WESTERN CAPE
LIQUOR AUTHORITY

Annual Report 2021/22

WESTERN CAPE LIQUOR AUTHORITY

ANNUAL REPORT 2021/2022

FINANCIAL YEAR

Contents

PART A:
GENERAL INFORMATION

General Information

1. PUBLIC ENTITY'S GENERAL INFORMATION

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

2. LIST OF ABBREVIATIONS/ACRONYMS

ACT	Western Cape Liquor Act (4 of 2008) as amended
AHRI	Alcohol Harms Reduction Initiatives
AGSA	Auditor General of South Africa
BBBEE	Broad Based Black Economic Empowerment
CE	Compliance and Enforcement
CEO	Chief Executive Officer
CES	Communication, Education and Stakeholder Relations
CFO	Chief Financial Officer
CPF	Community Police Forum
CS	Corporate Services
DLO	Designated Liquor Officer
DPO	Deputy Presiding Officer
FIN	Finance
GB	Governing Board
GRAP	Generally Recognised Accounting Principles
LLA	Liquor Licensing Administration
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)
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
WHO	World Health Organization

3. FOREWORD BY THE CHAIRPERSON

It provides me pleasure to present the WCLA Annual Report for the 2021/2022 financial year. It allows the WCLA to account for the financial and non-financial performance of the WCLA for the year under review.

The Authority herein demonstrates how by way of effective regulation it advances the aims and objectives of Alcohol Harms Reduction Initiatives (AHRI) by promoting public interest. The increased Inspectorate capacity has enabled the WCLA to implement provisions of our Act which denies non-compliant licence holders the opportunity to automatically renew their licenses.

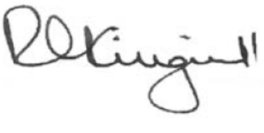
The WCLA has also aligned its communication initiatives to strengthen partnerships with key stakeholders such as the SAPS, Local Government, and other Government institutions responsible for maintaining citizen centric service delivery models. Facilitating the determination of public interest is at the heart of the operations of the WCLA.

The capacity of the Liquor Licensing Tribunal was maintained throughout the year under review. Consequently, the Board was able to oversee the elimination of backlogs and the finalisation of matters within the legislative timeframes by the LLT.

The Board is pleased that progress is being made with the legislative review process which is long overdue. These amendments are central to enabling effective systems and processes within the WCLA but also enabling greater impact in promoting public interest in reducing alcohol related harms.

The Board faced considerable challenges not being fully constituted initially. This was resolved in the period under review and by March 2022 the last board vacancy was filled. Appreciation needs to be expressed to those board members initially appointed who shouldered many additional responsibilities due to board vacancies. The Board is confident that the WCLA is ideally positioned for greater impact.

Finally, the Board would like to acknowledge the MEC and the Department of Community Safety for their continuous support of WCLA endeavours.



Ronald Kingwill
Chairperson of the Governing Board
Western Cape Liquor Authority
Date: 31 July 2022

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

The WCLA succeeded to maintain the momentum generated in the year preceding. Key initiatives were introduced and implemented based on project proposals submitted. These have contributed significantly towards the Authority being able to pursue its mandate.

The WCLA has sharpened its focus towards effective regulation by prioritising and enabling the Liquor Licensing Tribunal (LLT) in the determination of public interest. The WCLA thus aligns to the Alcohol Harm Reduction White Paper by ensuring Public Interest informs the granting and thereafter continued existence of a licence.

The WCLA is limited in the form and shape of the totality of the resources it succeeds to secure. The additional inspectorate capacity has demonstrated how much more impactful the regulatory efforts of the WCLA can be. This capacity however remains subject to project funding and is not within the baseline budget of the WCLA. Key initiatives and activities of the WCLA (eg non-automatic renewals) are tempered by the above noted reality of its budget and the nature thereof.

Designated Liquor Officers (DLO's) and local SAPS service centres within communities remains key to our efforts to enhance regulation. Collaboration is critical for the facilitation of public interest. For optimized functioning a strategy to institutionalise and structure the relationship towards greater impact has been framed. A fully capacitated LLT was maintained for the period under review. Its performance has resulted in the elimination of backlogs. The LLT has demonstrated it will prioritise and respond to public interest. This is apparent from only approving licences considered to be in the public interest and the severity of some sanctions imposed.

Revenue collection, for the year under review, continued to improve because of careful management of renewals and due to fee increases which came into effect. The Liquor Authority is making steady progress to being self-sustainable. It will be achieved when the WCLA pays over to the Provincial Revenue Fund the equivalent of funds it receives in allocations from the fiscus. Fees determined must be reflective of the cost of effective and efficient regulation.

The Annual Financial Statements incorporated herein have been compiled according to Generally Recognised Accounting Practice (GRAP) standards and details the financial position and financial performance of the entity for the year under review.

Supply chain management policies and Revenue Management systems are continually reviewed to maintain alignment to National and Provincial Treasury Regulations and Instructions as and when introduced. Integration of financial and administrative systems and processes to manage revenue is now being prioritised.

Matters raised by the Auditor General in the 2021/22 financial year have been attended to. The Authority is committed to maintaining clean audit outcomes.

In conclusion I would like to express appreciation to the WCLA Governing Board for its leadership and guidance of the WCLA. The stability this occasions cannot be overstated. The WCLA is extremely appreciative of the knowledge and expertise it can access in its Audit Committee. Similarly, the Minister and Department of Community Safety continues to support the initiatives and efforts of the WCLA in so many respects.

It is noted that the LLT, being at the heart of determining Public Interest, demonstrated its commitment in this regard. The Appeal Tribunal (Adv. Van Der Schyff appointment in the period under review) has enriched the WCLA with reasoned and consistent judgements.

As a relatively small entity the WCLA is committed to producing value for the citizens of the Western Cape and to do so, strong reliance is placed on our staff compliment. The WCLA is agile and responsive because of its staff. This I acknowledge and appreciate.

Simion George
Chief Executive Officer
Western Cape Liquor Authority
Date: 31 July 2022

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

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

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

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

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

The accounting authority is responsible for establishing and implementing a system of internal control 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 2022.

Yours faithfully

Chief Executive Officer
Simion George
Date: 31 July 2022

Chairperson of the Board
Ronald Kingwill
Date: 31 July 2022

6. STRATEGIC OVERVIEW

6.1. Vision

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

6.2. Mission

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

6.3. Values

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

- **Accountability**
  We take responsibility.

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

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

- **Integrity**
  To be honest and do the right thing.

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

- **Responsiveness**
  To serve the needs of the residents of the Western Cape and employees.

7. LEGISLATIVE AND OTHER MANDATES

7.1 Constitutional mandates

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

7.2 Legislative mandates

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

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

7.3 Policy mandates

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

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

The purpose of the policy is to:

- provide for interventions aimed at the reduction of alcohol-related harms in the Western Cape.
- provide for ancillary matters facilitating greater efficiency, effectiveness and optimization of supplementary and related systems and processes reducing to reduce alcohol-related harms.

To this extent, 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:

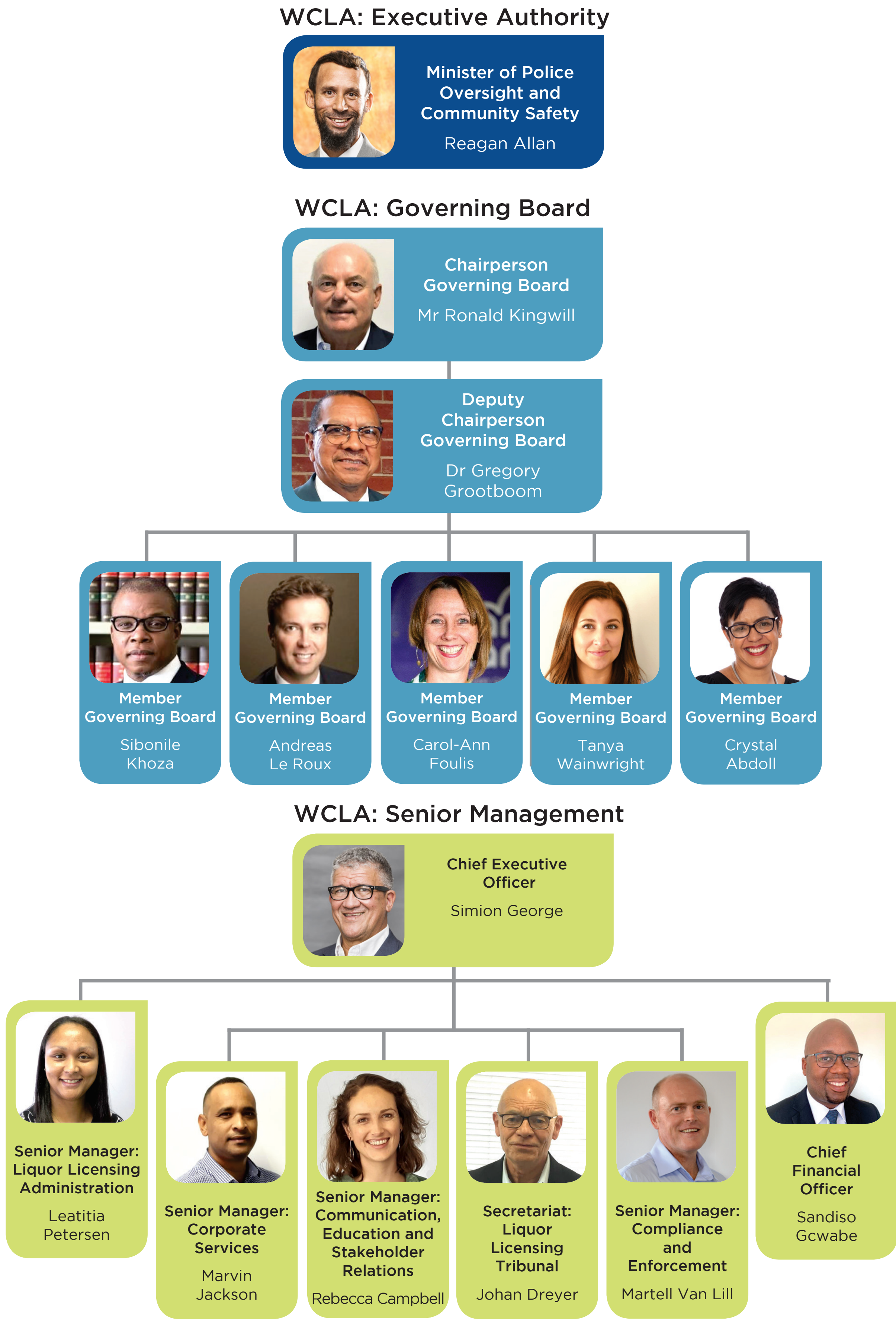
1. Safe and Cohesive Communities
2. Growth and Jobs
3. Empowering People
4. Mobility and Spatial Transformation
5. Innovation and Culture

The operations of the WCLA have been optimized to Pre-covid levels. The practices developed over the period amounted to efficiencies that have been institutionalised. These now contribute to enhanced service delivery and the optimization of existing capacity and resources. Resources identified and allocated to the recovery plan has been accessed and committed to enhanced compliance monitoring and inspections. Non automatic renewal provisions of the Act were identified for implementation.

7.4 Planned policy initiatives

No new policy interventions beyond those previously articulated are planned. The alignment of the Western Cape Liquor Authority in relation to National and Provincial mandates will be limited to execution within the existing legislative mandate. the WCLA will continue to focus on facilitating the determination of public interest. The WCLA embarked on a strategy to access systems and process aimed at community consultation and participation across government institutions.

8. ORGANISATIONAL STRUCTURE



Notes

PART B:
PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide limited assurance in the form of an audit conclusion. The audit conclusion on the performance against 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 66 of the Auditors Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1. Service Delivery Environment

WHO-generated reports conclude that overall public health and social burden attributable to alcohol consumption remains unacceptably high. It was estimated that in 2016, alcohol use resulted in 3 million deaths (5,3% of all deaths) worldwide and 132,6 million disability-adjusted life years or DALYS (5,1% of all DALYs). Mortality linked to alcohol consumption is higher than diseases such as tuberculosis, HIV/ AIDS and diabetes. In 2016, an estimated 2,3 million deaths and 106,5 million DALYs among men globally were attributable to alcohol consumption. For women, the figures were 0,7 million and 26,1 million, respectively.[1]

The link between alcohol and violence/trauma is not disputed. Alcohol is linked to 50% of murders in the province[2]. Of the total number of alcohol-attributable deaths, 32.0% are from unintentional injuries, and 13.7% are from intentional injuries[3]. Cheap products target people trapped in poor socio-economic conditions, and risky drinking patterns directly correlate with low-income patterns[4].

In South Africa, the financial cost attributable to harmful alcohol consumption (tangible and intangible) is estimated to be between R245 billion and R280 billion annually. This includes the costs of health care, the criminal justice system, social welfare, alcohol treatment and prevention, road traffic accidents, premature mortality and morbidity, absenteeism, and non-financial welfare costs[5].

Considerable challenges remain with the development and implementation of effective alcohol policies. Amongst these the WHO identified the influence of powerful commercial interests over policymaking and implementation as a risk that negates attempts by Governments to regulate towards reducing harms. Budgets of liquor regulators in other provinces did not escape austerity measures. Increased reliance is being placed on funding from the industry. Such funding sources can seriously compromise regulatory objectives.

The provincial government has demonstrated its commitment to effectively regulate liquor towards better social outcomes by targeting harms associated with alcohol. National government recognises that the current regulatory framework for alcohol in South Africa can be improved. Approaches to retail regulation currently differs from province to province. In the context of the National Liquor Regulators Forum (NLRF), other provinces have expressed an interest in how liquor is regulated in the Western Cape.

No single approach, intervention or institution can solely reduce the impact of alcohol-related harms in South Africa. A range of interventions at multiple levels is required to have the desired impact. The White Paper acknowledges this.

