This is a new Indicator, and the component was not able to reach the target due to COVID-19 restrictions. As part of the re-tabling process the indicator was amended.	Due to the announcement of a National State of Disaster at the start of the 2020/2021 financial year, many restrictions were implemented which initially included a ban on the sale of liquor. The WCLA was further restricted from normal operations which resulted in very few license applications being processed and considered. This indicator had to be amended in such a way that would still enable the inspectorate to inspect all newly issued licenses within a reasonable time. The indicator was therefore changed to be measured by way of percentage rather than the number of outlets inspected. The number of licenses issued during the previous financial year would be used as the denominator for purposes of percentage calculations.
		4.4 Number of inspections conducted focussed on under-age drinking and access to restricted areas	New	New	500	95*	(405)	The under-achievement was caused by the COVID-19 Lockdown restrictions. On-consumption outlets that were restricted from normal operations	This indicator had to be amended due to the fact that on-consumption outlets were restricted from trading as normal nearly until the end of the second quarter. The target has been reduced from 500 to 300. Although the number is reduced by only 40%, inspectors will be focusing more on under-age drinking towards the end of the year. It must also be noted that this is a new



Component: Compliance and Enforcement									
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual target 2020/21	Actual Achievement until date of re-tableting	Deviation from planned target to Actual Achievement 2020/21	Reason for deviations	Reasons for revisions to the Outputs/ Output Indicators/ Annual Targets
								did not allow inspectors to focus on the relevant contraventions. As part of the re-tableting process the indicator target was amended.	indicator and the intention was to determine a baseline which could be used as a guide for outer years. However, the National State of Disaster has led to unusual circumstances which made it impossible to determine baselines for the first year of the 5 Year Strategy.

\* Performance information in relation to the actual achievement against the annual target which was implemented in the originally tabled APP from 1 April 2020 to date of re-tableting (4 December 2020).

**Re-tabled: Outcomes, Outputs, Output Indicators, Targets and Actual Achievements**

Component: Compliance and Enforcement									
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual target 2020/21	Actual Achievement 20/21	Deviation from planned target to Actual Achievement 2020/21	Reason for deviations	
Compliance with the Act and license conditions by license holders	Proactive measures to ensure compliance	4.1 Percentage of licenses issued in the previous financial year inspected in the current financial year	New	New	80%	60.89%*	(19.11%)	This is a new Indicator which was introduced in the re-tabled APP and approval was received during the course of November 2020. It was also anticipated that additional inspectors would be appointed during the course of the 4th quarter which unfortunately did not realise. However, the inspectors did manage to achieve 61% which is still good considering that the target of 80% was set for the remainder of the financial year.	

Component: Compliance and Enforcement									
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual target 2020/21	Actual Achievement 20/21	Deviation from planned target to Actual Achievement 2020/21	Reason for deviations	
		4.2 Number of enforcement operation with other agencies conducted	79	91	80	94	14	The component planned many operations in conjunction with the SAPS and Law Enforcement during the festive season focussing on premises which potentially posed a threat in terms of the spread of the COVID-19 virus.	
		4.3 Percentage of complaints received investigated within 30 days	New	New	80%	100%	20%	Inspectors were constantly providing feedback to complainants to keep them informed about the outcome of investigations. These interactions with complainants are also important to monitor whether further disturbances are caused by the same problematic outlets. Most complaints were handled on an urgent basis due to COVID-19 related threats.	
		4.4 Number of inspections conducted focussed on under-age drinking and access to restricted areas	New	New	300	324*	24	Towards the end of the year and as restriction levels eased, business returned to normal and inspectors had the opportunity to focus on inspections related to underage drinking and access to restricted areas. These focussed interventions allowed them to achieve the target.	
		4.5 Report on the enforcement investigations interventions conducted in terms of the National State of Disaster	New	New	4	4	-		

\* The actual achievement is inclusive of all four quarters of the financial year.

### **ANALYSIS OF PERFORMANCE INFORMATION**

Due to the influence that the Disaster Management Regulations had on the operation of retail liquor outlets, many licensees were adversely impacted financially which resulted in high levels of non-compliance with the Disaster Management Regulations. The number of complaints received increased significantly compared to the previous year from 125 to 278. It was agreed that the Department of Economic Development and Tourism would also refer liquor related complaints to the Western Cape Liquor Authority for further investigation. With the focus being on the prevention of the spread of the virus, inspectors mostly focussed on the investigation and the preparation of non-compliance reports for consideration by the Liquor Licensing Tribunal. The response times in terms of COVID-19 related complaints were regarded as high priority and therefore the achievement of 100% for complaints attended to within 30 days. Afore mentioned focus and achievement is aligned to Provincial Strategic Priority 1” Safe and Cohesive Communities” as it is acknowledged that the irresponsible sale and use of liquor could accelerate the spread of the COVID-19 virus. The increased number of enforcement operations during the festive season also served as a deterrent in many areas.

### **WOMEN, YOUTH AND PERSONS WITH DISABILITIES**

Although one of the outcome indicators for the Compliance and Enforcement Component was the “Number of inspections conducted focussed on underage drinking and access to restricted areas”, licensees were often restricted from normal trade. The number of such inspections only increased towards the end of the year when business started returning to normal. It must be noted that three non-compliance matters related to children were recorded. In one case the licensee was found guilty by the LLT for selling liquor to a minor. A fine of R100 000 was imposed of which R60 000 was suspended for two years. One is still under investigation while another was closed due to a lack of evidence.

### **STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE**

Five additional inspectors were appointed during April 2021 and a further 19 positions are to be filled during July 2021. The additional capacity will enable the component to not only achieve its targets, but also consider an upward adjustment of certain indicators. It is expected that such adjustments will improve performance and impact.

### **CHANGES TO PLANNED TARGETS**

The COVID-19 lockdown was considered when amending the indicators and targets for the two indicators for this Component. Both annual targets were amended to take in to account the events that occurred in Q1 and Q2 of the financial year, as a result of the National State of Disaster and the subsequent lockdown. The lockdown severely affected the Q1 and Q2 achievements of the identified indicators.

### **REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC**

Prior to the start of the reporting period a COVID-19 Standard Operating Procedure was drafted which would allow inspectors to still be responsive in relation to non-compliant licensees while ensuring their own safety. Such SOP has been adjusted as the restriction levels were amended during the course of the National State of Disaster. Record was kept of all COVID-19 related contraventions and at the end of the reporting period a total of 396 investigations were recorded. A total of 213 matters were referred for prosecution, while 55 were still under investigation. 63% of such investigations emanated from the Metro.

The high number of suspensions in terms of section 71 of the Western Cape Liquor Act, Act 4 of 2008, acted as a proper deterrent at the start of the reporting period and it is clear from increased compliance levels whenever the ban of liquor sales was in operation.

**TABLE: PROGRESS ON INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC**

Programme/ Sub-Programme	Intervention	Geographic location (Province/ District/ local municipality) (where possible)	No. of Beneficiaries (where possible)	Disaggregation of Beneficiaries (where possible)	Total allocation per intervention (R'000)	Budget spent per intervention	Contributions to the Outputs in the APP (where applicable)	Immediate outcomes
Compliance and Enforcement	Report on the enforcement investigations interventions conducted in terms of the National State of Disaster	Whole of the Western Cape Province	All citizens of the Western Cape are beneficiaries.	Numbers cannot be determined.	0	0	Safety and Well-being	Slowing the spread

**LINKING PERFORMANCE WITH BUDGET**

Component/Activity/ Objective	2020/2021		2019/2020			
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Compliance and Enforcement	23 785	8 889	14 896	10 394	9 084	1 310
Total	<b>23 785</b>	<b>8 889</b>	<b>14 896</b>	<b>10 394</b>	<b>9 084</b>	<b>1 310</b>

### 3.5 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 2018/19	Audited Actual Performance 2019/20	Planned Annual target 2020/21	Actual Achievement 20/21	Deviation from planned target to Actual Achievement 2020/21	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	99%	102%	98%	96.50%	(1.50%)	The Liquor Licensing Component of the WCLA's mandate was restricted by the Disaster Management Regulations issued in terms of section 27(2) of the National Disaster Management Act in response to the COVID-19 pan-demic. Con-sequently, the budget allocated towards the Liquor Licensing Component of the WCLA mandate had savings.
		5.2 Percentage of invoices paid within 30 days after receipt of invoice	New	New	100%	96%	(4%)	During the early stages of the COVID-19 pandemic, 50% of the Finance team couldn't work from home which affected the processing of invoices during the hard lockdown.

#### ANALYSIS OF PERFORMANCE INFORMATION

The approval of the roll-over application for prior year surpluses to the value of R6.579 million, the additional allocation of R9.1 million, freeze in wage rates and savings from vacancies have created a fiscal framework for the Authority to make strides towards achieving the vision of being 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.

The Authority will continue to engage key stakeholders with the aim of securing additional funding in order to strategically resource its vision in a self-sustainable manner.

**WOMEN, YOUTH AND PERSONS WITH DISABILITIES**

Not applicable

**STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE**

In terms of the Disaster Management Regulations, the WCLA Inspectors are appointed as Peace Officers responsible for the Western Cape Liquor Act, Act 4 of 2008 and are accordingly classified as an essential service. The Compliance and Enforcement component needed to intensify its efforts during the COVID-19 pandemic. The savings from the Liquor Licensing Component of the WCLA's mandate were utilised to increase the WCLA's enforcement capacity which in turn will increase the contribution towards the WCG safety plan through leading the work on alcohol related harms reduction.

