



**WESTERN CAPE**  
LIQUOR AUTHORITY

**Annual Report 2017/18**



# Western Cape Liquor Authority

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Annual Report  
2017/2018

Western Cape Province



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**PART A:**

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**GENERAL INFORMATION**

# a 1. PUBLIC ENTITY'S GENERAL INFORMATION

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

## 2. LIST OF ABBREVIATIONS/ACRONYMS

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



### 3. FOREWORD BY THE CHAIRPERSON

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As the Chairperson of the newly appointed Governing Board, it gives me pleasure to present the annual report for the 2017/18 financial year. The Annual Report provides an opportunity to reflect on the financial and non-financial performance of the WCLA for the year under review.

With the Authority already in existence for 6 years, and having successfully navigated its establishment phase the Authority has confirmed itself as one of the leading liquor regulators in the country. The transition from the Department of Economic Development and Tourism to the Department of Community Safety was also successfully and seamlessly completed.

The challenge for the Board going forward will be to intensify the focus of the Authority towards the implementation of the Alcohol Harms Reduction White Paper Policy. Therefore, the strategic direction as per the Annual Performance Plan for the 2018/19 financial year provides for specific programs and activities in support of the Alcohol Harms Reduction Game Changer.

On behalf of the current Board we would like to acknowledge the contribution made by the outgoing Board over the last 3 years and we will strive to build on the achievements.

Finally, the Board looks forward to working with the Administration of the Western Cape Liquor Authority, Minister Dan Plato and the Department of Community Safety.



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

**Adv. Thembalihle Sidaki**  
**Western Cape Liquor Authority**  
**Date:**

## 4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

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For the year under review numerous initiatives were developed and implemented that contributed significantly towards the Authority's ability to deliver on its mandate. One of these developments was the introduction of the settlement agreement, an intervention which significantly improved enforcement, especially in the game changer areas. Through this process the number of successful enforcement cases completed increased from 31 in the 2016/17 financial year to 119 in the 2017/18 financial year.



The implementation of the numerous amendments to the Western Cape Liquor Regulations was successfully rolled out. This included the re-alignment of the internal processes and systems and substantial communication with all stakeholders. One of the amendments in the new regulations that is particularly welcomed is the increase in fees that significantly contributed to the Authority's objective of becoming self-sustaining.

The Authority is now fully involved in the Alcohol Harms Reduction Game Changer. Additional inspectors were appointed to focus primarily on the identified game changer areas.

In future the Communication, Education and Stakeholder Relations component of the Authority will also intensify its awareness campaigns on the harms of alcohol in the game changer areas.

Revenue collection, in the year under review, increased significantly as a result of fee increases which came into effect on 1 July 2017, to the extent that the Liquor Authority exceeded its collection targets. With automated financial systems and processes revenue collection will only increase further, to a point where the Liquor Authority can sustain itself financially.

The completion of the first phase of the License Management and Tracking System (LMaTS) of the Authority resulted in a significant improvement of internal controls both in regard to compliance and financial management. This resulted in the Liquor Authority obtaining a "clean audit", for the 2017/18 financial year. The Liquor Authority will continue doing everything within its power to ensure the continuation of this clean audit status. The automation of the license application process will further ensure that applications are processed within prescribed timelines.

One of the new initiatives as part of our intergovernmental relations has resulted in a partnership with the Department of Trade and Industry and the National Liquor Authority to develop the first on-line case management system for Provincial Liquor Entities.

The Western Cape Liquor Authority spent 94.23% of its allocated budget for the financial year under review. The difference in budgeted and actual expenditure represents commitments and accruals that have not been expensed at year end. The attached Annual Financial Statements compiled according to GRAP standards outlines the financial position and financial performance of the entity in detail for the 2017/18 financial year.

Supply chain management policies and Revenue Management systems are annually reviewed to ensure alignment with the updated National and Provincial Treasury Regulations and Instructions. Matters raised by the Auditor General in the 2016/17 financial year were addressed by management of the Authority.