1 *World Health Organisation (2018) Global status report on alcohol and health.*
2 *Western Cape Government Department of Health (2018) Western Cape Injury Mortality profile for 2010 to 2016.*
3 *World Health Organisation (2007) Alcohol and injury in emergency departments: summary of the report from the WHO collaborative study on alcohol and injuries.*
4 *World Health Organisation (2014) Global status report on alcohol and health.*
5 *Western Cape Government (2017) White Paper Alcohol-Related Harms Reduction Policy.*

The WCLA is mandated to regulate. The Western Cape Liquor Act, 4 of 2008 as amended (the 'Act'), is mandated to administer liquor regulation in an area spanning over 129 462 km2 serving a population above 7 million people amounting to 11,8% of the total South African population[6]. The Authority is expected to assess the "environment" of liquor production, distribution and consumption in the Western Cape and pursue an agenda to regulate effectively. Although legislation needs to be revisited to further enable targeted interventions, the current legislation (considering licence applications and enforcing compliance) amounts to a considerable mandate that can be optimised.

After COVID-19, the global economy is facing a series of destabilising social and economic realities such as rising global inflation. Large scale quantitative easing and fiscal support packages accompanied by global supply disruptions occasioned high global inflation at the end of 2021. This was further fuelled by the war in Ukraine since February 2022. The latter continues to cause major disruptions in commodity and energy markets while renewed COVID-19 lockdowns in China led to additional supply chain disruptions. All this resulted in a global tightening in monetary policy with high borrowing costs leading to weaker consumer demand.

Licence holders need to be reminded of the harms associated with alcohol by embracing regulation and respecting public interest.

According to research conducted by the Department of Community Safety during the lockdown period in the Western Cape, both quantitative and qualitative data suggest that the ban on alcohol sales contributed to a decrease in assault and homicide in the 11 priority areas of the WCG Safety Plan[7]. In line with the trend across the province, in these areas, the number of homicides sharply declined in the first two weeks of lockdown and then increased somewhat over the next four weeks.

The Liquor Industry has demonstrated resilience during tough economic times and the locked down period was no exception. It confirms the resilient nature of the alcohol industry in South Africa. The top 5 companies dominating the South African Liquor Industry reported double-digit growth in the first half of 2021 and quickly returned to pre-COVID-19 levels of revenue generation and volumes traded. For the period under review more licences were being renewed and new entrants to the industry increased.

The review of the Act and regulations has progressed over the period under review. A second phase has already commenced. These amendments will allow for public health-based alcohol harms reduction (AHR) strategies and interventions for societal benefit.

The WCLA responded to the enforcement capacity challenge by appointing 5 Junior Liquor Inspectors funded within the ambit of its baseline budget. The WCLA based on its mandate and strategic alignment to provincial goals, was able to access funding to appoint 19 additional Junior Liquor Inspectors during the period under review. These Inspectors have been deployed in the 16 priority areas as part of the Area Based Teams (ABTs) approach to perform routine and risk-adjusted inspections.

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6 *Statistics South Africa mid-year population estimates, 2021*

7 *Department of Community Safety 2020 – Violent Crime in 11 priority areas of the Western Cape during the COVID-19 lockdown.*

Figure 1: WCLA Liquor Inspector to Licence Holders Ratio

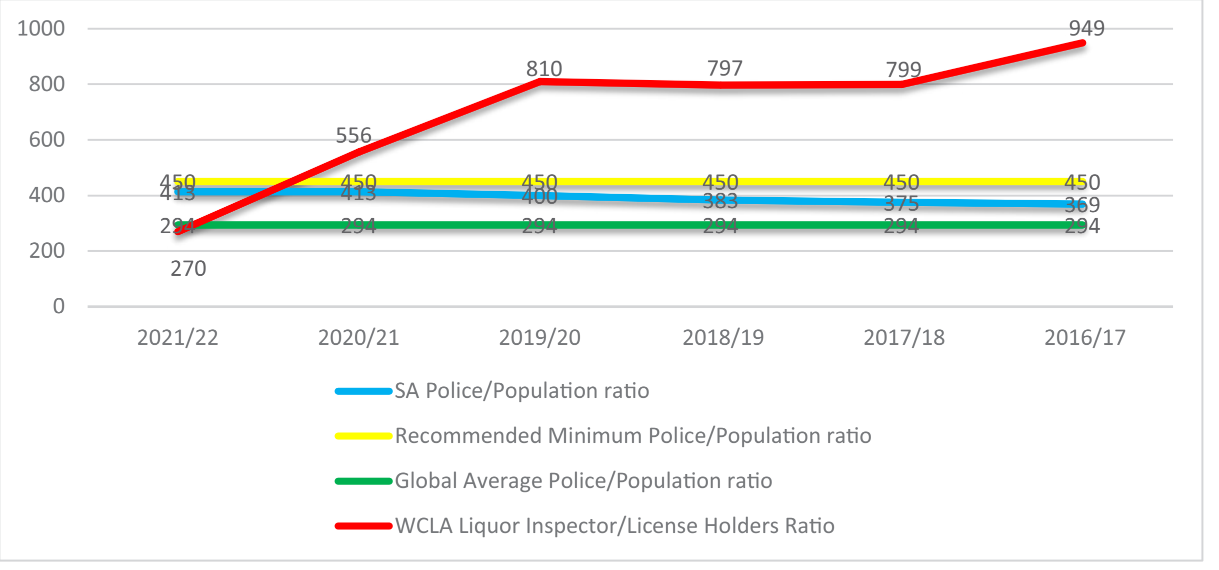


Figure 1 illustrates the enforcement capacity of the WCLA measured against the number of licensed premises from the 2016/17 financial year to the 2021/22 financial year. The capacity was previously lower than minimum recommended standards and international best practice. The additional inspectorate capacity aligned this closely to international best practices.

The Authority has started seeing results of the 24 Junior Liquor Inspectors as illustrated in figures 2. This has enabled the WCLA to significantly improve the number of inspections it is able to perform a year. For the first time in the history of the WCLA, it has adequate capacity to inspect all the licensed liquor outlets within a 12-month period.

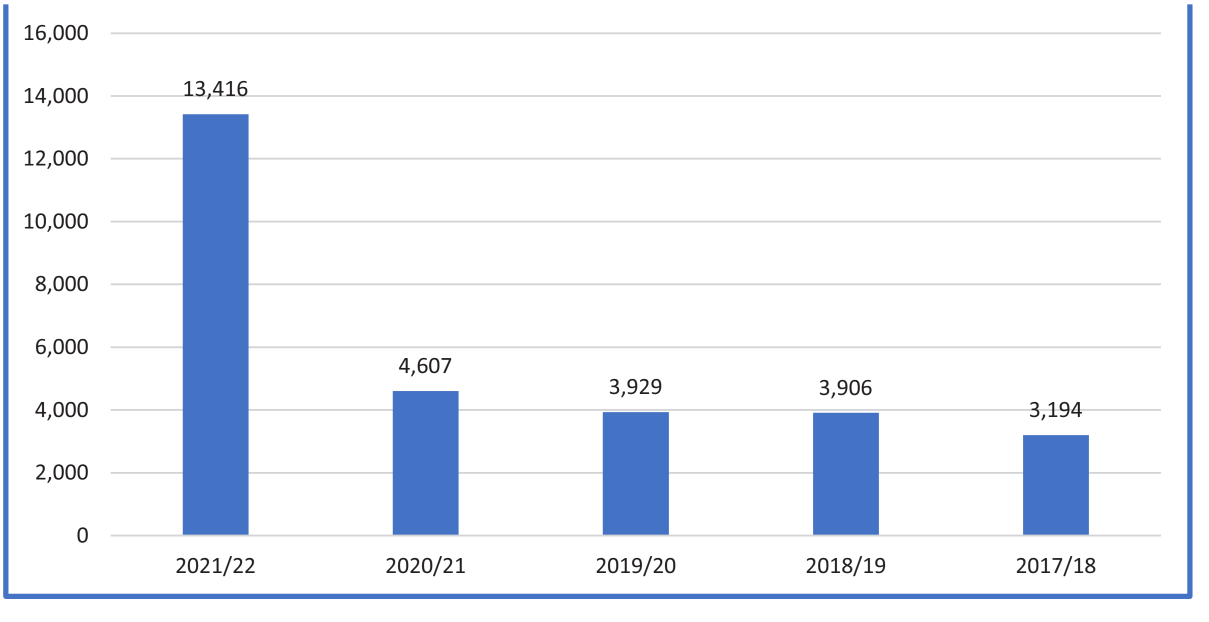
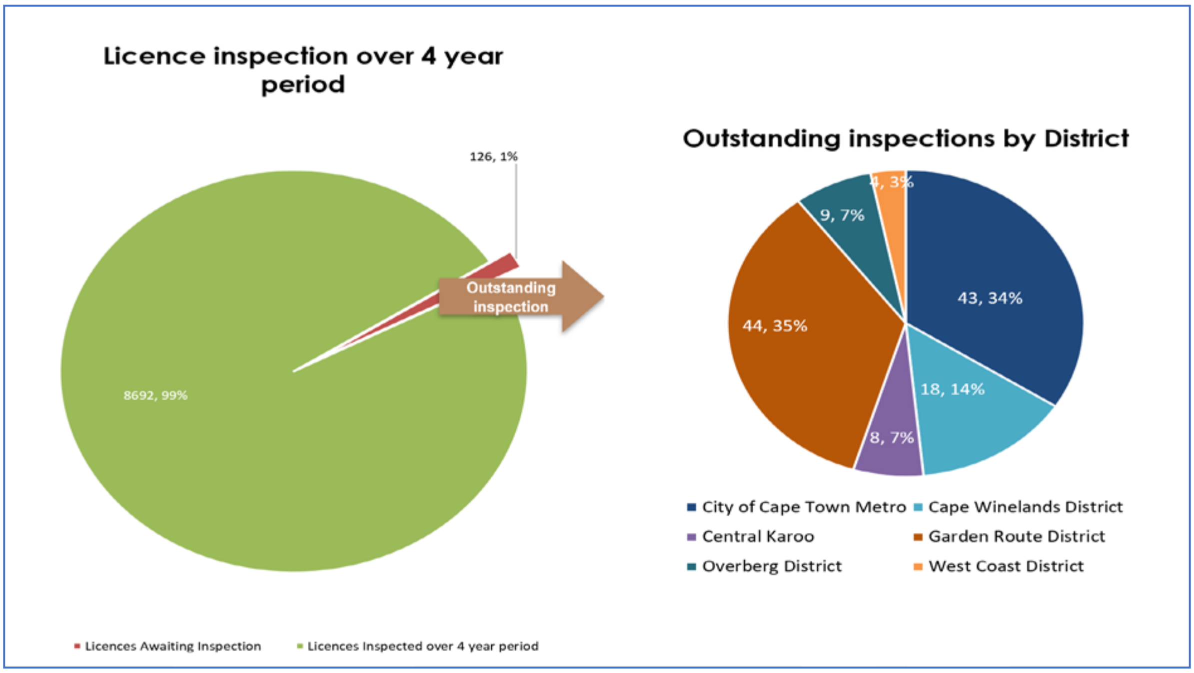


Figure 2: Number of inspections over a 5-year period

The additional capacity also enables the WCLA to focus on the priority areas in terms of the Western Cape Government Safety Plan and Recovery Plan. The deployment of the 19 Junior Liquor Inspectors is primarily in the ABTs and they perform repeated inspections at licensed premises to monitor the levels of compliance targeting underage drinking and on-selling of liquor to unlicensed premises.

Figure 3: Outstanding inspections over the past four years up to 30 April 2022



The figure 3 above illustrates that the number of licences that have not been inspected in the last 4 years has significantly reduced. The balance of licences that have not been inspected in the last 4 years is expected to be cleared by 31 July 2022 when the additional inspectorate capacity reaches its one-year anniversary.

The aim of the Authority is now to inspect every licenced premises within a 12-month period. Only 2 051 of our licences have not been inspected in the last 12-month cycle. This reflects positive progress considering that additional inspectorate capacity has been available for 8 months.

Organisational environment

The Governing Board is the Accounting Authority and is responsible for providing strategic direction and management of the Authority. Members of the Governing Board are independent non-executive members appointed by the Executive Authority after consulting the parliamentary portfolio committee.

The Chief Executive Officer (CEO) is the executive head official of the Administration and is responsible for facilitating the formulation of strategy with the WCLA Board and for the implementation of the strategic direction provided by the Board. The day-to-day operations of the Authority are presided over by the CEO who is delegated by the Governing Board to ensure compliance with governance principles and financial reporting standards including all related prescriptive frameworks.

Currently the WCLA conducts its business out of offices situated in Bellville. The administration has 6 main components, namely:

1. Liquor Licensing Administration
2. Liquor Licensing Tribunal
3. Communication, Education and Stakeholder Relations

4. Compliance and Enforcement
5. Finance
6. Corporate Services

There were 64 permanent positions within the organizational structure of the Authority as at 31 March 2022.

Liquor Licensing Administration

The component continued to process all liquor licence applications received, issued all licenses, certificates and notices once granted. Productivity reverted to pre-covid levels. The renewal rate was improved and the walk in Reception function optimally restored. It continued to support the functioning of the Liquor Licensing Tribunal.

System enhancements

System enhancements and process streamlining as well as other initiatives (such as the development of an online application platform and client services center) were initiated and will serve to make the services of the WCLA more accessible.

During the year under review, the Licence Management and Tracking System (LMATS) was enhanced. These enhancements served to promote efficiencies within the WCLA.

A special project (Online Licencing Platform) was initiated by the WCLA. The objective is to provide for a virtual and physical facility to enable easy access to WCLA services. The platform will serve to improve the customers' experience and the relationship and interaction between the WCLA and its applicants/ licence holders. It will allow an applicant or complainant to apply or submit a complaint from any location in the Western Cape instantaneously.

Renewal of licenses

During the year under review, the WCLA increased its renewals communication efforts to encourage licence holders to renew their licences timeously and improve the renewal rate for 2022. The communication channels utilised included bulk emailing and bulk SMS, the WCLA website and social media platforms, assistance by the WCLA Inspectorate and telephone calls.