**CHANGES TO PLANNED TARGETS**

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

**LINKING PERFORMANCE WITH BUDGET**

Component/Activity/ Objective	2020/2021			2019/2020		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Finance	14 582	12 139	2 443	13 114	11 953	1 161
Total	14 582	12 139	2 443	13 114	11 953	1 161



### 3.6 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 2018/19	Audited Actual Performance 2019/20	Planned Annual target 2020/21	Actual Achievement 20/21	Deviation from planned target to Actual Achievement 2020/21	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	-		
		6.2 Number of quarterly performance reports submitted to DotP	4	4	4	4	-		
		6.3 Number of quarterly reports submitted to Parent department	4	4	4	4	-		

#### ANALYSIS OF PERFORMANCE INFORMATION

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

#### 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 in order 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	2020/2021			2019/2020		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Corporate Services	10 501	9 395	1 106	10 176	10 651	(475)
<b>Total</b>	<b>10 501</b>	<b>9 395</b>	<b>1 106</b>	<b>10 176</b>	<b>10 651</b>	<b>(475)</b>



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## 4. REVENUE COLLECTION

Sources of revenue	2020/2021			2019/2020		
	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
Granting fees	2 212	1 907	305	2 335	3 969	(1 634)
Application fees	1 578	1 570	8	2 272	2 298	(26)
Other income	22	23	(1)	63	41	22
Interest received	1 067	499	568	782	1 067	(285)
Auto renewal	40 059	39 737	322	41 583	41 430	153
Fines	4 350	1 672	2 678	3 958	3 942	16
<b>Total</b>	<b>49 288</b>	<b>45 408</b>	<b>3 880</b>	<b>50 993</b>	<b>52 747</b>	<b>(1 754)</b>

The WCLA is mainly funded from a grant received from the Province via the Department of Community Safety. The entity also raises its own revenue from license fees and fines which are not required to be paid over to the Provincial Revenue Fund, as well as interest earned on investments.

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

- Granting fees;
- Application fees;
- Other income;
- Interest received; and
- Fines

The Authority recorded an under-collection of own revenue mainly due to granting fees being lower than originally budgeted due to lockdown that took place in April and May 2020 and further ban on alcohol imposed in July and December 2020 and January 2021. During the said periods, no events were allowed and the entity couldn't charge event licenses fees and other licensing activities also reduced. Interest Received is lower than originally budgeted due to the interest rate that was reduced by banks as a result of the impact of COVID-19, following the announcement made by the reserve bank reducing repo rate.

Under-collection on own revenue were as follows:

- Granting fees – R0.305 million
- Application fees – R0.008 million
- Interest – R0.568 million
- Fines – R2.678 million

#### 4.1. Capital investment

The Authority has its own independent IT Infrastructure and is technically supported by the State Information Technology Agency (SITA). The IT infrastructure that the Authority owns has come to an end of its useful life and a decision was taken to migrate to SITA's cloud infrastructure service.

The Authority has also embarked on further enhancements to be made to the LMaTS system. The enhancements include, automating workflows for the Liquor Licensing Administration component and allowing the administrators greater access to the system.

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

In order to improve financial management of the Authority, the WCLA has embarked on a Pastel project to automate its budgeting, supply chain management, accounting, and financial management processes.

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

Key Infrastructure Projects	2020/2021			2019/2020		
	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	1 684	0	1 684	401	401	0
IT equipment	258	0	258	53	74	(21)
Cloud infrastructure	111	111	0	0	0	0
Pastel	233	0	0	0	0	0
<b>Total</b>	<b>2 286</b>	<b>111</b>	<b>1 942</b>	<b>454</b>	<b>475</b>	<b>(21)</b>



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

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## 1. INTRODUCTION

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

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

## 2. PORTFOLIO COMMITTEES

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

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

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

## 3. EXECUTIVE AUTHORITY

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

## 4. THE ACCOUNTING AUTHORITY/BOARD

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

The Governing Board of the Authority must ensure the implementation of the Western Cape Liquor Act and must manage the business of the Authority. The Governing Board is responsible for policy, control, strategy direction, leadership, proper accountability, probity and

transparency in respect of all aspects, the conduct of the business of the Western Cape Liquor Authority, ensuring sufficient budget and other resources and the establishment and functioning of the Social and Education Fund.

The fiduciary responsibilities of the Board are as follows:

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

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

### Composition of the Board

Table 1 indicates the composition of the outgoing Governing Board whose term came to an end on 11 March 2021.

Table 2 indicates the composition of the current Governing Board that took up office on 12 March 2021.

**Table 1**

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g. Audit committee/ Ministerial task team)	No. of Meetings attended
Themba-lihle Sidaki	Chair-person	12/03/2018	26/06/2020	B Iuris, LLB	Governance, and Legal	N/A	N/A	3
Ronald Kingwill	Deputy Chair-person	12/03/2018	N/A	CA(SA), CTC, B Comm	Governance, Finance and Risk	N/A	Finance, HR, IT & Ethics Committee, Risk Committee,	28
Jacobus Louw	Member	12/03/2018	N/A	B.Sc B.Eng. (US) LLB (UNISA) MBL (UNISA)	Governance, Finance and Risk	Council Member: Cape Peninsula Organisation for the Aged ("CPOA")	Finance, HR, IT & Ethics Committee, Risk Committee	25
Laurine Platzky	Member	12/03/2018	N/A	BA, BSoc Sci, M (City and Regional Planning) PhD (Regional Development Planning)	Planning, strategy, spatial development, Alcohol Harms Reduction	Baxter Theatre Board, SA Students' Travel Service	Communication and stakeholder Relations, Ops Committee	18

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee/ Ministerial task team)	No. of Meetings attended
Lukas Muntingh	Member	12/03/2018	N/A	BA, Hons, M Phil (SUN), PhD Law (UWC)	Criminal justice and human rights	N/A	OPS Committee, Communications and Stakeholder Relations Committee, Risk Committee	11
Undere Deglon	Member	12/03/2018	26/06/2020	BA HDE (UWC), Post graduate Certificate in Human Resource Management (UNISA), Masters in Research Psychology (UCT)	Governance, HR and Finance	South African Disability Development Trust	OPS Committee, Finance, HR, IT & Ethics Committee, Communications and Stakeholder Relations Committee	6
Lizanne Venter	Member	15/04/2019	N/A	B Comm Law (SBU) LLB (SBU)	Governance, and Legal	N/A	Finance, HR, IT & Ethics Committee, OPS Committee	21
Carol-Ann Foulis	Member	14/12/2020	N/A	BA (English and Psychology), Post Dip (HRM), MBA (Development Studies)	Communication, Research	N/A	Communications and Stakeholder Relations Committee	3
Carina America	Member	4/12/2020	N/A				Communications and Stakeholder Relations Committee	3

Table 2

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date re-signed	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
Ronald Kingwill	Chairperson	12/03/2021	N/A	CA(SA), CTC, B Comm	Governance, Finance and Risk	N/A	N/A	-
Gregory Grootboom	Deputy Chairperson	12/03/2021	N/A	PhD Educational Psychology, B Ed (Psych), Med (Psychology) Advanced Certificate Gov and Public Leadership	Communication and Leadership	N/A	Communication and stakeholder Relations Committee	-
Carol-Ann Foulis	Member	12/03/2021	N/A	BA (English and Psychology), Post Dip (HRM), MA (Development Studies)	Alcohol Harms Reduction, Social Development Programming and Organisational Development	N/A	Communications and Stakeholder Relations Committee, OPS Committee	-
Zuziwe Zantsi	Member	12/03/2021	23/07/2021	MA (Linguistics), BA Hons	Governance, Communication	N/A	Finance, HR, IT & Ethics Committee, Risk Committee	-
Andreas le Roux	Member	12/03/2021	N/A	MBA (Masters in Business Administration), Bsc Engineering Mechatronics)	Planning, Strategy, Alcohol Harms Reduction	N/A	Finance, HR, IT & Ethics Committee, OPS Committee, CSR Committee	-

### Governing Board and Committee meetings

Governing Board/ Committee	No. of meetings held	No. of members	Name of members
Governing Board	10	7	Thembalihle Sidaki, Ronald Kingwill, Jacobus Louw, Laurine Platzky, Lukas Muntingh, Undere Deglon, Lizanne Venter, Carol-Ann Foulis and Carina America
Operations Committee	4	4	Lizanne Venter, Undere Deglon, Lukas Muntingh and Laurine Platzky
Finance, HR, IT and Ethics Committee	4	4	Ronald Kingwill, Jacobus Louw, Lizanne Venter and Undere Deglon
Communications and Stakeholder Relations Committee	4	3	Undere Deglon, Lukas Muntingh, Laurine Platzky, Carol-Ann Foulis and Carina America
Risk Committee	4	3	Ronald Kingwill, Jacobus Louw and Lukas Muntingh

\* Board members, individually, also attended other meetings, for example, stakeholder sessions, meetings with the Minister, participated on interview panels and any other engagements. These meetings are not provided for in the above table.



## Remuneration of board members

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

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

Name	Remuneration	Other allowance	Other re-imbursements	Total
Thembalihle Sidaki	3 888	0	0	3 888
Ronald Kingwill	55 805	5 200	0	61 005
Laurine Platzky	34 536	5 200	0	39 736
Jacobus Louw	52 445	5 200	0	57 645
Undere Deglon	7 146	0	0	7 146
Lukas Muntingh	4 328	5 200	0	9 528
Lizanne Venter	42 287	5 200	0	47 487
Carol-Ann Foulis	3 096	1 300	0	4 396
Carina America	3 014	1 300	0	4 314

## 5. RISK MANAGEMENT

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

## 6. INTERNAL CONTROL UNIT

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

## 7. INTERNAL AUDIT AND AUDIT COMMITTEES

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

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

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

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

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

Name	Qualifications	Internal or External	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Francois Barnard	CA(SA); M Com (Tax)	External	-	1 June 2020	-	7
Terence Arendse	CA(SA)	External	-	1 May 2019	-	7
Ronald Kingwill	CA(SA), CTC, B Comm	Internal	Board member	9 April 2018	-	7
Jacobus Louw	B.Sc B.Eng. (US) LLB (UNISA) MBL (UNISA)	Internal	Board member	11 August 2020	-	5

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

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

## 9. FRAUD AND CORRUPTION

The Authority echoes the stance of the province in terms of fraud and corruption. Every effort is made to minimise the occurrence of 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 policy. Management and staff are responsible for the detection and prevention of fraud, misappropriations, and other irregularities.