The Liquor Authority wishes to welcome the new Governing Board, which was appointed towards the end of the financial year.

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In conclusion I would like to thank the WCLA staff, the previous Governing Board of the Liquor Authority, the Liquor licensing Tribunal, the Department of Community Safety and Minister Dan Plato for the continued support.

A handwritten signature in black ink, appearing to read 'Luzuko Mdunyelwa', with a long horizontal stroke extending to the right.

**Luzuko Mdunyelwa**  
**Chief Executive Officer**  
**Western Cape Liquor Authority**  
Date:

## 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.

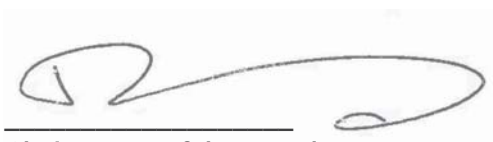
The external auditors are engaged to express an independent opinion on the annual financial statements.

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 2018.

Yours faithfully



**Chief Executive Officer**  
**Luzuko Mdunyelwa**  
Date



**Chairperson of the Board**  
**Thembalihle Sidaki**  
Date

## 6. STRATEGIC OVERVIEW

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### 6.1. Vision

Effectively regulate liquor in the Western Cape.

### 6.2. Mission

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

### 6.3. Values

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

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

## 7. LEGISLATIVE AND OTHER MANDATES

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### 7.1 Constitutional mandates

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



**Other Legislation includes:**

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

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

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

**7.3 Policy mandates**

The Western Cape Provincial Government in 2015 embarked on a revision of the liquor policy of the province. During the year under review the revised Liquor Policy was published as a Green Paper inviting comments from the public. A White Paper on Alcohol Harms Reduction, which amongst other initiatives also informs new liquor legislation, was adopted by the Provincial Cabinet during September 2017. The Western Cape Liquor Authority as a provincial entity participated in the development of the white paper and will continue to participate in the roll out of these initiatives and the drafting of the new legislation.