As at 31 March 2022, 97% of licence holders paid their renewal fees. This figure has surpassed the final renewal rate for 2021 (95%). Learnings from the 2021/22 renewal cycle will be incorporated in the next automatic renewal cycle.

Liquor Licensing Tribunal

The Liquor Licensing Tribunal (LLT) performs a quasi-judicial function in the consideration and adjudication of all applications related to liquor licences as provided for in the Act.

The focus of the Tribunal has been aligned to three key focus areas namely, the finalization of applications within legislative timeframes, enforcement matters and public interest.

Finalisation of applications within legislative time frames

Ongoing system enhancements, management of case rolls and process improvements allowed for most matters to be considered within the prescribed timeframes.

The Liquor Licensing Tribunal prioritized matters on a risk-based approach in relation to the potential impact a matter had on public interest. Low risk applications such as the appointment of managers require less intensive scrutiny and were finalised in the shortest possible time. More focus was placed on substantive applications. Responsibility for the management of different application types were appropriately distributed.

The automated module within the LMaTS system, The Tribunal Management and Tracking system (TMaTS) was enhanced to track the timeline of each application. In addition, the system now enables tracking of reports which were found to be delaying the finalization of matters.

The Appeal Tribunal and the LLT has communicated its expectation in relation to reports thereby qualitatively enhancing reports tabled by Inspectors and DLO's. The Presiding Officer participated in the training engagements conducted in this regard.

A similar exercise will be embarked upon for local government, to expedite quality municipal reports.

Enforcement matters

Enforcement matters with a high impact on public interest were prioritized. A zero-tolerance approach was adopted. During the year under review the Tribunal has demonstrated its willingness to suspend or revoke licences in instances where warranted.

Licence holders not adhering to Tribunal orders were targeted. In most of these instances the licence was suspended subject to compliance with the order.

Public Interest

The Tribunal may not grant a licence unless it is satisfied that it would be in the public interest for such a licence to exist.

Application types were identified in terms of complexity and impact on the public interest, and by implication directly supporting alcohol harms reduction objectives. Application types with a higher risk and impact on the public interest were prioritised.

During the year under review the Tribunal for the first time requested an intervention to facilitate broader public participation to ensure the potential impact of new developments in licence applications are fully and adequately commented on. Liquor licence applications attached to convenient stores at petrol service stations were identified as a trend. The Tribunal found that the public interest in this instance may go beyond the communities in the immediate area where the proposed premises is situated. In response the Authority facilitated a process to gather input beyond residents of the areas where these 'petrol station applications' are located. Comments received from the public (over 300) were collated, submitted to the Tribunal, and made available to the Applicants to allow them the opportunity to make further representations.

The WCLA is implementing the non-automatic renewal process provided for in Section 64 of the Act. Non-compliant licence holders will have to apply to renew. These matters must be adjudicated upon by the Tribunal. The Tribunal must be convinced that it would be in the public interest for these licences to continue to exist.

Communication, Education and Stakeholder Relations

During the period under review, the focus remained on increasing community participation in licensing processes (submission of comments on new licence applications) and compliance and enforcement processes (submission of reports/complaints about non-compliance at existing licensed outlets). The component is tasked to champion an understanding and appreciation of the value of liquor regulation within the WCLA and its components, with our key strategic partners and among all our stakeholders.

The following impact areas can be listed with an indication of outcomes achieved:

1. **Accessibility of WCLA processes to enable and empower all stakeholders**

   A series of step-by-step guides have been created in digital and hard copy format to inform stakeholder understanding of WCLA processes emphasising a more citizen-centric approach.

Engagement channels for sharing information about how to comment on new applications or report existing outlets were strengthened.

2. **Informed, responsible, and compliant licence holders**

   The inspectorate of the WCLA is now central to facilitation of public participation and the guides and materials were developed with this in mind. WCLA liquor inspectors are being enabled to effectively engage licence holders. We have evolved our messaging to make it apparent that a licence continues to exist if it serves the public interest. Compliance must make business sense.

   During this reporting period, 1241 licence applicants and appointed managers were trained on how to remain compliant with relevant legislation and their licence conditions.

3. **Optimisation of resources through key partnerships**

   Operational linkages have been strengthened with the Department of Community Safety (DoCS) through collaboration in the Area-Based Teams project and the Neighbourhood Watch (NHW) Safety Information engagements. The WCLA can now reach NHWs, Community Policing Forums (CPFs) and other enforcement agencies with information to improve the impact of their efforts and initiatives.

   At the request of the LLT, a broader public participation process was facilitated to gather input in response to the increased number of liquor licence applications associated with petrol stations. The WCLA, based on the experience, institutionalised a process for public participation to ascertain public interest.

4. **Relevant, responsive, and focused WCLA operations**

   The CES component championed the development of a weekly WCLA update with a dashboard of indicators related to licensing, education, compliance, and adjudication activities for each week and for the financial year to date. The data indicates progress in the pursuit of the WCLA's mandate to effectively regulate liquor and is largely extracted from the Licence Management and Tracking System (LMaTS).

5. **Evidence-based communication, education, and awareness activities**

   An internal reference document was developed, outlining the regulatory role of the WCLA in relation to the Alcohol-Related Harms Reduction (AHR) Policy, with an emphasis on the promotion of public interest. This working document provides guidelines on the WCLA's mandate and role in reducing alcohol-related harms, articulating the rationale for liquor regulation, the global context, Western Cape Government policy imperatives, statistics, and examples for specific harms in the Western Cape. The aim of this resource is to develop consensus, consistency, and cohesion within the WCLA and with our strategic partners on how we communicate our purpose, objectives, and impact in relation to AHR. It will also ensure that content shared externally as part of communication or education and awareness activities will be based on appropriate data in support of an AHR approach to regulation.

Inspectorate (Compliance and Enforcement)

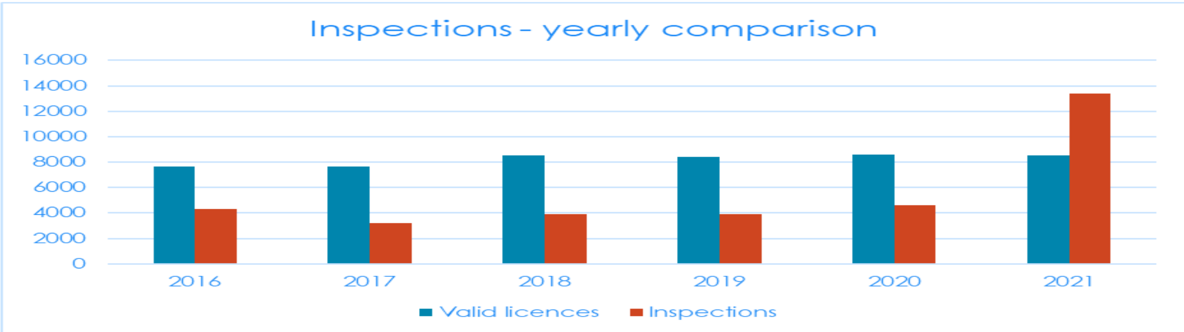
The Inspectorate continued to monitor and enforce compliance with the provisions of the Act and licence conditions as imposed by having:

- conducted pre-licensing inspections and submitting reports in respect of new, secondary, and minor applications,
- conducted routine compliance inspections,
- investigated complaints of non-compliance,
- issued compliance notices,
- participated in integrated enforcement operations, and
- prosecuted non-compliant licence holders before the Tribunal and referring qualifying matters to the criminal justice system.

Two pilot projects were implemented during the reporting period. Five 2-year fixed term junior inspector positions were established as part of a two-year pilot project. The project was aimed at eliminating the four-year backlog of outstanding inspections within City of Cape Town Metro and Cape Winelands District. These inspections were completed by the end of the reporting period which allowed for the deployment of the Inspectors throughout the province.

The 19 additional Junior Inspectors project implemented focussed on the Area Based Teams. The approach entailed different law enforcement agencies collaborating in each of the 16 identified priority policing precincts.

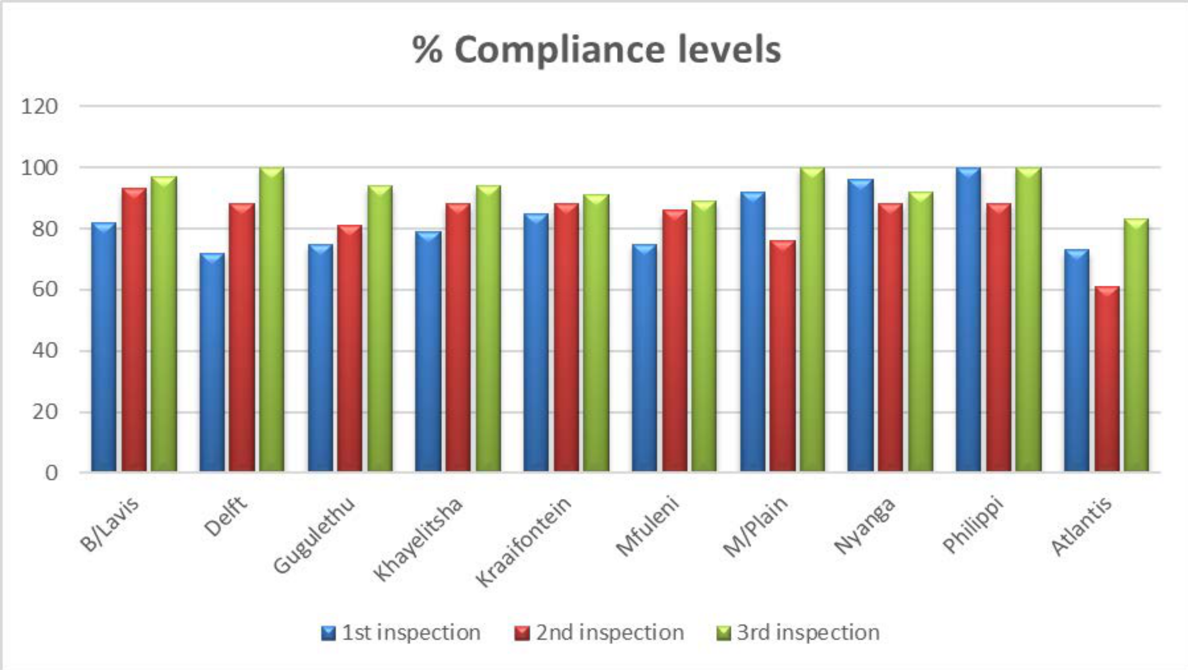
The capacity of the component increased from 10 to 34 field inspectors. This allowed for 13 416 inspections being conducted against 4 607 inspections the previous year. The number of licensed outlets in the province stands at 8906. It is apparent thus that all licensed outlets can be reached on an annual basis with the additional capacity. Operations can now be directed at high crime areas which necessitate repeat inspections on a continuous basis. The table below provides yearly comparative statistics in relation to inspections since 2016.



The ability to reach all licensed outlets annually will ensure that the non-automatic renewal process, which acts as a further tool to address irresponsible trading, is implemented in a fair, just and equitable manner.

The Area Based Teams project as mentioned above is aimed at addressing high crime areas through joint operations with other enforcement agencies. The project was initially implemented focussing on general compliance. Repeated inspections were conducted, and the table below reflects how compliance levels increased with follow-up inspections.

Performance Information



On 29 March 2022 the first of 4 training engagements commenced in the Southern Cape where Designated Liquor Officers, Vispol Commanders and CPF Chairpersons from Beaufort- West Cluster, Eden Cluster and Da Gamaskop Clusters were in attendance. The training engagement demonstrated the commitment from the SAPS and CPF members to actively pursue alcohol harms reduction. The Office of the Provincial Commissioner committed to the initiative by availing the officials and appropriate venues for such engagements.

These engagements support recommendations within the White Paper proposing a consolidation, alignment and integration of all law enforcement agencies focusing on the enforcement of laws pertaining to alcohol. The expectation is for the WCLA to play a leadership role in this regard. The relationship with other enforcement agencies is strengthened by joint operational planning, training and identification of enforcement challenges. Collaboration with other law enforcement agencies will demonstrate value in terms of general policing to reduce crime, much of which is alcohol related.

The substantial increase in capacity introduced challenges in relation to administrative support and physical resources. However, these challenges are being managed through enhanced planning and amendments to business and project plans to resource revised needs. An articulation of a “fit for purpose” structure exist, and a revision of Job Descriptions introduced.

Finance

It can be argued based on the performance of the WCLA and the governance exemplified, that as a Public Body the WCLA is managing sustainable value for the public and key stakeholders. The WCLA has negotiated dependencies, related risks, and opportunities, has identified the financial implications and responded to ensure continued sustainability and relevance.

Strategic processes of the WCLA produced a business model that optimizes the resources allocated to the WCLA. The most strategic and appropriate initiatives have been prioritised and resourced.

The WCLA’s strategic plan and its stated goals continue to provide a blueprint of what the organisation seeks to achieve. The Finance component delivers support to achieve self-sustainability of the WCLA. The ability of the WCLA to mobilise resources as own revenue and on behalf of the Provincial Revenue

Fund has been demonstrated over the period under review. The primary objective is collecting and paying over more monies received by way of fees to the Provincial Revenue Fund than what it receives in allocations from the fiscus. This is progressively being realised.

The self-sustainability gap in the baseline allocation has been reduced to R110 000 in the 2021/22 financial year. This was achieved with staggered CPI related increases over the last three-years and administrative efficiency gains. The COVID-19 pandemic and related alcohol bans did not negatively impact on renewals. of licences as the Authority achieved the highest renewal rate for the 2021/22 financial year compared to the previous two years.

Analysis of renewals over five years					
	2022	2021	2020	2019	2018
Renewals raised	8958	8914	8918	8766	8793
Renewed	8675	8529	8572	8407	8403
Lapsed	283	385	346	359	390
Renewal rate	96.84%	95.68%	96.12%	95.90%	95.56%

Fee increases that would ensure the liquor industry funds the cost of effective regulation such as the additional enforcement capacity, must be pursued to avoid subsidization of the regulatory function. It cannot be expected of the taxpayer to bear the cost or subsidize the regulation of liquor. The WCLA started pursuing a differentiation between licences that are compliant and those that are not. Differentiated pricing, as a principle will recognise and determine fees commensurate with the harms occasioned.