## 10. MINIMISING CONFLICT OF INTEREST

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

For the 2020/21 financial year, there was no conflict of interest identified.

## 11. CODE OF CONDUCT

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The Western Cape Liquor Authority Board members and its employees adhere to the guidelines as stipulated in the Code of Conduct. The Code of Conduct is there to guide the employees as well as the Board of the Authority in terms of the manner in which the aforesaid parties 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

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

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

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N/A

## 14. SOCIAL RESPONSIBILITY

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While the Authority itself did not have any social responsibility programmes for the year, the Authority does impose conditions on 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.

## 15. AUDIT COMMITTEE REPORT

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We are pleased to present our report for the financial year ended 31 March 2021.

### Audit Committee Responsibility

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

### Audit Committee Members and Attendance

As requested by its Charter, the Audit Committee listed below, is required to meet at least four (4) times per annum, although additional meetings may be scheduled as the need arises. Seven (7) meetings were held during the 2020/21 financial year.

	No. of Meetings attended
Mr T. Arendse	7
Mr F. Barnard	7
Mr R. Kingwill	7
Mr J. Louw	5

### 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, the risk register 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.

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Corrective actions on the detailed finding 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.



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Francois Barnard  
Chairperson of the Audit Committee  
Western Cape Liquor Authority  
Date: 31 July 2021

## 16. BBBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE 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?	No	The WCLA does not engage in the economic activity.
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:

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HUMAN RESOURCE MANAGEMENT



# d 1. INTRODUCTION

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

As with many other organisation and public sector departments the COVID-19 pandemic had a major impact on the operations of the WCLA and the manner within which we conducted our business. The National Disaster Regulations and subsequent Alert Levels necessitated the need for employers to enter into "work from home" agreements with their employees and the Authority followed suite. The Human Resource Unit, within the Authority, worked tirelessly to ensure that all employees, who were able to, entered into "work from home" agreements that ensured the continued productivity expected of such employees. These "work from home" agreements provided certainty, to both employer and employee, in terms of what was expected from both parties while working from home.

It was also during this time that the constant communication from the HR Office in terms of COVID-19 protocols, regulations and alert levels became a necessary means to ensure that all the employees of the WCLA were at all times properly and adequately informed regarding the operations of their employer. The continued sharing of communication and awareness regarding the services of the Authority's Employee Wellness Service Provider also provided that comfort and assurance to the employees that their wellbeing and best interest were always foremost in the mind of their employer. Employees were (and are) constantly encouraged to make use of the services available to them from the service provider in order to manage any stress, anxiety and loss that may have been experienced (or be experienced) by employees as a result of the pandemic.

During the financial year, amendments to key employee related policies were also affected. These amendments impacted the following policies:

- Training and Bursary Policy
- Performance Management Policy
- Human Resource Management Policy
- Disciplinary Policy and Procedures

The amendments to these policies were to a large extent focussed on clearing up ambiguities that existed in the current policies.

Even with everything that has happened in the past financial year, the approval of the additional capacity within the Compliance and Enforcement Component has brought much excitement to the WCLA. Approval has been granted for the appointment of twenty-four (24) additional Junior Liquor Inspectors. Five (5) of these appointments will be from own funding (own revenue) and the remainder will be funded from an allocation received by the Authority's custodial department (DOCS). As the approvals and funding for these positions were only received at the close of the financial year under review, the HR Unit will be prioritising the appointments to these positions as a matter of urgency in the 2021/22 financial year.

At the beginning of the 2020/21 financial year, staff members entered into performance agreement contracts with the organisation. All performance assessments have been finalised and plans have been put in place to address and monitor underperformance.

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

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### Personnel Cost by component

Programme/Activity/Objective	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of Total Expenditure (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
Liquor Licensing Administration	31 116	8 671	28%	16	542
Communication, Education and Stakeholder Relations	31 116	3 172	10%	6	529
Compliance and Enforcement	31 116	9 029	29%	15	602
Finance	31 116	4 970	16%	9	552
Corporate Services	31 116	5 274	17%	12	440

### Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel Cost (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
Top Management	0	0%	0	0
Senior Management	5 225	17%	5	1 045
Professional qualified	10 188	33%	18	566
Skilled	13 696	44%	25	548
Semi-skilled	1 487	5%	6	248
Unskilled	520	1%	3	173
<b>TOTAL</b>	<b>31 116</b>	<b>100%</b>	<b>57</b>	<b>546</b>

### 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	Total Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost (R'000)	No. of Employees Trained	Average Training Cost per Employee (R'000)
Liquor Licensing Administration	8 671	17	0.2%	16	1
Communication, Education and Stakeholder Relations	3 172	17	0.5%	6	3
Compliance and Enforcement	9 029	37	0.4%	15	2
Finance	4 970	47	0.9%	9	5
Corporate Services	5 274	18	0.3%	12	2

## Employment and vacancies

Programme/Activity/Objective	2019/2020 No. of Employees	2020/2021 Approved Posts	2020/2021 No. of Employees	2020/2021 Vacancies	% of Vacancies
Liquor Licensing Administration	16	16	16	0	0%
Communication, Education and Stakeholder Relations	6	7	6	1	14%
Compliance and Enforcement	15	39	14	25*	64%
Finance	9	10	9	1	10%
Corporate Services	12	13	12	1	8%

\* The large number of vacant posts within the Compliance and Enforcement Component relates to the unfortunate passing of one of the Senior Inspectors within the Component as well as the approval for funding of 24 Junior Liquor Inspector positions. Unfortunately, the approval for the funding for the Junior Liquor Inspectors was received late within the financial year and it is for this reason that the recruitment and selection process for the appointment of the positions could not be concluded within the current financial year.

Programme/Activity/Objective	2019/2020 No. of Employees	2020/2021 Approved Posts	2020/2021 No. of Employees	2020/2021 Vacancies	% of Vacancies
Top Management	0	1	0	1*	100%
Senior Management	5	5	5	0	0%
Professional qualified	19	19	18	1	5%
Skilled	25	26	25	1	4%
Semi-skilled	6	30	6	24**	80%
Unskilled	3	7	3	4	57%
<b>TOTAL</b>	<b>58</b>	<b>88</b>	<b>57</b>	<b>31</b>	<b>35%</b>

\* The vacancy in the top management position speaks to the Chief Executive Officer position. An appointment to the position has successfully been made and the candidate has taken up the office on the 1st of April 2021.

\*\* The majority of the vacant positions relate to the appointment of 24 Junior Liquor Inspectors. These 24 Junior Liquor Inspectors were funded from internal savings (own revenue) as well as an allocation received from the WCLA's Custodial Department (DOCS). Unfortunately, the approval for the funding realised late in the financial year and the recruitment and selection process for the appointment of the 24 Junior Liquor Inspectors will therefore be prioritised for the 2021/22 financial year.

## Employment changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top Management	0	0	0	0
Senior Management	5	1	1	5
Professional qualified	19	0	1	18
Skilled	25	0	0	25
Semi-skilled	6	0	0	6
Unskilled	3	0	0	3
<b>TOTAL</b>	<b>58</b>	<b>1</b>	<b>2</b>	<b>57</b>

## Reasons for staff leaving

Reason	Number	% of Total no. of Staff Leaving
Death	1	2% (57)
Resignation	1	2% (57)
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
<b>TOTAL</b>	<b>2</b>	<b>4% (57)</b>

*Note: Exit interviews are held with all staff on termination and the new formal recruitment process starts. If it is a temporary position where the contract has expired the position will not necessarily be filled again (it is dependent on the need and approvals from all relevant parties). However, all permanent positions are advertised and filled immediately once an employee resigns.*

## Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	-
Written Warning	3
Final Written Warning	-
Dismissal	-

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

## Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	1	1	2	1	0	0	1	0
Professional qualified*	1	4	6	5	1	0	2	2
Skilled	3	5	6	7	0	0	2	2
Semi-skilled	0	6	1	8	0	0	0	2
Unskilled	0	2	1	2	0	0	0	1
<b>TOTAL</b>	<b>5</b>	<b>18</b>	<b>16</b>	<b>23</b>	<b>1</b>	<b>0</b>	<b>5</b>	<b>7</b>

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	0
Professional qualified*	2	3	6	4	0	0	0	1
Skilled	4	4	7	5	0	0	3	2
Semi-skilled	1	5	4	6	0	0	0	2
Unskilled	1	1	1	2	0	0	0	1
<b>TOTAL</b>	<b>8</b>	<b>14</b>	<b>19</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>6</b>

## Employment changes

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

Note: The WCLA has an approved Employment Equity Plan. Every attempt is made in terms of 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 targeted groups.

PART E:

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FINANCIAL INFORMATION

# e REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT ON THE WESTERN CAPE LIQUOR AUTHORITY

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

1. I have audited the financial statements of the Western Cape Liquor Authority set out on pages 78 to 131, which comprise the statement of financial position as at 31 March 2021, the 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.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Western Cape Liquor Authority as at 31 March 2021, 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).

### Basis for opinion

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

### Emphasis of matter

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

### Restatement of corresponding figures

7. As disclosed in note 30 to the financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2021.

### Events after the reporting date

8. As disclosed in note 32 to the financial statements, an amount of R15 657 297 was condoned on 6 April 2021. The irregular expenditure condoned related to payments made for rentals of the leased property which contravened supply chain management regulations.

### Underspending of the budget

9. As disclosed in the statement of comparison of budget and actual amounts, the entity materially underspent their operating budget by R19 719 757.

### Responsibilities of accounting authority for the financial statements

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

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

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

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

### Introduction and scope

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected components presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected components presented in the public entity's annual performance report for the year ended 31 March 2021:

Component	Pages in the annual performance report
Component 2 – Liquor Licensing Tribunal	32 - 34



17. performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for this component:
- Component 2 – Liquor Licensing Tribunal

### **Other matter**

19. I draw attention to the matter below.

### **Achievement of planned targets**

20. Refer to the annual performance report on pages 35 to 37 for information on the achievement of planned targets for the year and management's explanations provided for the under-/over-achievement of targets.