**7.4 Relevant court rulings**

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

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

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

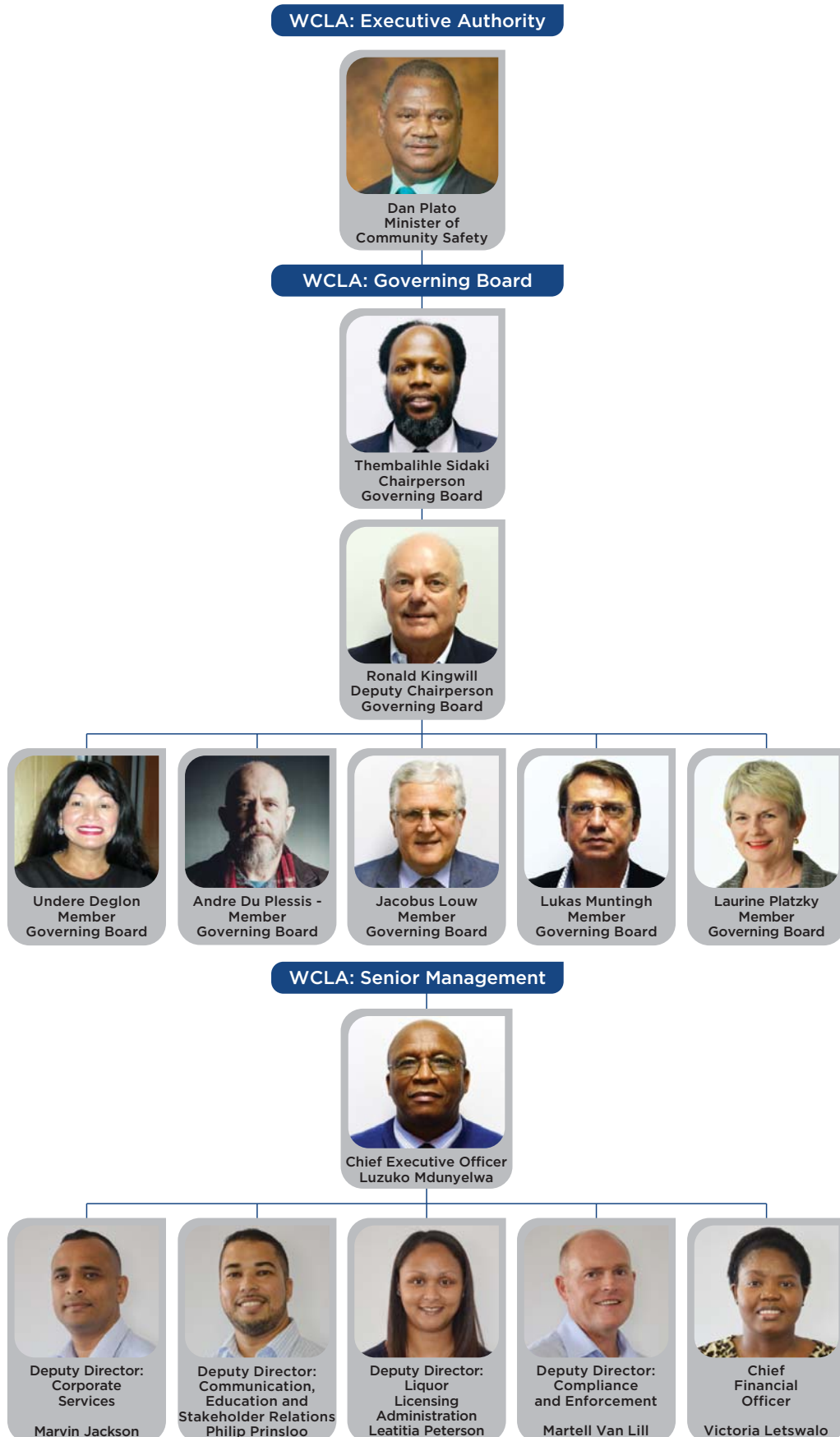
This finding is of utmost importance in establishing the legislative and functional powers and responsibilities of the national and the provincial governments regarding liquor licensing.

**7.5 Planned policy initiatives**

The Western Cape Liquor Authority will continue to develop its own initiatives and policies in support of the White Paper that contribute to the Alcohol Harms Reduction programmes. One such initiative is the introduction of a differentiated pricing model known as "the sliding scale", whereby small-scale licensees would not have to pay the same license fees as large outlets.

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## 8. ORGANISATIONAL STRUCTURE



**PART B:**

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**PERFORMANCE INFORMATION**

# 1. AUDITOR'S REPORT:

## PREDETERMINED OBJECTIVES

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

Refer to page 54 of the Auditors Report, published as Part E: Financial Information.

# 2. SITUATIONAL ANALYSIS

## 2.1. Service Delivery Environment

The Western Cape Liquor Authority is mandated by the Western Cape Liquor Act, Act 4 of 2008 to administer liquor regulation spanning over an area of 129 462 km<sup>2</sup> in the Western Cape Province and serving a population numbering 5 823 000 (2011 census).

The Authority acknowledges the fact that the liquor industry is a complex and contentious environment. Due to this stated complexity and contentiousness it poses challenges for regulators of the liquor industry to find a balanced approach between maximizing the economic benefits and minimizing the negative social and health effects of the irresponsible trade in and consumption of liquor.

The liquor industry is an important economic driver and supplier of employment. The employment opportunities in the Western Cape provided by the wine and broader liquor industry are substantial. These opportunities are with manufacturing, controlling, bottling, storage, transportation, distribution, retail and management. In 2009 it was estimated that the entire liquor value chain (nationally) accounts for roughly 548 000 jobs, R41.8 billion in tax revenue and R94.2 billion (4.4%) of the country's GDP (Aruvian, 2011).