The WCLA identified quick wins within the mandate it already holds. In the short-term, the focus has been on implementing a differentiated enforcement and administration strategy, based on Section 64 of the Act dealing with non-automatic renewals, targeting non-compliant licensees.

Progressing to further phases is dependent on the ability of the WCLA to incorporate the R9.1 million for the additional inspectorate capacity into its baseline budget allocation. An appropriate licence fee increase will consolidate and sustain the increased inspectorate capacity. Such increase effectively amounts to less than R40p/m per licensee.

Corporate Services

The development of the Human Resources Strategy of the WCLA was embarked upon with the intention of providing a framework linking our people management and development practices to our long-term organizational goals, strategies, and outcomes. It focuses on sustainable resourcing within the context of the Authority's goals and the evolving and developing nature of work. It also informs other HR strategies, determining how they are integrated into the overall organizational strategy.

Taking the Governance and Planning processes applicable to the WCLA over the past decade into account, the WCLA during the period under review embraced the reality of things it has little control over and focusing on those it is able to influence. To this end we have adjusted to a realistic growth for impact strategy.

2.2. Key policy developments and legislative changes

The critical amendments to the Liquor Act are at an advanced stage. The amendments once enacted will position the WCLA to enhance efficiency on the one hand and advance harm reduction objectives.

2.3. Progress towards Achievement of Institutional Impacts and Outcomes

Outcome	Outcome Indicator	Five-year target	Progress in terms of five-year target
1. Applications processed by the Liquor Licensing Administration within prescribed timeframes	1. Timeous processing of permanent and secondary applications to be referred to the Liquor Licensing Tribunal	100% of permanent and secondary applications processed by the Liquor Licensing Administration within prescribed timeframes	The applications processed by the LLA within the prescribed timeframes achieved an overall average of 85% for the second year of the five-year period. During the first quarter of the financial year, permanent and removal applications received from November 2020 - 31 March 2021 could not be published within the prescribed time frames due to contractual delays with the procurement of a service provider to provide communication services to the Authority. This negatively impacted on the processing timeframes of the affected applications and contributed largely to the under-achievement.
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	Ongoing system enhancements and the ongoing optimization of processes and procedures followed before enrolment and during the consideration stage contributed to most applications being dealt with within legislative timeframes.
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. Stakeholder engagements and education and awareness campaigns have focused on informing communities about the mechanisms for participating in applications and complaints processes. Key partnerships have been strengthened to optimise resources for increasing community participation, such as with the Department of Community Safety's Neighbourhood Watch engagement programme.
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.

Outcome	Outcome Indicator	Five-year target	Progress in terms of five-year target
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. 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.
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	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. 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 the respective roles, responsibilities and obligations attached and assigned to each institution.

Performance Information

The Strategic Plan requires the WCLA to ensure an increase in general compliance levels specifically offences related to underage drinking and access to restricted areas. The operations of the inspectorate were aimed at its commitment in the ABT areas and its general mandate to inspect all liquor premises throughout the province.

The WCLA also committed to the WCG's Provincial Strategic Plan (2019-2024) more especially VIP 5: Innovation and Culture, and in this regard started a project to process and track the entire progress of any application provided for in terms of the Act. The Online Client Services Platform will serve to enhance the citizen-centric approach the WCLA has committed itself to. The WCLA aims to develop mutually beneficial relations with licence holders for the duration of their licences. The aim is also to provide a suitably responsive and relatable licensing system that citizens can readily access.

3. PERFORMANCE INFORMATION BY COMPONENT

3.1 Component 1: Liquor Licensing Administration

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

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Outcome	Output	Output Indicator	Audited Actual Perform-ance 2019/20	Audited Actual Perform-ance 2020/21	Planned Annual target 2021/22	Actual Achieve-ment 2021/22	Deviation from planned target to Actual Achieve-ment 2021/22	Reason for deviations
Applications processed by the Liquor Licensing Administration within prescribed timeframes	Legislative compliance	1.1 Percentage of permanent and secondary licence applications received by the Liquor Licensing Administration processed within prescribed timeframes	NEW	83.97%	90%	84.93%	(5.07%)	During the financial year the LLA experienced delays with the DLO/ Inspectorate reports not being received on time which would enable the administrator to enrol the application. LLA has enhanced the LMaTS system to better track the Inspectorate requests logged by adding a specific workflow for Inspectorate report requests, to ensure that timelines are adhered to.

Performance Information

Analysis of Performance Information

The receipt of incomplete applications and the insistence that such be processed on the basis that the Act allows the LLT to condone deficiencies on request by the Applicant has resulted in delaying administrative processes unduly. This compromises the processing efficacy of the WCLA.

Delays with outstanding Designated Liquor Officer (DLO) reports results in the Tribunal not being able to fully consider the application before it. An enhancement to the LMaTS system was prioritised to track the requests for Inspectorate reports.

Strategy to overcome areas of Under Performance

An amendment to the act has been requested that would allow for the administration to decline incomplete applications at lodgement based on specified criteria. In the interim the Authority has declined to publish applications if the supporting documentation would not enable an informed public participation process. During the first quarter of the financial year, applications received between November 2020 - 31 March 2021 could not be published within the prescribed time frames due to contractual delays with the procurement of a province wide service provider for communication services to the Authority (publication of application notices in local community newspapers). This negatively impacted the processing timeframes for the affected applications. Most of the applications impacted upon could subsequently be dealt with.

Linking Performance with Budget

Component/ activity/ objective	2021/22			2020/21		
	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	18 314	16 194	2 120	11 695	9 759	1 936
Total	**18 314**	**16 194**	**2 120**	**11 695**	**9 759**	**1 936**

3.2 Component 2: Liquor Licensing Tribunal

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

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Outcome	Output	Output Indicator	Audited Actual Perform-ance 2019/20	Audited Actual Perform-ance 2020/21	Planned Annual target 2021/22	Actual Achieve-ment 2021/22	Deviation from planned target to Actual Achieve-ment 2021/22	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	56.44%	90%	85.96%	(4.04%)	Vacancies in the Tribunal during quarter 1 impacted on the number of applications considered within the required timeframe resulting in an under achievement for the financial year. Since all vacancies have now been filled during the financial year both the Tribunal and Section 24 Committee were able to function optimally and therefore reducing the number of applications considered outside of the required timeframes.
		2.2 Percentage of all enforcement matters finalized by the Liquor Licensing Tribunal within 60 days of referral	NEW	NEW	90%	84.25%	(5.75%)	All enforcement matters are considered on the papers in front of the Tribunal. This necessitates the request for further representation on paper. As a result, the timeframes for considering these matters in some cases has been exceeded. Looking at the matters at an earlier stage and managing the timeframes for representations started to contribute to the increase of matters that were considered within the required timeframes. The Tribunal will proceed with this approach in an attempt to increase the number of applications considered within the required timeframes.

Performance Information

Analysis of Performance Information

Meeting the APP targets for applications considered improved considerably over the period under review and reflects a huge improvement on the achievements for the prior reporting year. With all vacancies being filled the Tribunal and Section 24 committee are functioning optimally. The majority of licence applications are considered within the prescribed timeframes.

Due to the nature of enforcement matters and possible consequences should a licence holder be found guilty of transgressions it is of utmost importance that the licence holder be afforded the opportunity to make representations on allegations. This results in numerous matters being postponed for further representations, delaying finalization thereof.

Strategy to overcome areas of Under Performance

Reviews of the systems and processes were undertaken and is ongoing to enable proactive management of the challenges as they arise.

The proactive management of member terms ensures vacancies are anticipated timeously and that the capacity of the Tribunal remains optimal at all times.

Legislative amendments anticipated include extension of powers of the Section 24 Committee to include enforcement matters. This should introduce greater resource flexibility allowing the Presiding Officer to respond to pressures brought to bear on the LLT. The amendment will free up capacity within the Tribunal to fully focus on licence applications.

Linking Performance with Budget

Component/ activity/ objective	2021/22			2020/21		
	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	4 565	4 812	(247)	3 358	3 152	206
Total	**4 565**	**4 812**	**(247)**	**3 358**	**3 152**	**206**

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

Outcome	Output	Output Indicator	Audited Actual Perform-ance 2019/20	Audited Actual Perform-ance 2020/21	Planned Annual target 2021/22	Actual Achieve-ment 2021/22	Deviation from planned target to Actual Achieve-ment 2021/22	Reason for deviations
Community participation in the application and complaints processes	Increased public participation	3.1 Number of engagements with local authorities	NEW	26	26	27	1	An invitation was received for an unplanned intergovernmental engagement.
		3.2 Number of public participation interventions attended with Stakeholders	NEW	36	36	37	1	An additional engagement was required to keep stakeholders informed.
		3.3 Report on public participation in the application processes	NEW	4	4	4	-	
		3.4 Report on public participation in the enforcement processes	NEW	4	4	4	-	
		3.5 Number of awareness sessions with licence holders directed at priority groupings of women and youth	NEW	10	12	13	1	An additional engagement to raise awareness about priority groups with licence holders was held.

Performance Information

Analysis of Performance Information

The Communication, Education and Stakeholder Relations component achieved all the planned targets for the year.

Strategy to overcome areas of Under Performance

Not applicable.

Linking Performance with Budget

Component/ activity/ objective	2021/22			2020/21		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Communication, Education and Stakeholder Relations	5 430	3 783	1 647	3 814	3 255	559
Total	**5 430**	**3 783**	**1 647**	**3 814**	**3 255**	**559**

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

Outcome	Output	Output Indicator	Audited Actual Perform-ance 2019/20	Audited Actual Perform-ance 2020/21	Planned Annual target 2021/22	Actual Achieve-ment 2021/22	Deviation from planned target to Actual Achieve-ment 2021/22	Reason for deviations
Compliance with the Act and licence conditions by licence holders	Proactive measures to ensure compliance	4.1 Percentage of licences issued in the previous financial year inspected in the current financial year	NEW	60.89%	80%	70.25%	(9.75%)	Improvements to the LMaTS system introduced challenges which included an inaccurate reflection of outstanding inspections. Many licences inspected shortly after being licensed did not reflect as inspected in the 2021/22 financial year. The remaining outlets not inspected were prioritised for the new financial year. The objective now is to reach all licensed outlets on an annual basis from the 2022/23 financial year.
		4.2 Number of enforcement operation with other agencies conducted	91	94	80	261	181	The additional inspectorate capacity had a direct impact on the increased number of operations. The focus was on the Area Based Teams Pilot project
		4.3 Percentage of complaints received attended to within 14 days	NEW	100%	95%	97.02%	2.02%	The additional inspectorate capacity had a direct impact on the components ability to attend to all complaints within a reasonable time.

Performance Information

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reason for deviations
		4.4 Number of inspections conducted focussed on under-age drinking and access to restricted areas	NEW	324	550	5 991	5 441	The additional inspectorate capacity had a direct impact on the increased number of inspections focussed on under-age drinking.
		4.5 Percentage of licences waiting to be inspected, as at the end of the previous financial year, inspected within the current financial year	NEW	NEW	70%	84.04%	14.04%	The overachievement is due to the appointment of the additional 24 Junior Inspectors which increased productivity on the various functions of the component including the total number of operations conducted.

Analysis of Performance Information

Most of the over achievements above stems from the additional enforcement capacity. Although such appointments were made towards the middle of August 2021, activities were mostly focused on specific interventions and therefore the indicators were not amended. The additional 24 inspectors were appointed on fixed term contracts and the retention of such capacity will enable the inspectorate to reach all licensees on an annual basis which would render some of the indicators above superfluous. The indicators were however amended for the 2022/2023 financial year to expand the footprint of the Western Cape Liquor Authority in the province. Improved collaboration with other agencies should be clear from the number of operations conducted, especially in the high crime areas.

Strategy to overcome areas of Under Performance

The additional capacity has resulted in upward adjustments of certain indicators for the new financial year. It is expected that such adjustments will enhance impact of the WCLA. The additional capacity generated an administrative burden. The reassessment of the entity's structure to establish a fit for purpose structure will support the strategies of the entity and ensure that operational requirements are met. Only one indicator was not achieved but based on the challenges the office experienced with system enhancements it appeared that information was inaccurately processed and captured. This however did not adversely affect performance with newly issued licences being inspected soon after the issuing thereof.

Linking Performance with Budget

Component/ activity/ objective	2021/22			2020/21		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Compliance and Enforcement	23 053	15 495	7 558	23 785	8 889	14 896
Total	**23 053**	**15 495**	**7 558**	**23 785**	**8 889**	**14 896**

Performance Information

3.5 Component 5: Finance

This component aims to enhance performance oriented financial management.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Outcome	Output	Output Indicator	Audited Actual Perform-ance 2019/20	Audited Actual Perform-ance 2020/21	Planned Annual target 2021/22	Actual Achieve-ment 2021/22	Deviation from planned target to Actual Achieve-ment 2021/22	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	102%	96.50%	98%	128.50%	30.5%	Enhanced budget controls were implemented during the financial year.
		5.2 Percentage of invoices paid within 30 days after receipt of invoice	100%	96%	100%	99%	(1%)	Queries on invoices. Valid queries against invoices renders them unpayable until the query is resolved and therefore in such instances payments will exceed 30 days if resolutions are not achieved in time.
		5.3 Audit opinion from Auditor General of South Africa	NEW	NEW	Unqualified Audit Opinion	Unqualified Audit Opinion	-	

Analysis of Performance Information

There were no instances of significant under-achievements of targets on the Finance component's performance indicators.

Strategy to overcome areas of Under Performance

Not applicable.

Linking Performance with Budget

Component/ activity/ objective	2021/22			2020/21		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Finance	15 863	13 410	2 453	14 582	12 139	2 443
Total	**15 863**	**13 410**	**2 453**	**14 582**	**12 139**	**2 443**

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

Outcome	Output	Output Indicator	Audited Actual Perform-ance 2019/20	Audited Actual Perform-ance 2020/21	Planned Annual target 2021/22	Actual Achieve-ment 2021/22	Deviation from planned target to Actual Achieve-ment 2021/22	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 achievements of targets on this component's performance indicators.