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

### **Introduction and scope**

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

## **OTHER INFORMATION**

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected components presented in the annual performance report that have been specifically reported in this auditor's report.
24. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected component presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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26. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

## INTERNAL CONTROL DEFICIENCIES

27. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

*Auditor-General*

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Cape Town  
31 July 2021



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

## ANNEXURE

### AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

#### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
  - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

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### General Information

<b>Country of incorporation and domicile:</b>	South Africa
<b>Nature of business and principal activities:</b>	Regulation of the liquor industry in the Western Cape
<b>Members of the Governing Board:</b>	<p>Adv T Sidaki (Chairperson - Resigned, 26 June 2020)</p> <p>Mr R Kingwill (Deputy Chairperson - Term ended, 11 March 2021)</p> <p>Ms L Venter (Term ended, 11 March 2021)</p> <p>Mr J Louw (Term ended, 11 March 2021)</p> <p>Dr L Muntingh (Term ended, 11 March 2021)</p> <p>Dr L Platzky (Term ended, 11 March 2021)</p> <p>Ms U Deglon (Resigned, 26 June 2020)</p> <p>Ms C America (Term ended, 11 March 2021)</p> <p>Ms C Foulis (Term ended, 11 March 2021)</p> <p>Mr R Kingwill (Chairperson, 12 March 2021 - Current)</p> <p>Dr G Grootboom (Deputy Chairperson, 12 March 2021 - Current)</p> <p>Ms Z Zantsi (12 March 2021 - Current)</p> <p>Mr A Le Roux (12 March 2021 - Current)</p> <p>Ms C Foulis (12 March 2021 - Current)</p>
<b>Registered office:</b>	<p>3rd Floor</p> <p>Sunbel Building</p> <p>3 Old Paarl Road</p> <p>Bellville</p> <p>7530</p>
<b>Postal address :</b>	<p>Private Bag X6</p> <p>Sanlamhof</p> <p>Bellville</p> <p>7532</p>
<b>Bankers:</b>	Nedbank Limited
<b>Auditors:</b>	<p>Office of the Auditor-General of South Africa</p> <p>Chartered Accountants (S.A.)</p> <p>Registered Auditors</p>
<b>Secretary:</b>	Ms. C Symes
<b>Attorneys:</b>	State Attorney
<b>Acting Chief Executive Officer:</b>	<p>Adv. L Petersen (Acting CEO, 01 December 2019 - 31 March 2021)</p> <p>Mr. S George (01 April 2021 - Current)</p>
<b>Audit Committee members:</b>	<p>Mr. F Barnard (Chairperson)</p> <p>Mr. R Kingwill (Term ended, 11 March 2021)</p> <p>Mr. T Arendse</p> <p>Mr J Louw (30 July 2020 - Term ended, 11 March 2021)</p> <p>Dr. G Grootboom (12 March 2021 - Current)</p>

# e Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

## Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Governing Board Members' Responsibilities and Approval .....	77
Statement of Financial Position .....	78
Statement of Financial Performance .....	79
Statement of Changes in Net Assets .....	80
Cash Flow Statement .....	81
Statement of Comparison of Budget and Actual Amounts .....	82
Accounting Policies .....	83
Notes to the Annual Financial Statements .....	110

## List of abbreviations

CEO	Chief Executive Officer
CFO	Chief Financial Officer
DoCS	Western Cape Department of Community Safety
GRAP	Generally Recognised Accounting Practice
PFMA	Public Finance Management Act
SETA	Sector Education and Training Authority
WCLA	Western Cape Liquor Authority
PAJA	Promotion of Administrative Justice Act
DPSA	Department of Public Service and Administration

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

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### 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 was 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 operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

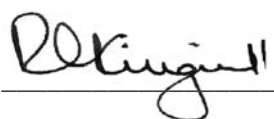
The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial 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 2022 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The 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 78 to 131, which have been prepared on the going concern basis, were approved by the board on 31 May 2021 and were signed on its behalf by:



**R Kingwill**

Chairperson of the Governing Board

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Statement of Financial Position as at 31 March 2021

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	2	22 904 735	12 950 065
Receivables from exchange transactions	3	366 892	377 133
Receivables from non-exchange transactions	4	2 557 370	1 218 656
		<b>25 828 997</b>	<b>14 545 854</b>
Non-Current Assets			
Intangible assets	5	2 978 797	3 238 026
Property, plant and equipment	6	10 799 705	12 048 386
		<b>13 778 502</b>	<b>15 286 412</b>
<b>Total Assets</b>		<b>39 607 499</b>	<b>29 832 266</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	7	6 257 090	3 801 171
Operating lease liability	8	-	69 437
Unspent conditional grants and funds to be surrendered	9	15 071 000	6 579 000
Unallocated deposits	10	950 205	1 335 499
Finance lease obligation	11	511 697	624 138
Employee benefit obligation	12	3 067 616	2 165 652
Provisions	13	-	45 798
		<b>25 857 608</b>	<b>14 620 695</b>
Non-Current Liabilities			
Finance lease obligation	11	1 995 116	1 608 584
Employee benefit obligation	12	477 908	481 841
Provisions	13	1 365 308	1 325 542
		<b>3 838 332</b>	<b>3 415 967</b>
<b>Total Liabilities</b>		<b>29 695 940</b>	<b>18 036 662</b>
<b>Net Assets</b>		<b>9 911 559</b>	<b>11 795 604</b>
Reserves			
Social and education fund reserve		24 582	24 582
Accumulated Surplus		9 886 977	11 771 022
<b>Total Net Assets</b>		<b>9 911 559</b>	<b>11 795 604</b>

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Revenue</b>			
<b>Revenue from Exchange Transactions</b>			
Application fees	14	1 486 629	2 297 561
Granting fees	15	1 850 519	3 968 640
Interest earned		544 792	1 066 719
Other Income		25 840	40 911
<b>Total Revenue from Exchange Transactions</b>		<b>3 907 780</b>	<b>7 373 831</b>
<b>Revenue from Non-Exchange Transactions</b>			
<b>Transfer revenue</b>			
Fines, penalties and forfeits	16	3 892 642	3 941 748
Government grants and subsidies	17	42 885 000	39 057 000
Services in-kind	18	-	1 631 109
<b>Total Revenue from Non-Exchange Transactions</b>		<b>46 777 642</b>	<b>44 629 857</b>
<b>Total Revenue</b>		<b>50 685 422</b>	<b>52 003 688</b>
<b>Expenditure</b>			
Employee related costs	19	(31 115 512)	(30 329 865)
Remuneration of governing board members	20	(235 145)	(257 758)
Debt Impairment	21	(841 491)	-
Depreciation and amortisation	22	(2 955 722)	(3 149 099)
Finance costs	23	(1 044 070)	(937 823)
General expenses	24	(16 377 642)	(20 989 120)
<b>Total Expenditure</b>		<b>(52 569 582)</b>	<b>(55 663 665)</b>
<b>Deficit for the year</b>		<b>(1 884 160)</b>	<b>(3 659 977)</b>



## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Statement of Changes in Net Assets

Figures in Rand	Social education fund reserve	Accumulated surplus	Total net assets
<b>Balance at 01 April 2019</b>	24 582	15 430 999	15 455 581
Changes in net assets			
Deficit for the year	-	(3 659 977)	(3 659 977)
Total changes	-	(3 659 977)	(3 659 977)
<b>Balance at 01 April 2020</b>	24 582	11 771 137	11 795 719
Changes in net assets			
Deficit for the year	-	(1 884 160)	(1 884 160)
Total changes	-	(1 884 160)	(1 884 160)
<b>Balance at 31 March 2021</b>	<b>24 582</b>	<b>9 886 977</b>	<b>9 911 559</b>

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

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### Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Total amount collected on behalf of provincial revenue fund		39 736 981	41 083 609
Government Grants		51 377 000	42 108 000
Interest received		498 942	1 066 719
Other Receipts		5 085 666	12 946 805
		<b>96 698 589</b>	<b>97 205 133</b>
<b>Payments</b>			
Suppliers and employees		(45 098 163)	(50 843 864)
Total amount of provincial revenue fund collections paid to DoCS		(39 713 340)	(41 212 490)
Interest paid		(998 630)	(869 998)
		<b>(85 810 133)</b>	<b>(92 926 352)</b>
<b>Net cash flows from operating activities</b>	25	<b>10 888 456</b>	<b>4 278 781</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(620 853)	(1 387 384)
Purchase of Intangible Assets	5	(639 874)	(1 093 306)
<b>Net cash flows from investing activities</b>		<b>(1 260 727)</b>	<b>(2 480 690)</b>
<b>Cash flows from financing activities</b>			
Finance Lease Capital Redemption		326 941	132 880
<b>Net increase in cash and cash equivalents</b>		<b>9 954 670</b>	<b>1 930 971</b>
Cash and cash equivalents at the beginning of the year		12 950 065	11 019 094
<b>Cash and cash equivalents at the end of the year</b>	2	<b>22 904 735</b>	<b>12 950 065</b>