While the liquor industry is a major contributor to the regional economy, especially the retail, agricultural, hospitality, and tourism sector, much of this is offset by the toll of liquor abuse that continues to exist. South Africa has been ranked number three on the list of countries with the highest rate of alcohol abuse. The Western Cape leads South Africa as the province with the highest alcohol consumption in the country. Cape Town has been dubbed the "drinking capital" of the country, with a study by the National Department of Health finding that more than 50 percent of those residing in the Western Cape consume alcohol, and that a third of this group abuse it.

Liquor is harmful to health and there exists a vast body of evidence that indicates the massive negative impact of liquor on the Western Cape population. In 2012 a research study conducted on the Western Cape grade 8 to 12 learners showed that of learners who drank alcohol, almost one third reported initiation into alcohol use before the age of 13 years; at least 10% reported using alcohol on a weekly basis; and smaller proportions reported being drunk on a daily (2%) or weekly (10%) basis. Foetal alcohol syndrome is further ravaging Western Cape farming communities with hundreds of children affected and research done in 2011 found a prevalence of foetal alcohol syndrome of between 61 and 94 per 1000 children in the Wellington area. Medical Research Council (MRC) calculations put the cost of liquor-related violence, drunk driving and other alcohol related injury and illness at around R6 billion per annum in the province (covering medical costs, emergency services, legal services, and infrastructure damage) (Parry, 2009).

The latest crime statistics and research show that there is a clear link between crime and alcohol abuse. According to statistics provided in the Western Cape Alcohol Related Harms Reduction Policy White Paper it is estimated that there are approximately 3 483 illegal outlets in the

Western Cape. Taking into consideration that according to SAPS most crimes are liquor related, it is clear that the illegal liquor trade exacerbates this problem. A solution to the illegal liquor trade is not only vested in the Authority but will therefore require integrated interventions with other spheres of government. For instance, the appropriate zoning requirement that is currently a barrier for entry into the regulated sphere falls within the ambit of Local Government.

Challenges facing the Authority to effectively operate within this environment includes the limited financial and human resources impacting on the Authority delivering a service that satisfies the greater community. For example the establishment of much needed regional offices and the deployment of sufficient inspectors in the field is not possible yet. In an attempt to remedy this challenge the Authority, together with the assistance of its oversight Department, has embarked on a process of reviewing the current fee structure as a possible means of addressing some of the financial constraints as well as embarking on an organisational redesign process that will establish a well-designed structure tailored to effectively deliver on our mandate.

Being established as an independent schedule 3C public entity (in terms of the PFMA), which is an impartial and transparent enforcer, taking decisions in-line with its empowering legislation assists in mitigating two real threats, being political influence and industry capture. Our communications component has continuous communication with all our stakeholders who are affected by our decisions in an attempt at being as transparent as possible in our approaches and decisions.

## **2.2. Organisational environment**

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

### ***Liquor Licensing Administration***

The Liquor Licensing Administration (LLA) component is responsible for the administration of all liquor license applications to be considered by the Liquor Licensing Tribunal, issuing of licences and certificates and renewal of all valid liquor licences in the Western Cape.

#### ***New Liquor Regulations***

The new Western Cape Liquor Regulations which came into effect on 1 July 2017 brought about many changes to the administrative processes related to the processing of applications, issuing and renewal of licences. These changes included, amongst others, new and amended application forms, certain new processes (e.g. biennial renewal of licences, conditional approval processes in respect of the transfer and removal of licences etc.) which in turn also entailed that the administrative processes pertaining to the processing of these applications as well as the forms used for application and license issuing processes had to be amended.

In addition to the above, the Authority trained all relevant staff on the amendments as well as making changes to its License Management and Tracking System (LMaTS) in order to accommodate for the afore-mentioned legislative amendments. The legislative amendment process also included amendments to application, renewal, granting and license issuing fees which also needed to be incorporated into the LMaTS system.

#### ***LMaTS enhancements***

The LMaTS enhancements project is currently still ongoing within the year under review. The Authority has managed to successfully implement certain completed phases of this project,



which is already showing positive results in the manner in which applications are processed and also in the issuing of licences. Current releases which commenced in the year under review but are still in the development phase and will be implemented in the new financial year include, amongst others, an automation of application processes which will lead to the streamlining of the processing of all applications. The project will be completed in the 2018/2019 financial year.