Strategy to overcome areas of Under Performance

Not applicable.

Linking Performance with Budget

Component/ activity/ objective	2021/22			2020/21		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Corporate Services	18 747	12 629	6 118	10 501	9 395	1 105
Total	**18 747**	**12 629**	**6 118**	**10 501**	**9 395**	**1 105**

Reporting on the institutional response to the COVID-19 pandemic

Not applicable.

Woman, Youth and Persons with Disabilities

The WCLA has prioritised vulnerable groups in its operations as well as in relation to harms associated with alcohol abuse, which affect woman 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.

Changes to Planned Targets of each component

No in-year changes to tabled APP indicators affected the Authority

4. REVENUE COLLECTION

Sources of revenue	2021/22			2020/21		
	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	3 636	3 700	(64)	2 212	1 851	361
Application fees	1 903	2 077	(174)	1 578	1 487	91
Other income	46	75	(29)	22	26	(4)
Interest received	746	708	38	1 067	545	522
Auto renewal	42 970	45 451	-2 481	40 059	39 737	322
Fines	4 536	4 268	268	4 350	3 893	457
Total	53 837	56 279	-2 442	49 288	47 539	1 749

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

The WCLA's own revenue is made up of the following:
- Granting fees;
- Application fees;
- Other income;
- Interest received; and
- Fines

The Authority recorded an over-collection of own revenue mainly due to granting fees being higher than originally budgeted due to improved economy and the easing of the lockdown restrictions which allowed larger events and gathering to take place, causing an increase in events and other licences applied for, and granted to licensees.

An increase in application fees was also approved by the Minister, contributing positively to this increase. 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. Interest rates remained relatively low even after the economic conditions relating to COVID-19, showing some improvement.

Over-collection on own revenue were as follows:
- Granting fees – R0.064 million
- Application fees – R0.174 million
- Other income – R0.029 million

4.1. Capital investment

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

Infrastructure projects	2021/22			2020/21		
	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	1 684	0	1 684	0	1 684
IT equipment	1 966	419	1 547	258	0	258
Cloud infrastructure	0	0	0	111	111	0
Online client service platform	4 164	0	4 164	0	0	0
Pastel	267	144	123	233	0	0
Total	**8 081**	**2 247**	**5 834**	**2 286**	**111**	**1 942**

Notes

PART C:
GOVERNANCE

Governance

1. INTRODUCTION

The WCLA subscribes to all the processes and systems which are prescribed for public entities. The Western Cape Liquor Act prescribes the powers of the entity and its Board. The WCLA is bound by all the directives government made applicable to entities. Corporate Governance of the WCLA is informed by the PMFA and the applicable King report on Corporate Governance.

2. PORTFOLIO COMMITTEES

In respect of the year under review the WCLA has participated in all the engagements called by the Portfolio Committee applicable to the Department of Community Safety.

In addition, the WCLA has responded to questions posed to the WCLA in addition to those question directed to the Department that required input from the WCLA as regulator.

3. EXECUTIVE AUTHORITY

The Executive Authority performs its oversight over the WCLA as prescribed by the PFMA. As set out in the Act the Executive Authority has the power to appoint and dismiss the Members of the Governing Board. The WCLA reports to the Executive Authority as required by the PFMA on a quarterly basis where feedback is provided on quarterly financial and non-financial performance as well as the general wellbeing of the Authority. Institutional arrangements have been made to ensure the regularity of these engagements.

4. THE ACCOUNTING AUTHORITY/GOVERNING BOARD

The Western Cape Liquor Authority is the regulator of micro-manufacturing and the retail sale of liquor in the province. The Governing Board of the WCLA oversees the administration of the Western Cape Liquor Authority.

The Governing Board of the Authority oversees the implementation of the Western Cape Liquor Act and the management of the business of the Authority. The Governing Board is responsible for policy, control, strategy direction, leadership, accountability, probity, and transparency in all respects. It holds the Management of the WCLA responsible for the effective and efficient management of resources and to sustain the WCLA.

The members of the Governing Board and its committees jointly and severally derive their fiduciary responsibilities from the provisions of the Western Cape Liquor Act (4 of 2008), as amended, the PFMA, its charter (reviewed and approved 1 September 2021) and the terms of reference of the various governing board committees.

Composition of the Governing Board

Table 1 indicates the composition of the Governing Board that took up office on 12 March 2021.

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
Ronald Kingwill	Chairperson	12/03/2021	N/A	CA(SA), CTA, B Comm	Governance, Finance and Risk	N/A	Finance, HR, IT & Ethics, OPS Committee *	26
Gregory Grootboom	Deputy Chairperson	12/03/2021	N/A	PhD Educational Psychology, B Ed (Psych), Med (Psychology)	Communic-ation and Leadership	N/A	Communications and Stakeholder Relations Committee, Audit and Risk Committee	26
Carol-Ann Foulis	Member	12/03/2021	N/A	BA (English and Psychology), Post Dip (HRM), MBA (Development Studies)	Communi-cation, Research	N/A	Communications and Stakeholder Relations Committee, OPS Committee	19
Zuziwe Zantsi	Member	12/03/2021	23/07/2021	MA (Linguistics), BA Hons	Governance, Communi-cation	N/A	Finance, HR, IT & Ethics Committee, Risk Committee	6
Andreas le Roux	Member	12/03/2021	N/A	MBA (Business Admin), Bsc Engineering (Mechatronics)	Management, Strategy, Planning	N/A	Finance, HR, IT & Ethics Committee, OPS Committee, Communications and Stakeholder Relations Committee	23
Sibonile Khoza	Member	15/11/2021	N/A	LLM, Post-Graduate Diploma in Development Policy and Practice, LL.B.	Governance, Planning, Strategy	N/A	Finance, HR, IT & Ethics Committee, OPS Committee	5
Tanya Wainwright	Member	15/11/2021	N/A	LL.B.	Governance, Planning, Strategy	N/A	Communications and Stakeholder Relations Committee, OPS Committee	7
Crystal Abdoll	Member	01/03/2022	N/A	Chartered Accountant, Post Grad Diploma in Internal Auditing, BCompt Hons	Governance, Finance and Risk	N/A	Finance, HR, IT & Ethics Committee, Audit and Risk Committee	-

* The Chairperson of the Governing Board continued to attend Board committee meetings to ensure that committees were quorate as not all Board member appointments were concluded at the start of the financial year as well as to accommodate the resignation of one Board member during the financial year.

Governance

Governing Board and Committee meetings

Governing Board/ Committee	No. of meetings held	No. of members	Name of members
Governing Board	5	7	Ronald Kingwill, Gregory Grootboom, Carol-Ann Foulis, Andreas le Roux, Sibonile Khoza, Tanya Wainwright, Crystal Abdoll, Zuziwe Zantsi
OPS Committee	4	5	Ronald Kingwill, Carol-Ann Foulis, Andreas le Roux, Tanya Wainwright, Sibonile Khoza
Finance, HR, IT and Ethics Committee	4	5	Ronald Kingwill, Andreas le Roux, Sibonile Khoza, Zuziwe Zantsi, Crystal Abdoll
Communications and Stakeholder Relations Committee	4	4	Gregory Grootboom, Carol-Ann Foulis, Andreas le Roux, Tanya Wainwright, Zuziwe Zantsi
Risk Committee*	1	3	Ronald Kingwill, Gregory Grootboom, Zuziwe Zantsi

** As at 27 May 2021 the Audit and Risk Committee amalgamated and the Risk Committee was dissolved.*

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 as a B2 level. Payments per hour and per day are as follows:

Sub-category B2	Rate per day	Rate per hour
Chairperson	3 888	486
Deputy Chairperson	2 738	342
Member	2 382	298

Name	Remuneration	Other allowance	Other re-imbursements	Total
	R	R	R	R
Ronald Kingwill	72 867	3 900	791	76 355
Gregory Grootboom	45 837	5 285	11 934	60 983
Carol-Ann Foulis	29 631	5 200	461	37 895
Andreas le Roux	36 450	5 200	961	44 343
Sibonile Khoza	3 797	-	-	3 797
Tanya Wainwright	12 487	1 300	195	13 983
Zuziwe Zantsi	9 538	-	91	9 630
Crystal Abdoll	2 382	204	-	2 586

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. Quarterly Risk Management meetings are held to discuss and address emerging risk. and progress in respect of mitigation of identified risks. Risk Committee meetings are scheduled quarterly to interrogate the risk register as compiled by Management.

6. INTERNAL CONTROL UNIT

A Compliance and Internal Control function exists within the Finance Component and reports to the Chief Financial Officer. The position of Manager: Compliance and Internal Control is expected to be filled in the new financial year. To mitigate above, a system of internal controls was introduced to ensure the management of loss control, financial related systems and supporting the management with Fraud prevention.

7. INTERNAL AUDIT AND THE AUDIT RISK COMMITTEES

The Authority does not have an internal audit unit. 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 the activities of the internal audit service provider.

Governance

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	-	6
Terence Arendse	CA(SA)	External	-	1 May 2019	-	6
Gregory Grootboom	PhD Educational Psychology, B Ed (Psych), Med (Psychology)	Internal	Board member	12 May 2021	1 March 2022	6
Crystal Abdoll	CA(SA), Post Grad Diploma in Internal Auditing, BCompt Hons	Internal	Board member	1 March 2022	-	0

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 and fraud prevention plan. Management and staff are responsible for the detection and prevention of fraud, misappropriations, and other irregularities.

10. MINIMISING CONFLICT OF INTEREST

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

For the 2021/22 financial year, there was no conflict of interest identified.

11. CODE OF CONDUCT

The Western Cape Liquor Authority Governing Board members and its employees adhere to the guidelines as stipulated in the Code of Conduct. The Code of Conduct serves to guide the employees as well as the Board of the Authority in terms of a standard of conduct both internally and externally. Breach of the Code of Conduct by the employees and/or Board members is viewed as a serious and will be dealt with according to the relevant protocols of the WCLA or professional/industry standards.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

13. COMPANY/BOARD SECRETARY (IF APPLICABLE)

N/A

14. SOCIAL RESPONSIBILITY

The operations of the WCLA are geared towards regulating the retail sale and micro manufacture of liquor in the Western Cape. Its methodology entails facilitating the determination of public interest in the consideration of the granting of a license to trade liquor and the continued existence of such a license.

The Strategic Plan and Annual Performance plan of the WCLA demonstrates an alignment with and commitment to the Safety Plan and other interventions of the Western Cape Government. The additional inspectorate capacity prioritised high risk areas as listed by Provincial Government.

15. AUDIT AND RISK COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2022.

Audit and Risk Committee Responsibility

The Committee reports that it has complied with its responsibilities as outlined in Section 77 of the Public Finance Management Act and Treasury Regulation 27.1.

The Committee can further confirm that it has developed and formally adopted terms of reference, same which has been 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.

Committee Members and Attendance

Members of the Committee are independent.

As determined by its Charter, the Committee is required to meet at least four (4) times per annum, although additional meetings may be scheduled as the need arises. Six (6) meetings were held during the 2021/22 financial year.

	Meetings attended
Mr T. Arendse	6
Mr F. Barnard	6
Dr G. Grootboom	6

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 identified areas of improvement have been assessed and the Committee continues to monitor progress on a quarterly basis.

In-Year Management and Monthly/Quarterly Reporting

The Committee has 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 is satisfied that 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 on a quarterly basis monitors and considers the risk management plan, the risk register, and updates thereto together with actions taken to mitigate these risks.

Auditor-General's Report

The Committee:

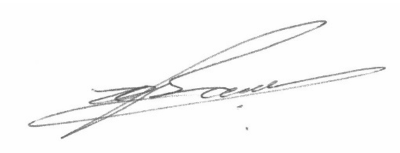
- Reviewed the Auditor General's Audit and Management reports and management responses thereto; and
- Engaged with the Auditor General to ensure that there are no unresolved issues that emanated from the regulatory audit.

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 the report of the Auditor-General.

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 on 31 May 2022.

The Committee commends the entity for maintaining an unqualified audit opinion. 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.



Francois Barnard
Chairperson of the Audit Committee
Western Cape Liquor Authority
Date: 31 July 2022

16. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the provisions of the B-BBEE Act of 2013 and as amended by the Department of Trade and Industry.

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following		
Criteria	**Response Yes/ No**	**Discussion (include a discussion on your response and indicate what measures have been taken to comply)**
Determining qualification criteria for the issuing of licenses, concessions or other authorisations in respect of economic activity in terms of any law?	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 economic activity.
Developing criteria for entering into partnerships with the private sector?	No	The WCLA does not engage in 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 economic activity.

PART D:
Human Resource Management

Human Resource Management

1. INTRODUCTION

The Authority has evolved over the years and succeeded to resource capacity for critical functions. A key objective of the “Fit for Purpose Structure” is to appropriately align available resources and capacity to enable initiatives and priorities informed by prevailing policy imperatives. The structure of the WCLA is required to allow it to be an agile and responsive organisation capable of effectively regulating the retail sale and micro manufacture of liquor in the Western Cape towards a reduction of Alcohol related Harms.

The Board approved the translation of temporary positions to permanent positions and the updated organisational structure of the WCLA.

A decision was made to procure capacity for the facilitation of an appropriate structure for the WCLA. Preparatory work has already been done in conjunction with all components. Job descriptions for each existing position has been finalised. The intention is to source the expertise and capacity to ensure the processes are accredited to industry standards and capable of alignment to the Western Cape Government.

SETA Learnerships/ Internship

The success of the internship program over the last few years has enabled the WCLA to establish a pool of candidates for its recruitment processes. The Authority has successfully appointed interns in permanent and contract positions and has also seen them being appointed in permanent and contract positions at other organisations.

The internship program is a strategic initiative that benefits the WCLA but is also seen as part of the Authority’s social responsibility to enhance skills and capacity generally.