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual Amounts	Difference between final budget and actual	%
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Granting fees	2 212 090	-	2 212 090	1 907 419	(304 671)	(14)
Application fees	1 578 353	-	1 578 353	1 570 119	(8 234)	(1)
Other income	22 293	-	22 293	22 700	407	2
Interest received	1 066 836	-	1 066 836	498 942	(567 894)	(53)
<b>Total revenue from exchange transactions</b>	<b>4 879 572</b>	<b>-</b>	<b>4 879 572</b>	<b>3 999 180</b>	<b>(880 392)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government Grants & Subsidies	61 956 000	-	61 956 000	51 377 000	(10 579 000)	(17)
Fines, penalties and forfeits	4 350 130	-	4 350 130	1 671 625	(2 678 505)	(62)
<b>Total revenue from non-exchange transactions</b>	<b>66 306 130</b>	<b>-</b>	<b>66 306 130</b>	<b>53 048 625</b>	<b>(13 257 505)</b>	
<b>Total revenue</b>	<b>71 185 702</b>	<b>-</b>	<b>71 185 702</b>	<b>57 047 805</b>	<b>(14 137 897)</b>	
<b>Expenditure</b>						
Employee Related Costs	(39 486 645)	-	(39 486 645)	(30 163 064)	9 323 581	(24)
Remuneration of Governing Board Members	(320 707)	-	(320 707)	(285 403)	35 304	(11)
Finance costs	-	-	-	(998 629)	(998 629)	100
General Expenses	(26 071 754)	-	(26 071 754)	(14 712 253)	11 359 501	(44)
<b>Total expenditure</b>	<b>(65 879 106)</b>	<b>-</b>	<b>(65 879 106)</b>	<b>(46 159 349)</b>	<b>19 719 757</b>	
<b>Operating Surplus</b>	<b>5 306 596</b>	<b>-</b>	<b>5 306 596</b>	<b>10 888 456</b>	<b>5 581 860</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>5 306 596</b>	<b>-</b>	<b>5 306 596</b>	<b>10 888 456</b>	<b>5 581 860</b>	
<b>Capital expenditure</b>						
Property, plant and equipment	(2 776 602)	-	(2 776 602)	(620 853)	2 155 749	(78)
Intangible assets	(2 529 994)	-	(2 529 994)	(639 874)	1 890 120	(75)
<b>Payments for capital assets</b>	<b>(5 306 596)</b>	<b>-</b>	<b>(5 306 596)</b>	<b>(1 260 727)</b>	<b>(4 045 869)</b>	
<b>Surplus of (Deficit) for the year after payments for capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 627 729</b>	<b>(9 627 729)</b>	

Please refer to note 37 for explanation of material budget variances.

The accounting policies on pages 10 to 31 and the notes on pages 32 to 55 form an integral part of the annual financial statements.

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

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### Accounting Policies

#### 1. Presentation of Annual Financial Statements

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

These 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. They are presented in South African Rand.

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.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

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.

# e Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

## Accounting Policies

### 1.4 Comparative figures

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

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:

#### 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. 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 norm. 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.

#### 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.

#### 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.

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

e

### Accounting Policies

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.

#### 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
Guideline	Accounting for landfill sites	Unknown

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards 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 2020/04/01 to 2021/03/31.

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 35.

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.

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 allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that

## e Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

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, pre-payment, 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.

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

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.

#### 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
Receivables from exchange transactions	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
Unallocated deposits	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.

#### 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



## e Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

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:

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.

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

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.

#### 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.

# e Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

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).

#### 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.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

e

### Accounting Policies

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

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

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.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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	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	Straight line	10 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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.

## e Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

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).

#### 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.

If the related asset is measured using the cost model:

- (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.

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

e

### Accounting Policies

The depreciable amount of and for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (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.

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.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

- the license 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.

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

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.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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.

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.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

#### 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.

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

e

### Accounting Policies

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 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.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

- 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.

#### **Decommissioning, restoration and similar liability**

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:



## e Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

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 1.18.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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.

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.

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

#### Operating leases - lessee

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

#### 1.14 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 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.

##### Accrued interest

Where the entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from Exchange Transactions or the policy on Revenue from Non-exchange Transactions, whichever is applicable.

## e Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

#### 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.

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.

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

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 service 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 social security contributions;
- 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
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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.

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.

# e Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

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:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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 contribution in the cost of an asset.

#### 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 1.14 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;

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

e

### Accounting Policies

- 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.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

#### 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.

#### 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.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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.

## e Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

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### Accounting Policies

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.

#### Fines and penalties

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.

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.

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

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

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

- none of the assets are managed with the objective of generating positive cash flows are expected to be significantly higher than the cost of the asset; and
- although certain service assets generate positive cash flows, these are used for cross subsidisation of services assets that generate negative cash flows.

#### Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the entity designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.



## e Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that it is a requirement in the Standards of GRAP.

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

#### Reversal of an impairment loss

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

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

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### Accounting Policies

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount, that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

#### 1.19 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.

#### 1.20 Accounting by principles 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.

# e Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

#### 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.

#### 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 license renewal fees. The principal-agent relationship is defined in terms of the Western Cape Liquor Act of 2008 as amended. The entity collects license renewal fees on behalf of the Provincial Revenue Fund, which is paid to DoCS 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.

#### 1.21 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

#### 1.22 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.

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.

#### 1.23 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.

# e Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Accounting Policies

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.

#### 1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

#### 1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

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### Accounting Policies

#### 1.26 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) combatting 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.

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>2. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	39	1 127
Bank balances	780 985	203 323
Call Investment Deposits	22 123 711	12 745 615
	<b>22 904 735</b>	<b>12 950 065</b>

The entity had the following bank accounts

Account number/ description	Bank statement balance			Cash book balances		
	31 March 2021	31 March 2020	31 March 2019	31 March 2021	31 March 2020	31 March 2019
Nedbank - account no 1452069883 (Income account)	98 473	90 864	206 239	98 473	90 864	206 239
Nedbank - account no 1452069905 (Expense account)	682 512	112 458	2 481 029	682 512	112 458	2 481 029
Nedbank - call account no 037881100168 (Grant)	12 375 757	10 350 843	531 490	12 375 757	10 350 843	531 490
Nedbank - call account no 037881100168 - (Income)	9 723 372	2 370 191	7 774 620	9 723 372	2 370 191	7 774 620
Nedbank - call account no 037881100168 - (Social and education fund)	24 582	24 582	24 582	24 582	24 582	24 582
<b>Total</b>	<b>22 904 696</b>	<b>12 948 938</b>	<b>11 017 960</b>	<b>22 904 696</b>	<b>12 948 938</b>	<b>11 017 960</b>

### 3. Receivables from exchange transactions

Trade debtors	23 844	23 844
Accrued interest	45 850	79 231
Prepaid expenses	297 198	274 058
	<b>366 892</b>	<b>377 133</b>

### 4. Receivables on non-exchange transactions

Fines	2 013 959	836 363
Other receivables	543 411	382 293
	<b>2 557 370</b>	<b>1 218 656</b>

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

Fines	2 013 959	863 363
Penalties	286 869	179 553
Renewal fees	256 542	202 740
	<b>2 557 370</b>	<b>1 218 656</b>

<b>Total receivables from non-exchange transactions</b>	<b>2 557 370</b>	<b>1 218 656</b>
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## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand	2021		2020		
	Cost	Accumulated amortisation & impairment	Carrying Value	Accumulated amortisation & impairment	Carrying Value
<b>5. Intangible assets</b>					
Computer software, other	5 466 165	(2 487 368)	2 978 797	(2 024 551)	3 238 026
<b>Reconciliation of intangible assets - 2021</b>					
Computer software, other	Opening balance	Additions	Disposals - Cost	Disposal - Accumulated amortisation	Total
	3 238 026	862 957	(623 367)	623 367	2 978 797
<b>Reconciliation of intangible assets - 2020</b>					
Computer software, other	Opening balance	Additions	Disposals - Cost	Disposal - Accumulated amortisation	Total
	3 172 926	1 093 306	(558 280)	558 280	3 238 026
<b>Intangible assets in the process of being constructed or developed</b>					
<b>Cumulative expenditure recognised in the carrying value of intangible assets</b>					
Computer software, other	62 315	-			

The Authority has undertaken a project to automate its procurement system and asset management process through an upgrade and configuration of the Pastel Financial System.

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand	2021			2020		
	Cost	Accumulated depreciation & accumulated impairment	Carrying Value	Cost	Accumulated depreciation & accumulated impairment	Carrying Value
<b>6. Property, plant and equipment</b>						
Furniture and fixtures	3 707 197	(1 353 757)	2 353 440	3 707 197	(1 114 154)	2 593 043
Motor vehicles (Leased assets)	2 612 364	(1 056 002)	1 556 362	2 612 364	(968 393)	1 643 971
Office equipment	1 278 576	(670 317)	608 259	1 278 576	(530 074)	748 502
Computer equipment	5 854 136	(4 447 880)	1 406 256	5 854 136	(3 749 885)	2 104 251
Leasehold improvements (Leased assets)	4 773 173	(1 808 139)	2 965 034	4 773 173	(1 489 928)	3 283 245
Safety and Security	1 123 842	(596 833)	527 009	1 095 101	(484 945)	610 156
Office equipment (Leased assets)	1 060 234	(379 099)	681 135	528 542	(207 584)	320 958
Capital restoration costs (Leased assets)	1 032 069	(329 859)	702 210	1 024 804	(280 544)	744 260
<b>Total</b>	<b>21 441 591</b>	<b>(10 641 886)</b>	<b>10 799 705</b>	<b>20 873 893</b>	<b>(8 825 507)</b>	<b>12 048 386</b>
<b>Reconciliation of property, plant and equipment - 2021</b>						
Opening Balance	2 593 043	-	-	2 593 043	-	2 593 043
Furniture and fixtures	1 643 971	-	-	(87 609)	-	1 556 362
Motor vehicles (Leased assets)	748 502	-	-	(140 243)	-	608 259
Office equipment	2 104 251	-	-	(697 995)	-	1 406 256
Computer equipment	3 283 245	-	-	(318 211)	-	2 965 034
Leasehold improvements (Leased assets)	610 156	-	-	(111 888)	-	527 009
Safety and Security	320 958	-	60 420	(231 935)	-	681 135
Office equipment (Leased assets)	744 260	-	-	(49 315)	7 265	702 210
Capital restoration costs (Leased assets)	<b>12 048 386</b>	<b>(60 420)</b>	<b>60 420</b>	<b>(1 876 799)</b>	<b>7 265</b>	<b>10 799 705</b>

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand	Opening Balance	Additions	Disposals - cost	Disposals - accumulated depreciation	Depreciation	Total
<b>Reconciliation of property, plant and equipment - 2020</b>						
Furniture and fixtures	2 829 573	4 350	(1 391)	260	(239 749)	2 593 043
Motor vehicles (Leased assets)	1 711 503	207 182	(188 233)	29 599	(116 080)	1 643 971
Office equipment	833 303	51 454	-	-	(136 255)	748 502
Computer equipment	2 452 659	641 636	(17 454)	6 229	(978 819)	2 104 251
Leasehold improvements (Leased assets)	3 602 329	-	-	-	(319 084)	3 283 245
Safety and Security	722 955	-	(4 766)	1 777	(109 810)	610 156
Office equipment (Leased assets)	21 443	482 762	(124 641)	112 407	(171 013)	320 958
Capital restoration costs (Leased assets)	794 347	-	-	-	(50 087)	744 260
	<b>12 968 112</b>	<b>1 387 384</b>	<b>(336 485)</b>	<b>150 272</b>	<b>(2 120 897)</b>	<b>12 048 386</b>
<b>Assets subject to finance lease (Net carrying amount)</b>						
Motor vehicles	1 556 362	1 643 971				3 200 333
Leasehold improvements	2 965 034	3 283 245				6 248 279
Office equipment	681 135	320 958				1 002 093
Capital restoration costs	702 210	744 260				1 446 470
	<b>5 904 741</b>	<b>5 992 434</b>				<b>11 897 175</b>
<b>Maintenance of property, plant and equipment</b>						
The entity spent R26 197 (2020: R71 315) on repairs and maintenance of property, plant and equipment.						