### ***Liquor Licensing Tribunal***

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

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

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

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

The composition and structure of the Tribunal was amended in the Western Cape Liquor Amendment Act, Act 3 of 2015 promulgated on 14 August 2015. The amendments provide for additional positions on the Tribunal and will allow for more efficient functioning of the Tribunal. Budget has been made available for the appointment of a second Deputy Presiding Officer and two substitute members and these appointments will be made in the next financial year. The substitute members will be utilised to form part of a Section 24 Committee. In terms of the Act the Section 24 Committee may be tasked with the adjudication of Removal and Transfer applications. This will free up capacity within the Tribunal to focus more on enforcement matters.

The Regulation amendments that came into effect on 1 July 2017 were work-shopped with the Tribunal and the internal procedures and forms of the Tribunal were amended to provide for these amendments. The Tribunal welcomed the amendments as it provided further clarity to both the Tribunal and applicants on what is required to be addressed and considered in identified applications.

During the year under review one of the public member positions on the Tribunal became vacant. The Authority is in the process of filling this vacancy.

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

The WCLA recognises that developing and nurturing positive relationships with major stakeholders is a key driver of the Authority's reputation and ultimately its business success. For the year under review, this component continued its programmes with different stakeholders. Consulting with relevant individuals and organisations enables the Authority to enhance its operational profile, to develop its strategy, and to anticipate and deal with any incorrect perceptions and issues that may arise.

The WCLA engages with its stakeholders through a variety of means and channels, formal and informal, scheduled and ad hoc. During the year under review the Authority has engaged with:

- **Liquor License Holders**

These sessions are held to educate liquor license holders regarding the relevant liquor legislation applicable to them and their business. During these sessions they are also granted an opportunity to ask questions for clarity. They are also encouraged to contact our contact centre for assistance if they need clarity regarding liquor regulations.

The Authority also conducted a roadshow during the year under review to inform liquor license holders about the changes in legislation which included an increase in the annual renewal fees. The roadshow was held across the province and was attended by senior officials of the Authority.

- **Communities**

The WCLA visited different communities to engage them and share relevant information such as the role of communities in the liquor licensing application process, to create awareness on the negative consequences of liquor abuse, and to answer questions for clarity from community representatives in order for them to understand liquor legislation.

These sessions were conducted through door-to-door visits and community meetings.

- **Schools:**

Engagements were held with learners during class regarding the negative consequences of liquor abuse. Promotional material such as rulers and bags with relevant messages were also distributed.

- **New Applicants:**

All new liquor license applicants and managers of licenced businesses were trained on the Western Cape Liquor Act and presented with a certificate of attendance before a liquor license is issued.

- **Other Stakeholders:**

Training sessions with community police forums and the neighbourhood watch groups were also conducted. The Western Cape Liquor Authority also trained numerous liquor traders including their staff in order for their employees to also be aware of the relevant liquor legislation.

The Authority has also continued its engagements with manufacturers, distributors, municipalities, liquor consultants as well as National and other Provincial Departments to discuss liquor related matters.

- **Media**

22 radio interviews on local radio stations in English, Afrikaans and isiXhosa were conducted during the 2017/18 financial year targeting communities, youth, and license holders. In some instances listeners were also afforded the opportunity to ask questions, while the WCLA used these opportunities to educate, create awareness and to market the WCLA services and the contact centre. Media releases were also released during the year.

The Authority continued the rolling out of the “Be Conscious” campaign which is driven via different platforms. The campaign is aimed at consumers to be conscious of possible risks and harms when they consume liquor, at license holders when they sell liquor, and at the youth in making decisions regarding the use of liquor. For this campaign during the Easter period a professional radio advert was broadcast on KFM, GoodHope FM, Smile FM, and Heart FM, and Radio Zibonele.

A bi-weekly newsletter “the News Flash” was published to keep staff up to date with relevant news regarding the Western Cape Liquor Authority and the liquor industry.