Successes

The 2021/22 financial year has seen significant strides towards the greater impact and pursuit of our strategic mandate. The appointment of the 24 Junior Liquor Inspectors was expedited in good time.

Officials of the WCLA succeeded to obtain qualifications assisted by the bursary scheme of the WCLA. The qualifications include:

- B Comm General
- BA Forensic Science and Technology
- Chartered Accountant

The Authority continues to encourage its employees to take advantage of opportunities for growth and development.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by component

Programme/ activity/ objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Liquor Licensing Administration	38 309	9 445	25 %	16	590
Communication, Education and Stakeholder Relations	38 309	3 394	9 %	6	567
Compliance and Enforcement	38 309	14 473	38 %	38*	381
Finance	38 309	4 808	12 %	8	601
Corporate Services	38 309	6 189	16 %	16	385

* Includes the 1 x Junior Liquor Inspector that resigned during the course of the 2021/22 financial year.

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	1 540	4 %	1	1540
Senior Management	4 712	12 %	5	942
Professional qualified	9 507	25 %	18	528
Skilled	10 269	27 %	24	427
Semi-skilled	10 993	29 %	30*	366
Unskilled	1 288	3 %	6	215
TOTAL	38 309	100%	83	536

* Includes the 1 x Junior Liquor Inspector that resigned during the course of the 2021/22 financial year.

Human Resource Management

Performance Rewards

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

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

Training Costs

Programme/activity/ objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of employees trained	Avg training cost per employee
Liquor Licensing Administration	9 445	0	0.0 %	0	0
Communication, Education and Stakeholder Relations	3 394	0	0.0 %	0	0
Compliance and Enforcement	14 473	14	0.1 %	2	7
Finance	4 808	35	0.7 %	2	17.5
Corporate Services	6 189	0	0.0 %	0	0

Employment and vacancies

Programme/activity/ objective	2020/21 No. of Employees	2021/22 Approved Posts	2021/22 No. of Employees	2021/22 Vacancies	% of vacancies
Liquor Licensing Administration	16	19	16	3	16%
Communication, Education and Stakeholder Relations	7	7	6	1	14%
Compliance and Enforcement	39	40	37	3	8%
Finance	10	12	8	4	33%
Corporate Services	13	17	16	1	6%

Programme/activity/ objective	2020/21 No. of Employees	2021/22 Approved Posts	2021/22 No. of Employees	2021/22 Vacancies	% of vacancies
Top Management	0	1	1	0	-
Senior Management	5	5	5	0	-
Professional qualified	19	21	18	3	14%
Skilled	25	27	24	3	11%
Semi-skilled	6	35	29	6	17%
Unskilled	3	6	6	0	-
TOTAL	58	95	83	12	

* 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	1	0	0	1
Senior Management	5	0	0	5
Professional qualified	18	0	0	18
Skilled	24	1	2	24*
Semi-skilled	11	19	1	29**
Unskilled	3	0	0	6
TOTAL	62	20	3	83

* The total number of positions as at 31 March 2022 must equal 27. However, there were 2 x resignations and 1 x vacant position that were not filled as at end of 31 March 2022.

** The big difference between the beginning period and end period is as a result of the appointment of the additional 19 x Junior Inspectors. In March 2022, 4 x Admin Support positions and 1 x Research position were approved but not filled including 1 x Junior Inspector who resigned.

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Human Resource Management

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	1	1% (83)
Resignation	2	2% (83)
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
Total	3	4% (83)

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) but 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	-
Final Written warning	-
Dismissal	-
Suspension without pay	1

* 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

	Male							
	African		Coloured		Indian		White	
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	1	0	0	0	0	0
Senior Management	1	1	1	1	0	0	1	1
Professional qualified	1	5	6	5	0	0	2	2
Skilled	4	6	6	6	0	0	1	2
Semi-skilled	1	8	19	8	0	0	2	3
Unskilled	1	1	2	2	0	0	0	1
TOTAL	**8**	**21**	**35**	**22**	**0**	**0**	**6**	**9**

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	0	1	1	1	0	0	1	1
Professional qualified	3	4	6	4	0	0	0	2
Skilled	3	5	7	6	0	0	3	2
Semi-skilled	0	6	7	7	0	0	0	2
Unskilled	1	1	2	1	0	0	0	0
TOTAL	**7**	**17**	**23**	**19**	**0**	**0**	**4**	**7**

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

Note: The WCLA has an approved Employment Equity Plan. 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 targets groups.

Human Resource Management

Notes

PART E:
Financial Information

Financial Information

Report of the auditor-general to the Western Cape Provincial Parliament on 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 73 to 123, which comprise the statement of financial position as at 31 March 2022, 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 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practive (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 my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Underspending of the budget

7. As disclosed in the Statement of Comparison of Budget and Actual Amounts, the entity materially underspent the budget by R19 649 101.

Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to 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

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

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

Report on the audit of the annual performance report

Introduction and scope

12. 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 component presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

13. 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.

14. 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 component presented in the public entity's annual performance report for the year ended 31 March 2022:

Component	Page in the annual performance report
Component 2 – Liquor Licensing Tribunal	33

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. 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

17. I draw attention to the matter below.

Achievement of planned targets

18. Refer to the annual performance report on page 33 for information on the achievement of planned targets for the year and management's explanations provided for the under achievement of targets.

Financial Information

Report on the audit of compliance with legislation

Introduction and scope

19. 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.

20. 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

21. 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 the selected component presented in the annual performance report that have been specifically reported in this auditor's report.

22. 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.

23. 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.

24. 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.

25. I have nothing to report in this regard.

Internal control deficiencies

26. 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.

27. I did not identify any significant deficiencies in internal control.

Auditor-General

Cape Town
31 July 2022

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 thisauditor'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 Western Cape Liquor Authority 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Regulation of the liquor industry in the Western Cape
Members of the Governing Board	Mr R Kingwill (Chairperson, 12 March 2021 - Current) Dr G Grootboom (Deputy Chairperson, 12 March 2021 - Current) Ms Z Zantsi (12 March 2021 to 04 August 2021 - Resigned) Mr A Le Roux (12 March 2021 - Current) Ms C Foulis (12 March 2021 - Current) Adv S. Khoza (15 November 2021 - Current) Ms T. Wainwright (15 November 2021- Current) Ms C. Abdoll (16 March 2022 - Current)
Registered office	3rd Floor Sunbel Building 3 Old Paarl Road Bellville 7530
Postal address	Private Bag X6 Sanlamhof Bellville 7532
Bankers	Nedbank Limited
Auditors	Office of the Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
Secretary	Ms C Symes
Attorneys	State Attorney
Chief Executive Officer	Mr S George (1 April 2021 - Current)
Audit Committee Members	Mr F Barnard (Chairperson) Mr T Arendse Dr G Grootboom (12 March 2021 - 15 March 2022) Ms C Abdoll (16 March 2022 - Current)

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

List of abbreviations

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

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 2023 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 73 to 123, which have been prepared on the going concern basis, were approved by the board on 31 May 2022 and were signed on its behalf by:

R Kingwill
Chairperson of the Governing Board

Statement of Financial Position as at 31 March 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Cash and cash equivalents	2	28 764 241	22 904 735
Receivables from exchange transactions	3	372 534	366 892
Receivables from non-exchange transactions	4	2 729 083	2 557 370
		31 865 858	**25 828 997**
Non-Current Assets			
Intangible assets	5	5 808 560	2 978 797
Property, plant and equipment	6	9 609 364	10 799 705
		15 417 924	**13 778 502**
Total Assets		**47 283 782**	**39 607 499**
Liabilities			
Current Liabilities			
Payables from exchange transactions	7	7 932 565	6 257 090
Operating lease liability	8	362 222	-
Unspent conditional grants and funds to be surrendered	9	19 106 000	15 071 000
Unallocated deposits	10	936 436	950 205
Finance lease obligation	11	386 471	511 697
Employee benefit obligation	12	3 142 657	3 067 616
		31 866 351	**25 857 608**
Non-Current Liabilities			
Finance lease obligation	11	1 777 396	1 995 116
Operating lease liability	8	191 656	-
Employee benefit obligation	12	585 132	477 908
Provisions	13	1 416 507	1 365 308
		3 970 691	**3 838 332**
Total Liabilities		**35 837 042**	**29 695 940**
Net Assets		**11 446 740**	**9 911 559**
Reserves			
Social and education fund reserve		221 530	24 582
Accumulated surplus		11 225 210	9 886 977
Total Net Assets		**11 446 740**	**9 911 559**

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue			
Revenue from Exchange Transactions			
Application fees	14	2 077 378	1 486 629
Granting fees	15	3 700 436	1 850 519
Interest earned		708 227	544 792
Other income		75 281	25 840
Total Revenue from Exchange Transactions		**6 561 322**	**3 907 780**
Revenue from Non-Exchange Transactions			
Transfer revenue			
Fines, penalties and forfeits	16	4 267 856	3 892 642
Government grants and subsidies	17	56 080 625	42 885 000
Total Revenue from Non-Exchange Transactions		**60 348 481**	**46 777 642**
Total Revenue		**66 909 803**	**50 685 422**
Expenditure			
Employee related costs	18	(38 278 572)	(31 115 512)
Remuneration of governing board members	19	(212 989)	(235 145)
Debt (Impairment)/reversal	20	146 605	(841 491)
Depreciation and amortisation	21	(2 984 208)	(2 955 722)
Finance costs	22	(1 001 428)	(1 044 070)
General expenses	23	(23 044 030)	(16 377 642)
Total Expenditure		**65 374 622)**	**(52 569 582)**
Surplus/(Deficit) for the year		**1 535 181**	**(1 884 160)**

Statement of Changes in Net Assets

Figures in Rand	Social Education Fund	Accumulated surplus	Total net assets
Balance at 01 April 2020	**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)
Balance at 01 April 2021	**24 582**	**9 886 977**	**9 911 559**
Changes in net assets			
Surplus for the year	-	1 535 181	1 535 181
Transfer of unspent funds to social education fund	196 948	(196 948)	-
Total changes	196 948	1 338 233	1 535 181
Balance at 31 March 2022	**221 530**	**11 225 210**	**11 446 740**

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Total amount collected on behalf of provincial revenue fund		45 451 317	39 736 981
Government Grants		59 882 623	51 377 000
Interest received		708 227	498 942
Other Receipts		10 133 938	5 085 666
		116 176 105	96 698 589
Payments			
Suppliers and employees		(61 187 603)	(45 098 163)
Total amount of provincial revenue fund collections paid to DoCS		(44 033 831)	(39 713 340)
Interest paid		(913 848)	(998 630)
		(106 135 282)	(85 810 133)
Net cash flows from operating activities	24	**10 040 823**	**10 888 456**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(450 638)	(620 853)
Purchase of Intangible Assets	5	(3 340 672)	(639 874)
Net cash flows from investing activities		**(3 791 310)**	**(1 260 727)**
Cash flows from financing activities			
Finance Lease Capital Redemption		(390 007)	326 941
Net increase in cash and cash equivalents		**5 859 506**	**9 954 670**
Cash and cash equivalents at the beginning of the year		22 904 735	12 950 065
Cash and cash equivalents at the end of the year	2	**28 764 241**	**22 904 735**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjust-ments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	%
Revenue						
Non-tax revenue						
Sale of goods other than capital assets	5 585 000	-	**5 585 000**	5 830 032	245 032	4
Entity revenue other than sales	5 282 000	-	**5 282 000**	5 012 133	(269 867)	(5)
	10 867 000	**-**	**10 867 000**	**10 842 165**	**(24 835)**	
Transfer revenue of which:						
Departmental transfers	75 105 000	-	**75 105 000**	59 882 623	(15 222 377)	(20)
Total revenue	**85 972 000**	**-**	**85 972 000**	**70 724 788**	**(15 247 212)**	
Expenditure						
Compensation of employees	(44 020 000)	-	**(44 020 000)**	(38 309 296)	5 710 704	(13)
Goods and services	(26 801 000)	-	**(26 801 000)**	(24 222 293)	2 578 707	(10)
Payments for capital assets	(15 151 000)	-	**(15 151 000)**	(3 791 310)	11 359 690	(75)
Total expenditure	**(85 972 000)**	**-**	**(85 972 000)**	**(66 322 899)**	**19 649 101**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**4 401 889**	**4 401 889**	

Please refer to note 36 for explanation of material budget variances.

The accounting policies on pages 78 to 101 and the notes on pages 102 to 123 form an integral part of the annual financial statements.

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.

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.

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 occur 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.

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 noncurrent assets. This estimate is based on industry norms. Management also considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. Reference was made to non-current assets used within the entity and other public entities to determine the useful life of the assets.

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

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.

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
GRAP 104	Financial Instruments (Revised)	Unknown

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

1.7 Budget information

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

The approved budget covers the fiscal period from 2021/04/01 to 2022/03/31.

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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:

Accounting Policies

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 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.

Accounting Policies

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.

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 ransferred 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

Accounting Policies

adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset. If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

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

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

Financial liabilities

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

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

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.

Accounting Policies

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.

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 equipment	Straight-line	10 years

Accounting Policies

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.

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.

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 licence fees comply with the recognition criteria of intangible assets then they are recognised as intangible assets.

However, licence fees are expensed when the following conditions are met:

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

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

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

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

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

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.

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

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

Intangible assets are derecognised:

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

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.

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

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

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

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

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

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

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

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

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 27.
- 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:

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 the accounting policy and 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.

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.

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.

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

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

1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees.

Vested employee benefits are employee benefits that are not conditional on future employment.

Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and 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.

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 (noncontractual) arrangement (see the accounting policy on Statutory Receivables).

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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.

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.

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 cashgenerating 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

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- 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 cashgenerating.

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 cashgenerating 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.

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 overdesigned or overcapacity asset. Overdesigned 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 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.

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.

Accounting Policies

1.20 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

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

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

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 is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

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

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.

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.