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>7. Payables from exchange transactions</b>		
Trade payables	2 460 314	1 412 903
license-holder refunds	2 875 229	1 612 793
Income received in advance	357 260	257 086
Provincial revenue fund	494 187	460 189
Other	70 100	58 200
<b>Total Payables from Exchange Transactions</b>	<b>6 257 090</b>	<b>3 801 171</b>

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

<b>Provincial revenue fund</b>		
Opening balance	460 189	589 070
Total amount collected on behalf of provincial revenue fund	39 747 338	41 083 609
Total amount of provincial revenue fund collections paid to DoCS	(39 713 340)	(41 212 490)
<b>Balance at the end of the year</b>	<b>494 187</b>	<b>460 189</b>

### 8. Operating Lease Liabilities

Non-current liabilities	-	69 437
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The operating leases relates to the lease of office space and some vehicles. The lease period is for 5 years and the contract was meant to lapse on 31 May 2020, but was extended until 31 March 2021. A new lease agreement 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 Authority does not engage in any sub-lease arrangements. The Authority did not pay any contingent rent during the year.

The vehicle and a trailer have anticipated remaining lease terms of 14 months, as at 31 March 2021. 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:

### 9. Unspent conditional grants and funds to be surrendered

<b>Unspent conditional grants and receipts</b>		
Department of Community Safety (DoCS)	15 071 000	6 579 000
<b>Movement during the year</b>		
Balance at the beginning of the year	6 579 000	3 528 000
Grants received	51 377 000	42 108 000
Grants recognised as income	(42 885 000)	(39 057 000)
	<b>15 071 000</b>	<b>6 579 000</b>

# e Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>10. Unallocated deposits</b>		
Unallocated deposits	950 205	1 335 499
The amount includes unverified payments from license holders. This is as a result of deposits made without appropriate references for identification and which the license holders have not yet provided proof of payments to enable verification.		
<b>11. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1 298 396	1 371 697
- in second to fifth year inclusive	2 304 255	1 989 344
	3 602 651	3 361 041
less: future finance charges	(1 095 838)	(1 128 319)
<b>Present value of minimum lease obligations</b>	<b>2 506 813</b>	<b>2 232 722</b>
<b>Present value of minimum lease payments due</b>		
- within one year	511 697	624 138
- in second to fifth year inclusive	1 995 116	1 608 584
	<b>2 506 813</b>	<b>2 232 722</b>
Non-current liabilities	1 995 116	1 608 584
Current liabilities	511 697	624 138
	<b>2 506 813</b>	<b>2 232 722</b>

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

Finance leases which relate to vehicles with a lease terms of between 5 to 9 years. The effective annual interest rate on the finance lease payables for motor vehicles is between 29% and 67%. 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.

Finance leases which relate to office equipment with a lease term of between 2 to 3 years. The effective annual interest rate on the finance lease payables for office equipment is between 0% and 2%. Interest on finance lease payables are charged by TSL Telecommunications, Konica Minolta and Vodacom.

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

The ownership of the leases does not transfer to the Authority 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 to note 6.

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

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### Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>12. Employee benefit obligations</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
Long service awards	624 189	481 841
Staff incentive bonus	1 568 280	1 508 043
Staff leave	1 353 055	627 609
	<b>3 545 524</b>	<b>2 617 493</b>
Non-current liabilities	477 908	481 841
Current liabilities	3 067 616	2 165 652
	<b>3 545 524</b>	<b>2 647 493</b>

The movement in current employee benefits is reconciled as follows:

#### 12.1 Long service awards

Balance at beginning of the year	481 841	405 023
Benefits paid	(30 000)	(51 000)
Net expense recognised in the statement of financial performance	172 348	127 818
	<b>624 189</b>	<b>481 841</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	136 675	105 906
Interest cost	35 673	21 912
	<b>172 348</b>	<b>127 818</b>

#### 12.2 Staff incentive bonus

Opening balance	1 508 043	1 481 605
Benefits paid	(1 508 043)	(1 481 605)
Net expense recognised in the statement of financial performance	1 568 280	1 508 043
	<b>1 568 280</b>	<b>1 508 043</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	1 568 280	1 508 043

#### 12.3 Staff leave

Opening balance	627 609	338 729
Benefits paid	(81 147)	(29 227)
Net expense recognised in the statement of financial performance	806 593	318 107
	<b>1 353 055</b>	<b>627 609</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	806 593	318 107

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand

2021

2020

#### Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its permanent employees. Two defined contribution funds, Allan Gray Umbrella Retirement Fund and the Allan Gray Group Retirement Annuity Fund, exist for this purpose and both funds are subject to the Pensions Fund Act. The funds are administered by the Proverte Wealth Management (Pty) Ltd. Permanent employees must structure their package to ensure that a minimum of 15% of the total cost to company package is contributed to the funds.

The entity is under no obligation to cover any unfunded benefits.

#### 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 53 employees (2020: 52 employees) that are members and they contributed a total of R1 515 752 (2020: R1 378 70).

#### 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 53 employees (2020: 52 employees) that are members and they contributed a total of R1 597 777 (2020: R1 458 200).

Figures in Rand

	Opening Balance	Utilised during the year	Change in discount factor	Total
<b>13. Provisions</b>				
<b>Reconciliation of provisions - 2021</b>				
Provision for Restoration of Leased Premises	1 325 542	-	39 766	1 365 308
Workmen's Compensation	45 798	(45 798)	-	-
	<b>1 371 340</b>	<b>(45 798)</b>	<b>39 766</b>	<b>1 365 308</b>

	Opening Balance	Additions	Utilised during the year	Interest charges	Total
<b>Reconciliation of provisions - 2020</b>					
Provision for Restoration of Leased Premises	1 265 277	-	-	60 265	1 325 542
Workmen's Compensation	42 627	44 189	(41 018)	-	45 798
	<b>1 307 904</b>	<b>44 189</b>	<b>(41 018)</b>	<b>60 265</b>	<b>1 371 340</b>

Non-current liabilities  
Current liabilities

1 365 308	1 325 542
-	45 798
<b>1 365 308</b>	<b>1 371 340</b>

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand

2021

2020

#### Restoration of Leased Premises Provision

The current lease contract states that at termination date, the Authority will be liable for the restoration of the leased premises back to "base building condition". The Authority estimates that the outflows would only occur by 31 May 2030. This is however depended 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 an average weighted investment rate of prime less 4% was used. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

#### Workman's Compensation Provision

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

#### 14. Application fees

New licenses	869 140	1 090 945
license for transfer of license to new owner	139 508	182 095
Alterations of premises	138 413	217 905
Interim or pending license fee	125 092	152 036
Transfer of financial interest on existing license	55 928	120 580
Temporary and event licenses	67 548	449 340
Other	91 000	84 660
	<b>1 486 629</b>	<b>2 297 561</b>

#### 15. Granting fees

license issuing fee	712 069	1 094 250
Issuing fee for temporary and event licenses	449 304	1 965 770
Transfer of license issuing fee	484 092	750 675
Other	205 054	157 945
	<b>1 850 519</b>	<b>3 968 640</b>

#### 16. Fines, Penalties and Forfeits

Fines imposed by the Liquor Licensing Tribunal	2 740 850	1 610 805
Penalties on late payments of license renewals	879 686	889 008
Penalties on late payments of event licenses	272 106	1 441 935
	<b>3 892 642</b>	<b>3 941 748</b>

#### 17. Government grants and subsidies

##### Operating grants

Western Cape Department of Community Safety	42 885 000	39 057 000
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#### 18. Services in-kind

Seconded CEO salary paid by DoCS	-	957 900
Seconded CFO salary paid by DoCS	-	673 209
	<b>-</b>	<b>1 631 109</b>



# e Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand

2021

2020

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.