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

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

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

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

### ***Finance***

2017/18 is the first financial year where the Finance component reported as a stand-alone unit. This was the second financial year that the Western Cape Liquor Authority prepared a full set of financial statements in-house. It was an exciting and challenging period to build internal capacity and enhance reporting.

One of the achievements the component is pleased with is the completion of the pricing matrix which fed into the Regulation changes driven by the Department of Community Safety (DoCS). The fees were approved with effect from 1 July 2017 resulting in increased revenue for the WCLA and the Provincial Revenue Fund (PRF).

The research on the differentiated fee structure model “sliding scale”, which is one of the deliverables emanating from the Western Cape Provincial Government’s Alcohol Harms Reduction Game Changer (AHRGC), was completed. The model is envisaged to be implemented once the Regulations are amended.

### ***Corporate Services***

The Authority has successfully traversed the 2017/18 financial year. As an organisation the WCLA has had no major labour relations issues. All staff related policies were reviewed and approved by the Board. Two staff satisfaction surveys were conducted with a view to improving on the working conditions of employees as well as to gauge the level of staff satisfaction among the employees. The performance evaluation period was successfully completed and all staff members have completed new performance agreements for the 2018/19 financial year.

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

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

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

## 2.4 Strategic Outcome Oriented Goals

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

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

## b 3. PERFORMANCE INFORMATION BY COMPONENT

### 3.1 Component 1: Liquor Licensing Administration

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

#### STRATEGIC OBJECTIVE

Component: Liquor Licensing Administration					
Strategic objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of applications processed	3 645	2 500	5 178	2 678	The over-achievement is linked to the implementation of the 30 day letter approach.*

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

#### PERFORMANCE INDICATORS

Component: Liquor Licensing Administration					
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of applications received	4 653	4 200	4 112	(88)	This is a demand driven indicator.
Number of licences issued	1 906	1 600	2 005	405	The issuing of licences results from an approval of an application which is an outcome based on the adjudicatory process from the LLT.

#### ANALYSIS OF PERFORMANCE INDICATORS

The Liquor Licensing Administration component achieved on all but one target. The target for “Number of applications received” was not achieved on as a result of the fact that less applications were received than what was expected. During the period when these targets were set, the possible increase of applications due to the amendment in the liquor regulations was taken into consideration. This however did not materialise as expected.

The significant overachievement on this component’s indicators is as a result of the implementation of a 30 day letter approach. The implementation of this approach provided applicants with a once-off opportunity to provide outstanding information regarding the applications. Once the 30 days have passed the application, irrespective of whether the applicant provided the outstanding information, the matters were forwarded to the Tribunal for consideration. This resulted in the numerous applications that were indefinitely open on the system to be finalised.

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

#### Regulation amendments:

- Successful operational and systems implementation of new and amended forms and



processes under the new Liquor Regulations

#### Application administration:

- Standard operating procedures are in place for all application processes
- Checklists are in place for all application types

#### Renewals

- Renewal notices issued for all valid licences
- SMS communication to all license holders in respect of renewals for the year under review

#### LINKING PERFORMANCE WITH BUDGET

Component/Activity/Objective	2017/2018			2016/2017		
	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	9 969	9 817	152	8 297	8 070	227
<b>Total</b>	<b>9 969</b>	<b>9 817</b>	<b>152</b>	<b>8 297</b>	<b>8 070</b>	<b>227</b>

### 3.2 Component 2: Liquor Licensing Tribunal

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

#### STRATEGIC OBJECTIVE

Component: Liquor Licensing Tribunal					
Strategic objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of applications processed.*	0	4 975	5 386	411	The over-achievement on this indicator is due to the high number of secondary applications on the roll.

\* Please note the typing error. The indicator should read "Number of applications considered".