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. Cash and cash equivalents

Cash and cash equivalents consist of:		
Cash on hand	2 085	39
Bank balances	120 465	780 985
Call Investment Deposits	28 641 691	22 123 711
	28 764 241	**22 904 735**

The entity had the following bank accounts

Account number/description	Bank statement balances			Cash book balances		
	31 March 2022	31 March 2021	31 March 2020	31 March 2022	31 March 2021	31 March 2020
Nedbank - account no 1452069883 (Income account)	39 206	98 473	90 864	**39 206**	**98 473**	**90 864**
Nedbank - account no 1452069905 (Expenditure account)	81 259	682 512	112 458	**81 259**	**682 512**	**112 458**
Nedbank call account – no 037881100168 (Grant)	13 956 630	12 375 757	10 350 843	**13 956 630**	**12 375 757**	**10 350 843**
Nedbank call account – no 037881100168 (Income)	14 660 479	9 723 372	2 370 191	**14 660 479**	**9 723 372**	**2 370 191**
Nedbank call account – no 037881100168 (Social and education fund)	24 582	24 582	24 582	**24 582**	**24 582**	**24 582**
Total	**28 762 156**	**22 904 696**	**12 948 938**	**28 762 156**	**22 904 696**	**12 948 938**

Figures in Rand	2022	2021

3. Receivables from exchange transactions

Trade debtors	19 523	23 844
Accrued interest	65 276	45 850
Prepaid expenses	287 735	297 198
	372 534	**366 892**

4. Receivables from non-exchange transactions

Fines	2 141 514	2 013 959
Other receivables	587 569	543 411
	2 729 083	**2 557 370**

Figures in Rand	2022	2021

4. Receivables from non-exchange transactions (continued)

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

Fines	2 141 514	2 013 959
Penalties	209 739	286 869
Renewal fees	144 829	256 542
SETA	233 001	-
	2 729 083	**2 557 370**
Total receivables from non-exchange transactions	**2 729 083**	**2 557 370**

Statutory receivables general information

Transaction(s) arising from statute

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

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

SETAs pay grants to employers in terms of the SETA Grant Regulations.

Determination of transaction amount

The fines are determined by the Liquor Licensing Tribunal, after considering the merits of each matter brought before it, subject to the limit of R126 127 as set out in the Western Cape Liquor Regulations 2011 as amended.

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

The grant amount is determined by the SETAs in terms of SETA Grant Regulations 4, 5 and 6.

Receivables from non-exchange transactions impaired

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

As of 31 March 2022, fines of R 2 836 400 (2021: R 2 855 450) were impaired and provided for.

The amount of the provision was R 694 886 as of 31 March 2022 (2021: R 841 491).

The ageing of the fines is as follows:

Current (0 - 30 days)	75 000	592 850
31 - 60 days	96 000	70 000
61 - 90 days	95 000	220 000
91 - 120 days	90 000	150 000
121 - 365 days	1 286 950	1 025 000
> 365 days	1 193 450	797 600
	2 836 400	**2 855 450**

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

Opening balance	841 491	-
Debt Impairment/(reversal)	(146 605)	841 491
	694 886	**841 491**

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2022			2021		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	9 141 227	(3 332 667)	5 808 560	5 466 165	(2 487 368)	2 978 797

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals – Cost	Disposals – Accumulated Amortisation	Amortisation	Impairment loss	Total
Computer software, other	2 978 797	4 247 041	(653 583)	653 583	(1 194 448)	(222 830)	5 808 560

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals – Cost	Disposals – Accumulated Amortisation	Amortisation	Total
Computer software, other	3 238 026	826 956	(623 367)	623 367	(1 086 185)	2 978 797

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets

Intangible assets under development	984 802	62 315

Figures in Rand

6. Property, plant and equipment

	2022			2021		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Furniture and fixtures	3 707 197	(1 592 600)	2 114 597	3 707 197	(1 353 757)	2 353 440
Motor vehicles	2 689 596	(1 108 900)	1 580 696	2 612 364	(1 056 002)	1 556 362
Office equipment	1 280 376	(783 094)	497 282	1 278 576	(670 317)	608 259
Computer equipment	6 034 226	(4 731 974)	1 302 252	5 854 136	(4 447 880)	1 406 256
Leasehold improvements	4 773 173	(2 126 351)	2 646 822	4 773 173	(1 808 139)	2 965 034
Safety and security equipment	1 123 842	(709 218)	414 624	1 123 842	(596 833)	527 009
Office equipment (Leased assets)	818 687	(419 187)	399 500	1 060 234	(379 099)	681 135
Capital restoration costs (Leased assets)	1 032 069	(378 478)	653 591	1 032 069	(329 859)	702 210
Total	**21 459 166**	**(11 849 802)**	**9 609 364**	**21 441 591**	**(10 641 886)**	**10 799 705**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals – Cost	Disposals – Accumulated Amortisation	Depreciation	Impairment loss	Impairment reversal	Total
Furniture and fixtures	2 353 440	-	-	-	(238 843)	-	-	2 114 597
Motor vehicles	1 556 362	195 179	(124 060)	51 929	(104 826)	-	6 112	1 580 696
Office equipment	608 259	1 800	-	-	(112 777)	-	-	497 282
Computer equipment	1 406 256	253 659	(20 981)	20 981	(357 663)	-	-	1 302 252
Leasehold improvements	2 965 034	-	-	-	(318 212)	-	-	2 646 822
Safety and security equipment	527 009	-	-	-	(112 385)	-	-	414 624
Office equipment (Leased assets)	681 135	-	(258 720)	258 720	(281 635)	-	-	399 500
Capital restoration costs (Leased assets)	702 210	-	-	-	(46 794)	(1 825)	-	653 591
	10 799 705	**450 638**	**(403 761)**	**331 630**	**(1 573 135)**	**(1 825)**	**6 112**	**9 609 364**

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals – Cost	Disposals – Accumulated Amortisation	Depreciation	Impairment reversal	Total
Furniture and fixtures	2 593 043	-	-	-	(239 603)	-	2 353 440
Motor vehicles	1 643 971	-	-	-	(87 609)	-	1 556 362
Office equipment	748 502	-	-	-	(140 243)	-	608 259
Computer equipment	2 104 251	-	-	-	(697 995)	-	1 406 256
Leasehold improvements	3 283 245	-	-	-	(318 211)	-	2 965 034
Safety and security equipment	610 156	28 741	-	-	(111 888)	-	527 009
Office equipment (Leased assets)	320 958	592 112	(60 420)	60 420	(231 935)	-	681 135
Capital restoration costs (Leased assets)	744 260	-	-	-	(49 315)	7 265	7 265
	12 048 386	**620 853**	**(60 420)**	**(60 420)**	**(1 876 799)**	**7 265**	**10 799 705**

Assets subject to finance lease (Net carrying amount)

Motor vehicles	1 580 696	1 556 362
Leasehold improvements	2 646 822	2 965 034
Office equipment	399 500	681 135
Capital restoration costs	653 591	702 210
	5 280 609	5 904 741

Expenditure incurred to repair and maintain property, plant and equipment

The entity spent R59 426 (2021: R26 197) on repairs and maintenance of property, plant and equipment.

Figures in Rand	2022	2021

7. Payables from exchange transactions

Trade payables	2 364 629	2 460 314
Licence-holder refunds	2 963 012	2 875 229
Income received in advance	478 513	357 260
Provincial revenue fund	2 030 111	494 187
Other	96 300	70 100
	7 932 565	**6 257 090**

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

Provincial revenue fund

Opening balance	494 187	460 189
Total amount collected on behalf of provincial revenue fund	45 569 755	39 747 338
Total amount collected of provincial revenue fund collections paid to DoCS	(44 033 831)	(39 713 340)
Balance at the end of the year	**2 030 111**	**494 187**

8. Operating Lease Liabilities

Non-current liabilities	191 656	-
Current liabilities	362 222	-
	553 878	**-**

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

The vehicles under the operating lease have an 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:

Minimum lease payments due		
- within one year	3 013 338	2 842 772
- in second to fifth year inclusive	10 168 859	13 182 197
	13 182 197	16 024 969

The new lease agreement for the building was signed on 11 March 2021 and effective from 1 April 2021, however no minimum lease payments were included in the 2021 financial year. The ommision is now corrected.

Figures in Rand	2022	2021

9. Unspent conditional grants and funds to be surrendered

Unspent conditional grants and receipts comprises of:

	2022	2021
Unspent conditional grants and receipts		
Department of Community Safety (DoCS)	18 205 446	15 071 000
Department of Economic Development and Tourism (DEDAT)	900 554	-
	19 106 000	15 071 000

	2022	2021
Movement during the year		
Balance at the beginning of the year	15 071 000	6 579 000
Grants received from DoCS	57 665 000	51 377 000
Grants received from DEDAT	1 806 925	-
DoCS grant recognised as income	(54 530 554)	(42 885 000)
DEDAT grants recognised as income	(906 371)	-
	19 106 000	**15 071 000**

10. Unallocated deposits

	2022	2021
Unallocated deposits	936 436	950 205

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

11. Finance lease obligation

	2022	2021
Minimum lease payments due		
- within one year	1 231 046	1 298 396
- in second to fifth year inclusive	2 321 212	2 304 255
	3 552 258	3 602 651
less: future finance charges	(1 388 391)	(1 095 838)
Present value of minimum lease payments	**2 163 867**	**2 506 813**

	2022	2021
Present value of minimum lease payments due		
- within one year	386 471	511 697
- in second to fifth year inclusive	1 777 396	1 995 116
	2 163 867	2 506 813

	2022	2021
Non-current liabilities	1 777 396	1 995 116
Current liabilities	386 471	511 697
	2 163 867	**2 506 813**

Figures in Rand	2022	2021

11. Finance lease obligation (continued)

It is entity 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 financ e lease payables for office equipment is between 0% and 2%. Interest on finance lease payables are charged by TSL Telecommunications and Konica Minolta.

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

The ownership of the leased assets does not transfer to the 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 note 6.

12. Employee benefit obligations

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

	2022	2021
Long service awards	660 412	624 189
Staff incentive bonus	1 930 991	1 568 280
Staff leave	1 136 386	1 353 055
	3 727 789	**3 545 524**
Non-current liabilities	585 132	477 908
Current liabilities	3 142 657	3 067 616
	3 727 789	**3 545 524**

The movement in current employee benefit obligations are reconciled as follows:

12.1 Long service awards

	2022	2021
Opening balance	624 189	481 841
Benefits paid	(207 000)	(30 000)
Net expense recognised in the statement of financial performance	243 223	172 348
	660 412	**624 189**

Net expense recognised in the statement of financial performance

	2022	2021
Current service cost	206 842	136 675
Interest cost	36 381	35 673
	243 223	**172 348**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Employee benefit obligations (continued)

12.2 Staff incentive bonus

Opening balance	1 568 280	1 508 043
Benefits paid	(1 611 163)	(1 508 043)
Net expense recognised in the statement of financial performance	1 973 874	1 568 280
	1 930 991	**1 568 280**

Net expense recognised in the statement of financial performance

Current service cost	2 016 757	1 568 280
Actuarial gains (losses)	(42 883)	-
	1 973 874	**1 568 280**

12.3 Staff leave

Opening balance	1 353 055	627 609
Benefits paid	(107 294)	(81 147)
Net expense recognised in the statement of financial performance	(109 375)	806 593
	1 136 386	**1 353 055**

Net expense recognised in the statement of financial performance

Current service cost	(109 375)	806 593

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 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 (2021: 53 employees) that are members and they contributed a total of R1 614 197 (2021: R1 515 752).

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 (2021: 53 employees) that are members and they contributed a total of R1 662 413 (2021: R1 597 777).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

13. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Total
Provision for Restoration of Leased Premises	1 365 308	51 199	1 416 507

Reconciliation of provisions - 2021

	Opening Balance	Utilised during the year	Change in discount factor	Total
Provision for Restoration of Leased Premises	1 325 542	-	39 766	1 365 308
Workmens compensation	45 798	(45 798)	-	-
	1 371 340	**(45 798)**	**39 766**	**1 365 308**

	2022	2021
Non-current liabilities	1 416 507	1 365 308
Current liabilities	-	-
	1 416 507	**1 365 308**

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%.