#### 19. Employee Related Costs

Salaries and wages	24 488 526	24 769 540
Staff incentive bonus	1 530 028	1 508 043
UIF	105 021	97 643
Workmen's Compensation	64 391	44 189
Leave pay	824 949	291 883
Defined contribution plans	3 089 613	2 858 742
Overtime payments	136 014	165 614
Long-service awards	136 676	84 906
Group risk and funeral benefits	360 792	245 750
Cellphone allowances	379 502	263 555
	<b>31 115 512</b>	<b>30 329 865</b>
<b>Acting Chief Executive Officer - Adv. Leatitia Petersen (1 December 2019 - 31 March 2021)</b>		
Basic salary	719 662	232 364
Pension fund	125 655	40 868
Incentive bonus	57 462	46 967
Acting allowances	174 684	-
Other	29 364	9 483
	<b>1 106 827</b>	<b>329 682</b>
<b>Chief Financial Officer - Sandiso Gcwabe (1 December 2019 - current)</b>		
Basic salary	890 126	296 709
Pension fund	125 321	41 774
Other	21 116	7 039
	<b>1 036 563</b>	<b>345 522</b>
<b>Senior Manager: Corporate Services - Marvin Jackson</b>		
Basic salary	729 047	717 700
Pension fund	97 093	96 351
Incentive bonuses	58 324	57 462
Other	24 508	23 302
	<b>908 972</b>	<b>894 815</b>
<b>Senior Manager: Compliance and Enforcement - Adv. Martell Van Lill</b>		
Basic salary	686 900	676 208
Pension fund	96 096	95 400
Incentive bonuses	54 952	54 140
Other	19 222	21 203
	<b>857 170</b>	<b>846 951</b>
<b>Senior Manager: Communications, Education and Stakeholder Relations - Rebecca Campbell (1 October 2020 - current)</b>		
Basic salary	277 933	-
Pension fund	39 234	-
Other	8 052	-
	<b>325 219</b>	<b>-</b>

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>Acting Senior Manager: Liquor Licensing Administration - Johan Dreyer (1 December 2019 - 31 March 2021)</b>		
Basic salary	489 073	160 534
Pension fund	108 547	39 329
Acting allowances	87 895	29 298
Other	14 389	7 463
	<b>699 904</b>	<b>236 624</b>
<b>Senior manager: Communications, Education and Stakeholder Relations - Philip Prinsloo (1 November 2012 - 31 August 2020)</b>		
Basic salary	250 202	717 701
Pension fund	25 278	99 117
Incentive bonuses	-	57 462
Other	14 389	20 535
	<b>289 869</b>	<b>894 815</b>
<b>Acting Chief Financial Officer - Maria Vos (1 October 2018 - 30 November 2019)*</b>		
Basic salary	-	538 955
Car allowance	-	70 063
Other	-	64 191
	-	<b>673 209</b>
<i>* Ms Maria Vos was seconded from DoCS to act as a Chief Financial Officer for the period 1 October 2018 to 30 November 2019. Her salary was paid by DoCS during the period of secondment.</i>		
<b>Acting Chief Executive Officer - Simion George (1 February 2019 - 30 November 2019)*</b>		
Basic salary	-	698 114
Pension fund	-	90 754
Other	-	169 032
	-	<b>957 900</b>
<i>* Mr Simion George was seconded from DoCS to act as a Chief Executive Officer for the period 1 February 2019 to 30 November 2019. His salary was paid by DoCS during the period of secondment.</i>		
<b>Senior manager: Liquor Licensing Administration - Adv. Leatitia Petersen</b>		
Basic salary	-	472 039
Pension fund	-	64 233
Incentive bonuses	-	56 613
Other	-	14 139
	-	<b>607 024</b>

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand	Members' Fees	Total
<b>20. Remuneration of Governing Board Members</b>		
<b>Governing Board Members</b>		
<b>31 March 2021</b>		
Adv T Sidaki (Chairperson - Resigned, 26 June 2020)	3 888	3 888
Mr R Kingwill (Deputy Chairperson - Term ended, 11 March 2021)	61 005	61 005
Ms L Venter (Term ended, 11 March 2021)	47 487	47 487
Mr J Louw (Term ended, 11 March 2021)	57 645	57 645
Dr L Muntingh (Term ended, 11 March 2021)	9 528	9 528
Dr L Platzky (Term ended, 11 March 2021)	39 736	39 736
Ms U Deglon (Resigned, 26 June 2020)	7 146	7 146
Ms C America (Term ended, 11 March 2021)	4 314	4 314
Ms C Foulis (Term ended, 11 March 2021)	4 396	4 396
	<b>235 145</b>	<b>235 145</b>
<b>31 March 2020</b>		
Adv T Sidaki (Chairperson - Resigned, 26 June 2020)	26 568	26 568
Mr R Kingwill (Deputy Chairperson - Term ended, 11 March 2021)	60 921	60 921
Ms L Venter (Term ended, 11 March 2021)	28 230	28 230
Mr J Louw (Term ended, 11 March 2021)	34 792	34 792
Dr L Muntingh (Term ended, 11 March 2021)	36 590	36 590
Dr L Platzky (Term ended, 11 March 2021)	34 879	34 879
Ms U Deglon (Resigned, 26 June 2020)	35 778	35 778
	<b>257 758</b>	<b>257 758</b>

Figures in Rand	2021	2020
<b>21. Debt Impairment</b>		
Debt impairment	841 491	-

The impairment relates to fines issued to license-holders by the Liquor License Tribunal.

<b>22. Depreciation and Amortisation</b>		
Property, plant and equipment	1 876 802	2 120 895
Intangible assets	1 086 185	1 028 204
Impairment reversal	(7 265)	-
	<b>2 955 722</b>	<b>3 149 099</b>
<b>23. Finance costs</b>		
Finance leases	998 630	869 998
Other	45 440	67 825
	<b>1 044 070</b>	<b>937 823</b>

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

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### Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>24. General Expenses</b>		
Advertising fees	1 719 003	4 994 868
Audit fees - external	1 427 204	1 991 905
Bank charges	26 829	43 620
Cleaning services	77 231	143 263
Consulting and professional fees	971 102	836 252
Catering	3 499	69 580
Insurance	219 677	314 167
Conferences and seminars	14 351	93 200
Computer equipment support	1 294 655	1 343 061
Postage and courier	70 016	61 050
Printing and stationery	278 065	630 442
Repairs and maintenance	26 197	71 315
Software license fees	886 281	421 483
Subscriptions and membership fees	8 053	213 611
Telephone and fax	410 338	451 958
Training	136 138	390 351
Travel and subsistence	730 613	1 066 699
Water and electricity	661 729	757 164
Rates and taxes	258 152	250 047
Audit fees - internal	203 071	107 383
Social and education fund	267 125	333 595
Liquor licensing tribunal	3 104 885	3 654 214
Loss on fixed asset disposal	-	8 847
Operating leases	3 103 125	2 621 257
Legal fees	379 137	54 395
Other	101 166	65 393
	<b>16 377 642</b>	<b>20 989 120</b>

The consulting and professional fees increased due to additional SITA services that were provided during the financial year.

### 25. Cash generated from operations

Deficit	(1 884 160)	(3 659 977)
<b>Adjustments for:</b>		
Depreciation and amortisation	2 955 722	3 149 099
Finance costs - finance leases	75 439	67 825
Interest earned	(45 850)	-
Debt impairment	841 491	-
Movements in employee benefit obligations	848 213	371 136
Movements in provisions	(45 798)	63 436
Other non-cash items	(62 172)	(330 084)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	10 241	(264 649)
Other receivables and non-exchange transactions	(2 180 205)	490 972
Payables from exchange transactions	2 268 829	1 520 827
Unspent conditional grants and funds to be surrendered	8 492 000	3 051 000
Unallocated deposits	(385 294)	(180 804)
	<b>10 888 456</b>	<b>4 278 781</b>

# e Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand	At amortised cost	Total
<b>26. Financial Instruments Disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2021</b>		
<b>Financial assets</b>		
Cash and cash equivalents	22 904 735	22 904 735
Receivables from exchange transactions	69 694	69 694
	<b>22 974 429</b>	<b>22 974 429</b>
<b>Financial liabilities</b>		
Payables from exchange transactions	6 257 090	6 257 090
Finance lease liability	2 506 813	2 506 813
Unallocated deposits	950 205	950 205
	<b>9 714 108</b>	<b>9 714 108</b>
<b>2020</b>		
<b>Financial assets</b>		
Cash and cash equivalents	12 950 065	12 950 065
Receivables from exchange transactions	103 075	103 075
	<b>13 053 140</b>	<b>13 053 140</b>
<b>Financial liabilities</b>		
Payables from exchange transactions	3 801 171	3 801 171
Finance lease liability	2 232 722	2 232 722
Unallocated deposits	1 335 499	1 335 499
	<b>7 369 392</b>	<b>7 369 392</b>
<b>Financial instruments in Statement of financial performance</b>		
<b>2021</b>		
Interest income (calculated using effective interest method) for financial instruments at amortised cost	544 792	544 792
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(1 044 070)	(1 044 070)
	<b>(499 278)</b>	<b>(499 278)</b>
<b>2020</b>		
Interest income (calculated using effective interest method) for financial instruments at amortised cost	1 066 719	1 066 719
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(937 823)	(937 823)
	<b>128 896</b>	<b>128 896</b>

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>27. Commitments</b>		
Authorised capital expenditure		
Already contracted for but not provided for		
Property, plant and equipment	258 162	28 741
Intangible assets	1 853 691	400 999
	<b>2 111 853</b>	<b>429 740</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	2 111 853	429 740
<b>28. Contingent Liability</b>		
Mbeko Venfolo N.O vs WCLA: WCP/038239 - 21 on Washington	2 000 000	600 000
Southside liquors CC t/a Southside liquors vs WCLA	30 000	-
V. Mvakwendlu t/a JJ Bottlestore vs WCLA	30 000	-
	<b>2 060 000</b>	<b>600 000</b>

#### Mbeko Venfolo N.O vs WCLA

The State Attorney is assisting the entity in appealing a High Court order relating to license number WCP/038239 - 21 on Washington. The judgement on the matter was handed down by the Western Cape High Court on 31 January 2020.

#### Southside liquors CC t/a Southside liquor WCLA

The State Attorney is assisting with the matter above and it is anticipated that a bill of costs in the litigation matter amounting close to R30 000 would be payable by WCLA. License suspended in terms of Section 71 for transgression of National State of Disaster Lockdown regulations. The High Court Application was served on 4 June 2020. Applicant asked for suspension to be lifted, to be exempted from internal appeal process in terms of PAJA and cost on a punitive scale.