#### PERFORMANCE INDICATORS

Component: Liquor Licensing Tribunal					
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of section 36 liquor license applications considered	1 191	1 200	1 019	(181)	Due to the high number of secondary applications on the roll there was an under achievement on the number of section 36 applications considered.
Number of secondary liquor license applications considered	2 236	2 200	3 076	876	Due to the high number of secondary applications on the roll the focus was placed on finalising these matters.

Component: Liquor Licensing Tribunal					
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of event liquor license applications considered	1 271	1 250	1 080	(170)	This under achievement is due to the fact that less applications were received than what was expected.
Number of temporary liquor license applications considered	286	325	211	(114)	This under achievement is due to the fact that less applications were received than what was expected.
Number of non-compliant hearings concluded	NEW	21	21	-	-

#### ANALYSIS OF PERFORMANCE INFORMATION

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

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

#### STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The component under achieved on the indicator dealing with the “Number of temporary and event liquor license applications considered”. This was as a result of the fact that fewer applications were received than what was expected. During the period when these targets were set the possible increase of applications due to the amendment in the liquor regulations was taken into consideration. This however did not materialise as expected.

The under achievement on the indicator dealing with the “Number of Section 36 license applications considered” was due to the focus of the Tribunal on the high number of secondary applications on the case roll. This impacted on and resulted in the over achievement on the indicator dealing with the “Number of secondary applications considered.”

#### LINKING PERFORMANCE WITH BUDGET

Component/Activity/ Objective	2017/2018			2016/2017		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Liquor Licensing Tribunal	3 547	3 050	497	2 688	2 694	(6)
<b>Total</b>	<b>3 547</b>	<b>3 050</b>	<b>497</b>	<b>2 688</b>	<b>2 694</b>	<b>(6)</b>

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

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

#### STRATEGIC OBJECTIVE

Component: Communication, Education and Stakeholder Relations					
Strategic objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Percentage of the social and education fund budget spent or contractually committed annually	93.68%	98%	100%	2%	This indicator was over-achieved on as a result of more education and awareness sessions that were rolled out.
Communication plan developed	0	1	1	-	-

#### PERFORMANCE INDICATORS

Component: Communication, Education and Stakeholder Relations					
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of awareness interventions conducted	243	185	275	90	Due to partnerships with the DOCS for training for CPF's and Neighbourhood Watches as well as the demand for training from the WCLA we have overachieved on this indicator.
Number of persons reached through an awareness intervention	12 041	6 550	9 720	3 170	The over achievement on this indicator is directly linked to the above indicator.
Number of social responsibility programmes conducted	1	1	1	-	-
Entity website events calendar maintained	0	1	1	-	-

Component: Communication, Education and Stakeholder Relations					
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of internal newsletters published	0	4	4	-	-
Number of circulars circulated	0	12	49	37	Changes in legislation and the increase in fees have resulted in more communication with our stakeholders
Number of updates to the website	0	12	34	22	With the improvement of the WCLA's website more information was uploaded.

#### ANALYSIS OF PERFORMANCE INDICATORS

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

#### Number of awareness sessions conducted:

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

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

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

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

#### Number of social responsibility Programmes conducted:

As part of the Social Responsibility programmes conducted, we engaged with 13 communities through door-to-door sessions. A5 pamphlets were handed out to the public that address the complaint procedures against licensed and unlicensed premises, as well as liquor license application representations/objections.

The WCLA further also conducted 22 radio interviews and during these interviews the Authority informed the public about the Be Conscious campaign whereby listeners were advised to be conscious when consuming alcohol and liquor license holders were advised to be conscious

when trading in alcohol. This opportunity was also used to educate communities regarding liquor regulations.

The significant overachievements on this components indicators has ensured that all stakeholders of the Western Cape Liquor Authority were informed about and educated on the new amendments to the regulations.