Workmens Compensation Provision

Workmens 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

	2022	2021
New licences	1 167 716	869 140
Licence for transfer of licence to new owner	196 970	139 508
Alteration of premises	184 819	138 413
Interim or pending licence fee	171 500	125 092
Transfer of financial interest on existing licence	50 539	55 928
Temporary and event licences	186 122	67 548
Other	119 712	91 000
	2 077 378	**1 486 629**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

15. Granting fees

Licence issuing fee	1 210 349	712 069
Issuing fee for temporary and event licences	1 538 866	449 304
Transfer of licence issuing fee	716 686	484 092
Other	234 535	205 054
	3 700 436	**1 850 519**

16. Fines, Penalties and Forfeits

Fines imposed by the Liquor Licencing Tribunal	2 246 350	2 740 850
Penalties on late payments of licence renewals	1 129 577	879 686
Penalties on late payments of event licences	891 929	272 106
	4 267 856	**3 892 642**

17. Government grants and subsidies

Operating grants		
Western Cape Department of Community Safety	54 530 554	42 885 000
SETA	643 700	-
	55 174 254	**42 885 000**
Capital grants		
Wester Cape Department of Economic Development and Tourism	906 371	-
	56 080 625	**42 885 000**

18. Employee related costs

Salaries and wages	31 701 179	24 488 525
Staff incentive bonus	1 973 875	1 530 029
UIF	167 679	105 021
Workmens compensation	61 317	64 391
Leave pay	(111 043)	824 949
Defined contribution plans	3 273 149	3 089 613
Overtime payments	216 707	136 014
Long-service awards	206 841	136 676
Group risk and funeral benefit	306 535	360 792
Cellphone allowances	482 333	379 502
	38 278 572	**31 115 512**

Chief Executive Officer - Simion George		
Basic salary	1 322 797	-
Pension fund	182 324	-
Other	34 856	-
	1 539 977	**-**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Employee related costs (continued)

Chief Financial Officer - Sandiso Gcwabe

Basic salary	920 479	890 126
Pension fund	125 358	125 321
13th cheque	72 278	-
Other	24 037	21 116
	1 142 152	**1 036 563**

Acting Chief Executive Officer: Leatitia Petersen (1 December 2019 - 31 March 2021

Basic salary	-	719 662
Pension fund	-	125 655
13th cheque	-	57 462
Acting allowances	-	174 684
Other	-	29 364
	-	**1 106 827**

Senior Manager: Liquor Licencing Administration - Leatitia Petersen

Basic salary	764 798	-
Pension fund	99 425	-
13th cheque	58 324	-
Other	35 717	-
	958 264	**-**

Senior Manager: Corporate Services - Marvin Jackson

Basic salary	756 929	729 047
Pension fund	97 696	97 093
13th cheque	59 199	58 324
Other	36 266	24 508
	950 090	**908 972**

Senior Manager: Compliance and Enforcement - Adv. Martell Van Lill

Basic salary	711 730	686 900
Pension fund	96 840	96 096
13th cheque	55 776	54 952
Other	25 724	19 222
	890 070	**857 170**

Senior Manager: Communications, Education and Stakeholder Relations - Rebecca Campbell

Basic salary	661 279	277 933
Pension fund	90 253	39 234
Other	20 645	8 052
	772 177	**325 219**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Employee related costs (continued)

Acting Senior Manager: Liquor Licencing Administration - Johan Dreyer (1 December 2019 - 31 March 2021)

Basic salary	-	489 073
Pension fund	-	108 547
Acting allowances	-	87 895
Other	-	14 389
	-	**699 904**

Senior Manager: Communications, Education and Stakeholder Relations - Philip Prinsloo (1 November 2012 – 31 August 2020)

Basic salary	-	250 202
Pension fund	-	25 278
Other	-	14 389
	-	**289 869**

19. Remuneration of Governing Board Members

Governing Board Members

31 March 2022

	Total
Mr R Kingwill (Chairperson, 12 March 2021 - Current)	72 867
Dr G Grootboom (Deputy Chairperson, 12 March 2021 - Current)	45 837
Ms Z Zantsi (12 March 2021 to 04 August 2021 - Resigned)	9 538
Mr A Le Roux (12 March 2021 – Current)	36 450
Ms C Foulis (12 March 2021 - Current)	29 631
Adv S. Khoza (15 November 2021 - Current)	3 797
Ms T. Wainwright (15 November 2021- Current)	12 487
Ms. C Abdoll (16 March 2022 - current)	2 382
	212 989

31 March 2021

	Total
Adv T Sidaki (Chairperson - Resigned, 26 June 2020)	3 888
Mr R Kingwill (Deputy Chairperson - Term ended, 11 March 2021)	61 005
Ms L Venter (Term ended, 11 March 2021)	47 487
Mr J Louw (Term ended, 11 March 2021)	57 645
Dr L Muntingh (Term ended, 11 March 2021)	9 528
Dr L Platzky (Term ended, 11 March 2021)	39 736
Ms U Deglon (Resigned, 26 June 2020)	7 146
Ms C America (Term ended, 11 March 2021)	4 314
Ms C Foulis (Term ended, 11 March 2021)	4 396
	235 145

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

20. Debt impairment/reversal

Debt impairment/(reversal)	(146 605)	841 491

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

21. Depreciation and amortisation

Property, plant and equipment	1 574 867	1 876 802
Intangible assets	1 194 450	1 086 185
Impairment/ (reversal)	214 891	(7 265)
	2 984 208	**2 955 722**

22. Finance costs

Finance leases	913 848	998 630
Other	87 580	45 440
	1 001 428	**1 044 070**

23. General expenses

Advertising fees	4 648 480	1 719 003
Audit fees – external	1 047 800	1 427 204
Audit fees - internal	381 794	203 071
Bank charges	35 538	26 829
Catering	11 616	3 499
Cleaning services	148 306	77 231
Computer and equipment support	1 409 290	1 294 655
Conferences and seminars	368 437	14 351
Consulting and professional fees	474 982	918 462
Insurance	229 736	219 677
Legal fees	30 000	379 137
Liquor licence tribunal	3 975 444	3 104 885
Operating leases	3 562 506	3 103 125
Postage and courier	70 665	70 016
Printing and stationery	390 022	278 065
Rates and taxes	273 025	258 152
Repairs and maintenance	59 426	26 197
Social and education fund	82 999	267 125
Software licence fees	1 687 454	886 281
Subscriptions and membership fees	57 904	8 053
Telephone and fax	641 102	410 338
Training	133 354	136 138
Travel and subsistence	2 234 143	730 613
Water and electricity	867 504	661 729
Other	222 503	153 806
	23 044 030	**16 377 642**

The 2021 financial year reflects the activities under Covid-19 lockdown and the 2022 financial year is a reflection of the activities after the lifitng of COVID-19 restrictions.

Conference and seminars relate to engagements hosted by the Authority with its external stakeholders.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

24. Cash generated from operations

Surplus (deficit)	1 535 181	(1 884 160)
Adjustments for:		
Depreciation and amortisation	2 767 585	2 955 722
Loss on sale of assets and liabilities	72 131	-
Finance costs - Finance leases	87 580	75 439
Interest earned	-	(45 850)
Impairment loss	221 641	-
Debt impairment	(146 605)	841 491
Movements in employee benefit obligations	182 265	848 213
Movements in provisions	51 199	(45 798)
Current Employee Benefits	36 381	-
Other non-cash items	(42 883)	(62 172)
Changes in working capital:		
Receivables from exchange transactions	(5 642)	10 241
Operating lease	553 878	-
Other receivables from non-exchange transactions	(171 713)	(2 180 205)
Payables from exchange transactions	878 594	2 268 829
Unspent conditional grants and funds to be surrendered	4 035 000	8 492 000
Unallocated deposits	(13 769)	(385 294)
	10 040 823	**10 888 456**

25. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets	**At amortised cost**	**Total**
Cash and cash equivalents	28 764 241	28 764 241
Receivables from exchange transactions	84 799	84 799
	28 849 040	**28 849 040**

Financial liabilities	**At amortised cost**	**Total**
Payables from exchange transactions	7 932 565	7 932 565
Finance lease liability	2 163 867	2 163 867
Unallocated deposits	936 436	936 436
	11 032 868	**11 032 868**

2021

Financial assets	**At amortised cost**	**Total**
Cash and cash equivalents	22 904 735	22 904 735
Receivables from exchange transactions	69 694	69 694
	22 974 429	**22 974 429**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

25. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
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
	9 714 108	**9 714 108**

Financial instruments in Statement of financial performance

2022

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	708 227	708 227
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(1 001 428)	(1 001 428)
	(293 201)	**(293 201)**

2021

	At amortised cost	Total
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)
	(499 278)	**(499 278)**

26. Commitments

Authorised capital expenditure

	2022	2021
Already contracted for but not provided for		
• Property, plant and equipment	581 439	258 162
• Intangible assets	3 350 513	1 853 691
	3 931 952	**2 111 853**
Total capital commitments		
Already contracted for but not provided for	3 931 952	2 111 853

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Contingencies

Heading		
Mbeko Venfolo N.O vs WCLA: WCP/038239 - 21 on Washington	2 000 000	2 000 000
Southside Liquors CC T/A Southside Liquors	-	30 000
V. Mvakwendlu t/a JJ Bottlestore vs WCLA	30 000	30 000
	2 030 000	**2 060 000**

Mbeko Venfolo N.O vs WCLA
The State Attorney is assisting the entity in appealing a High Court order relating to licence number WCP/038239 - 21 on Washington. The 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 to approximately R30 000 would be payable by WCLA. Licence 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. Suspension lifted at the proceedings of the Section 71 return hearing. Agreed with Applicant that application be removed from the urgent case roll and the bill of costs were settled.

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 to approximately R30 000 would be payable by WCLA. Licence 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 licence, to be exempted from internal appeal remedy in terms of PAJA and an order of cost on a punitive scale. It was agreed with the applicant that the matter be dealt with in terms of the the internal appeal process. The High Court matter was removed from the Court Roll subject to the appeal process. The Appeal Tribunal on 22 June 2021 granted the appeal and the suspension of the licence was subsequently lifted. Costs is currently being negotiated with the applicant.

No further developments were reported.

28. Related parties

Relationships

Western Cape Provincial Minister of Community Safety	Mr Albert Firtz (01 Feb 2019 - 23 January 2022)
Western Cape Provincial Minister of Community Safety	Ms Anroux Marais (Acting 01 February - 26 April 2022)
Western Cape Provincial Minister of Community Safety and Police Oversight	Mr Reagan Allen (26 April 2022 to current)
WCLA and DoCS (Custodial Department) are subject to common control	DoCS
WCLA and DEDAT are subject to common control	DEDAT
WCLA and Western Cape Government Motor Transport are subject to common control	Western Cape Government Motor Transport
Governing board members	Refer to note 19
Members of management personnel	Refer to note 18

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Related parties (continued)

Related party balances		
DoCS		
Unspent conitional grants and funds to be surrendered	(18 205 446)	(15 071 000)
DEDAT	-	-
Unspent condition grants and funds to be surrendered	(900 554)	-
Government Motor Transport		
Accrued expenses	(197 214)	(124 084)
Leased vehicles	1 774 788	1 758 401
Related party transactions		
DoCS		
Government grants and subsidies	57 665 000	51 377 000
DEDAT	-	-
Government grants and subsidies	1 806 925	-

The Authority received R9,1 million at the end of the 2021 financial year. The amount has now been included. .

Government Motor Transport		
Interest paid on finance lease liability included under finance charges	913 848	998 630
Kilometer tariff included under general expense	178 793	114 851
Operating lease – Vehicles	54 775	54 776

Remuneration of management

The compensation of management personnel and governing board members' sitting allowances are set out in notes 18 and 19.

29. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The entity's overall risk management programme focuses on the unpredictability of financial markets and seek to minimise potential adverse effect 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 and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines. The entity's risk to liquidity is a result of the funds available to cover future commitments.

The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

29. Risk management

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Authority to incur a financial loss.

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

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

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

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

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	28 762 585	22 904 735
Receivables from exchange transactions	84 799	69 694

Market risk
Interest rate risk

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

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

At 31 March 2022, 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 R287 642 (2021: R229 047) lower/higher, mainly as a result of higher/lower interest income on financial assets at variable rates.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	3,44 %	28 764 241	-	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Fruitless and wasteful expenditure

Opening balance as previously reported	8 747	8 747

31. Irregular expenditure

Opening balance as previously reported	30 507 400	26 292 706
Opening balance as restated	**30 507 400**	**26 292 706**
Add: Irregular Expenditure – current	-	4 214 694
Less: Condoned – current	(20 961 197)	-
Closing balance	**9 546 203**	**30 507 400**

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 R 9 458 000 (2019 and 2018) in value. However the investigation also brought to light that the initial procurement process to obtain the leased offices was not in line with standard supply chain processes 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 a former Audit Committee member employed by a municipality in contravention of Treasury Regulations TR20.2.2. An investigation is still in progress.

	Condoned by (Condoning authority)		
Mr FC Marais, Sunbel Building	Condoned by the Provincial Treasury	5 303 900	14 880 672
Work dynamics	Condoned by the Provincial Treasury	-	776 625
		5 303 900	**15 657 297**

During the previous 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. The R 5 303 900 was condoned by application of Treasury Circular 27 of 2020 (Suppl. 1 of 2021) - Guidance with the interpretation and implementation of NTI 2 of 2019-20.

32. Services in-kind

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

33. Events after the reporting date

Adjusting event:

In June 2022, the State Information Technology Agency (Sita) sent confirmation that the Microsoft licences of the WLA were valid until 31 May 2023. At the time of submission of the AFS, the validity period was indicated to be expiring on 31 May 2022 and a renewal process was already initiated.The impairment related to the Microsoft licence in note 21 was accordingly adjusted.

Non-adjusting events:

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

34. 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.

35. Reconciliation between budget and statement of financial performance

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

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

	2022	2021
Net surplus (deficit) per the statement of financial performance	1 535 181	(1 884 160)
Adjusted for:		
Government Grants and subsidies	4 035 000	8 492 000
Revenue accruals	(323 960)	(2 215 814)
Unallocated deposits	(13 769)	(385 294)
Employee related costs	139 382	848 213
Impairments	221 641	841 491
Depreciation and amortisation	2 767 585	2 962 987
Finance costs	87 580	75 439
Accrued expenses	878 594	2 268 829
Loss on sale of asset	72 131	-
Provisions	51 199	(115 235)
Operating lease	553 878	-
Finance cost-Employee benefit obligation	36 381	-
Net surplus per approved budget	**10 040 823**	**10 888 456**

Figures in Rand	2022	2021

36. Budget differences

Material differences between budget and actual amounts

Statement of financial peformance

Sale of goods and services other than capital assets
More applications were received and approved during the year resulting in a positive variance.

Entity revenue other than sales
More fines were anticipated to be paid by year end. However, due to the economic impact of COVID 19, many licensees had difficulties in paying the fines.

Departmental Transfers
Grants from DoCS and DEDAT were received in March 2022, and were unspent at year end.

Compensation of employees
The Authority received R 6 046 024 to implement the second year of the additional enforcement capacity pilot project. Also, there were vacancies at year end.

Good and services
The Authority received R1 273 834 to implement the second year of the additional enforcement capacity pilot project. The focus for the 2021/22 was primarily on licence-holder premises within areas in close proximity that have not been inspected in the last 4 years.

Payments for capital assets
One of the Architects that attended the briefing for the fully functional client service centre tender lodged a complaint with DTPW about the Sunbell Building's non-compliance with the Occupational Health and Safety Act. All procurement relating to this had to be suspended until the DTPW investigation was concluded. The Landlord also placed the Building on Auction which closed on 4 March 2022. The project will be on hold until there is certainty on the SHE Act compliance and ownership of the WCLA in the building. The Covid-19 pandemic is still posing a challenge for procurement of assets. Globally there is a high demand for laptops.

37. B-BBEE 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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LIQUOR AUTHORITY