#### V. Mvakwendlu t/a JJ Bottlestore vs WCLA

The State Attorney is assisting with the matter above and it is anticipated that a bill of costs in the litigation matter amounting close to R30 000 would be payable by WCLA. License interim suspended in terms of Section 71 for transgression of National State of Disaster Lockdown regulations on 9 April 2020 and suspension made final on 20 May 2020. Applicant request court order to set aside interim and final order to suspend the license, to be exempted from internal appeal remedy in terms of PAJA and an order of cost on a punitive scale.

#### 2020/21 Annual Cost of Living Increases

Employees of the entity had previously received yearly cost of living wage increases in accordance with the DPSA's authorized compensation levels; however, owing to an ongoing legal disagreement between the National Treasury and labour unions, the pay increases for the 2020-21 fiscal year were not implemented. If the decision is against the employer, the entity may be obliged to pay back-pay to employees. The total amount cannot be established, because the case is still being heard.

# e Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand

2021

2020

#### 29. Related parties

##### Relationships

Western Cape Provincial Minister of Community Safety	Mr Albert Fritz
Custodial department	Western Cape Department of Community Safety
Management of government motor vehicles of the Authority	Western Cape Government Motor Transport
Governing board members	Refer to note 20
Members of management personnel	Refer to note 19

##### Related party balances

##### Department of Community Safety

Unspent conditional grants and funds to be surrendered	(15 071 000)	(6 597 000)
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##### Government Motor Transport

Accrued expenses	(124 084)	(129 720)
Leased vehicles	1 758 401	1 643 971

##### Related party transactions

##### Department of Community Safety

Government grants and subsidies	42 885 000	39 057 000
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##### Government Motor Transport

Interest paid on finance lease liability included under finance charges	998 630	869 998
Kilometer tariff included under general expense	114 851	199 063
Operating lease -Vehicles	54 776	40 667

##### Remuneration of management

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

#### 30. 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

2020

	As previously reported	Correction of error	Restated
Intangible assets	3 539 050	(301 023)	3 238 027
Receivables from exchange transactions	418 933	(41 800)	377 133
Payables from exchange transactions	3 768 075	33 100	3 801 175
Unspent conditional grants	2 216 000	4 363 000	6 579 000
Employment benefit obligations	511 841	(30 000)	481 841
	<b>10 453 899</b>	<b>4 023 277</b>	<b>14 477 176</b>

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand	As previously reported	Correction of error	Restated
<b>Statement of financial performance</b>			
<b>2020</b>			
Government grants and subsidies	43 420 000	(4 363 000)	39 057 000
Employee related costs	(30 254 965)	(74 900)	(30 329 865)
Depreciation and amortisation	(3 119 040)	(30 060)	(3 149 100)
<b>Surplus for the year</b>	<b>10 045 995</b>	<b>(4 467 960)</b>	<b>5 578 035</b>
<b>Cash flow statement</b>			
<b>2020</b>			
<b>Cash flow from operating activities</b>			
Government grants		1 312 000	1 312 000

#### Errors

**Intangible assets** - Software licenses that meet the definition and recognition criteria for intangible assets are now recognised. They were previously expensed.

**Receivables from exchange transactions** - Staff savings deducted and to be paid out in November/December was incorrectly processed and the balance was shown as a debit and not a credit. This was now corrected.

**Payables from exchanged transactions** - Staff savings deducted and to be paid out in November/December was incorrectly processed and the balance was shown as a debit and not a credit. This was now corrected.

**Unspent conditional grants** - The liability relating to funds that were applied for roll-over was understated.

**Accumulated surplus** - Cumulative impact of all the changes.

**Government grants** - The income from grants included accruals instead of cash transactions only.

### 31. Financial Risk Management

The entity's activities expose it to a variety of financial risks: market risk (including 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 seeks to minimise potential adverse effects on the entity's financial performance.

#### 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. 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.

#### Credit risk

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

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



# e Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand

2021

2020

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

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

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

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

Cash and cash equivalents	22 904 735	12 950 065
Receivables from exchange transactions	69 694	103 075

#### 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 exposes the entity to cash flow interest rate risk.

At 31 March 2021, 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 R229 047 (2020: R129 501) lower/higher, mainly as a result of higher/lower interest income on financial assets at variable rates.

#### Cash flow interest rate risk

	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
<b>Financial instrument</b>						
Cash in current banking institutions	3,25%	22 904 735	-	-	-	-

## 32. Events after the reporting date Non-adjusting event

### Non-adjusting event

During the financial year, the Provincial Treasury's Condonation Working Committee completed its review of the WCLA's request for condonation of irregular expenditure against the stipulated criteria contained in paragraph 56 of the Irregular Expenditure Framework (Framework). On 6 April 2021, the Provincial Treasury approved the condonation of irregular expenditure amounting to R15 657 297.

# Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>33. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	8 747	8 747

Expenditure identified in the current year include those listed below:

### 34. Irregular expenditure

Opening balance as previously reported	26 292 706	22 222 396
<b>Opening balance as restated</b>	<b>26 292 706</b>	<b>22 222 396</b>
Add: Irregular Expenditure - current year	4 214 694	4 024 896
Add: Irregular Expenditure - prior period	-	45 414
<b>Closing balance</b>	<b>30 507 400</b>	<b>26 292 706</b>
<b>Incidents/cases identified in the current year include those listed below:</b>		
Remuneration paid to an Audit Committee member employed by a municipality	-	84 011
Rental related expenses paid against the lease agreement	4 210 508	3 986 299
Services procured without following the due SCM process	4 186	-
	<b>4 214 694</b>	<b>4 070 310</b>

During the previous years the results of a forensic report conducted on behalf of the entity were received with regards to the fitment and refurbishment of the leased offices. The irregular expenditure relating to this was previously reported to be R9 458 000 (2019 and 2018) in value. However the investigation also brought to light that the initial procurement process to obtain the leased offices was not in line with standard supply chain process as prescribed by provincial legislation. Thus the resulting effect is that the lease agreement entered into and the corresponding lease payments constitute irregular expenditure.

A cleaning company was instructed by an official to provide damp removal services to the WCLA to the value of R4 186 without following SCM process. An investigation is still in progress.

Remuneration to the total value of R84 010.79 was paid to an Audit Committee member employed by a municipality in contravention of Treasury Regulations TR20.2.2. An investigation is still in progress.

	<b>Condoned by (Condoning authority)</b>		
Mr FC Marais, Sunbel Building	Condoned by the Provincial Treasury on 6 April 2021	14 880 672	-
Work Dynamics	Condoned by the Provincial Treasury on 6 April 2021	776 625	-
		<b>15 657 297</b>	<b>-</b>

During the financial year, the Provincial Treasury's Condonation Working Committee completed its review of the request for condonation of irregular expenditure received from the WCLA against the stipulated criteria contained in paragraph 56 of the Irregular Expenditure Framework (Framework). On 6 April 2021, the Provincial Treasury approved the condonation of irregular expenditure amounting to R15 657 297.

# e Western Cape Liquor Authority

## Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand

2021

2020

#### 35. Reconciliation between budget and statement of financial performance

The budget and the accounting bases differ. The annual financial statements are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements differ from the budget, which is approved on the cash basis.

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 per the statement of financial performance	(1 884 160)	(3 659 977)
<b>Adjusted for:</b>		
Government grants & subsidies	8 492 000	3 051 000
Revenue accruals	(2 215 814)	226 323
Unallocated deposits	(385 294)	(180 804)
Employee related costs	848 213	371 136
Impairments	841 491	-
Depreciation and amortisation	2 962 987	3 149 099
Finance costs	75 439	67 825
Accrued expenses	2 268 829	1 520 827
Provisions	(115 235)	(266 648)
<b>Net surplus per approved budget</b>	<b>10 888 456</b>	<b>4 278 781</b>

#### 36. Segment information

##### General information

##### Identification of segments

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

##### 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.

#### 37. Budget differences

##### Material differences between budget and actual amounts

##### 37.1 Statement of Financial Performance

**Granting fees** are lower than originally budgeted due to lockdown that took place in April and May 2020 and further ban on alcohol imposed in July and December 2020 and January 2021. During those periods, no events were allowed and the entity couldn't charge event license fees and other licensing activities were also reduced.

## Western Cape Liquor Authority Annual Financial Statements for the year ended 31 March 2021

e

### Notes to the Annual Financial Statements

**Interest Received** is lower than originally budgeted due to the interest rate that was reduced by banks as a result of the impact of COVID-19, following the announcement made by the reserve bank reducing the repo rate.

**Government grants and subsidies** when the budget was approved, the Authority was anticipating to receive R13,1 million in additional funding based on a motivation submitted by DoCS to the Provincial Treasury. However, the Provincial Treasury only approved R9,1 million of the funding. The Authority also could not spend all the funds received in the current financial year.

**Fines, Penalties and forfeits** Fines are lower than originally budgeted, because the fines issued to license holders were not paid within the deadlines as set out by Liquor Licensing Tribunal, which also reduced the payment ratio. The penalties on late events license applications were lower than budgeted due to events that were restricted by the National State of Disaster Regulations.

**Employee related cost** The authority had 28 vacant positions as at year-end which accounted for the underspending. The funding for 19 junior liquor inspectors was only approved towards the end of the year.

**Finance costs** The budget for the finance costs was included in the budget for general expenditure.

**General expenses** The Liquor Licensing Component of the WCLA's mandate was restricted by the Disaster Management Regulations issued in terms of section 27(2) of the National Disaster Management Act in response to the COVID-19 pandemic. Consequently, the budget allocated towards the Liquor Licensing Component of the WCLA mandate had savings. The funding for operational costs for the 19 junior liquor inspectors was also only approved towards the end of the year.

#### 37.2 Statement of Financial position

**Purchase of property, plant and equipment** The procurement of replacement computer equipment was expected to occur before year end but that did not materialize due to COVID-19 disrupting international supply chain.

**Purchase of other intangible assets** The Authority undertook an LMATS enhancement project and it was not completed by year end due to delays in the supply chain process.

#### 38. BBBEE Performance

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



To obtain additional copies of this document, please contact:

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