#### LINKING PERFORMANCE WITH BUDGET

Component/Activity/ Objective	2017/2018			2016/2017		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Communication, Education and Stakeholder Relations	4 187	3 802	385	3 618	3 570	47
<b>Total</b>	<b>4 187</b>	<b>3 802</b>	<b>385</b>	<b>3 618</b>	<b>3 570</b>	<b>47</b>

### 3.4 Component 4: Compliance and Enforcement

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

#### STRATEGIC OBJECTIVE

Component: Compliance and Enforcement					
Strategic objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of enforcement interventions conducted	0	2 575	3 284	709	The component over-achieved on the target due to regular monitoring of the outputs. The appointment of the two additional inspectors also contributed to the over-achievement.

#### PERFORMANCE INDICATORS

Component: Compliance and Enforcement					
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of inspections conducted	4 421	2 550	3 204	654	The component over-achieved on the target due to regular monitoring of the outputs. The appointment of the two additional inspectors also contributed to the over-achievement.

Component: Compliance and Enforcement					
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of compliance notices issued	740	500	588	88	The component over achieved on the target due to regular monitoring of the outputs. The appointment of the two additional inspectors also contributed to the over achievement.
Number of enforcement operations conducted	69	25	80	55	The component over achieved on the target as a results of the good co-operation between Law Enforcement and SAPS. The appointment of the two additional inspectors also contributed to the over achievement.
Number of section 73 reports referred to the LLT in terms of section 20	0	100	170	70	The component has overachieved on the target. This is due to the shift in the focus of the component and the appointment of additional contracted inspectors focussing on the irresponsible traders in especially the Game Changer areas which led to more 73 reports being submitted to the LLT.

#### ANALYSIS OF PERFORMANCE INDICATORS

It is envisaged that as soon as the additional positions at the Tribunal are filled it will assist in having more non-compliance matters referred to the Tribunal for consideration. The Tribunal has the powers to impose a wide range of sanctions which includes the revocation or suspension of a license, the issuing of fines, the amendments of conditions or any other action which it deems appropriate. The indicators have been amended for the 2017/18 financial year to include the number of section 73 reports submitted. With the implementation of the section 20 settlement process it is expected that the Western Cape Liquor Authority will make a bigger impact on the irresponsible trading. The settlement process allows for licencees to pay fines in cases where they admit to the relevant contraventions and these matters are referred to the LLT for their consideration and possible confirmation of the fine without having to call any person to testify before it.

The Compliance and Enforcement component did not have much control over the number of enrolled hearings due to the dates being determined by the LLT and this indicator has therefore been amended to rather monitor the number of section 73 reports submitted. The significant over achievement on the indicator "Number of section 73 reports referred to the LLT in terms of section 20" has contributed considerably in the increase of non-compliant matters dealt and finalised by the Liquor Licensing Tribunal.



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

#### LINKING PERFORMANCE WITH BUDGET

Component/Activity/ Objective	2017/2018			2016/2017		
	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	7 115	6 746	369	5 362	5 248	113
<b>Total</b>	<b>7 115</b>	<b>6 746</b>	<b>369</b>	<b>5 362</b>	<b>5 248</b>	<b>113</b>

### 3.5 Component 5: Finance

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

#### STRATEGIC OBJECTIVE

Component: Finance					
Strategic objective	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Percentage of the approved budget spent or contractually committed	97.37%	98%	94.23%	(3.77%)	<ul style="list-style-type: none"> <li>Vacancies</li> <li>Delay in appointing additional DPO (LLT)</li> <li>Capital expenditure - due to late cash surplus retention response</li> </ul>

#### PERFORMANCE INDICATORS

Component: Finance					
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of demand management reports submitted to Provincial Treasury	NEW	13	5*	(8)	Provincial Treasury changed reporting requirement from monthly to quarterly.
Number of asset counts conducted	NEW	2	2	-	-
Number of annual financial statements submitted	NEW	1	1	-	-

Component: Finance					
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of In-year monitoring reports submitted to Provincial Treasury	NEW	4	4	-	-
Number of updates on the risk register	NEW	4	4	-	-

\* The entity considers the indicator for "Number of demand management reports submitted to Provincial Treasury" as achieved. This is because of the new requirement that was circulated by Provincial Treasury well after the APP was finalised.

#### ANALYSIS OF PERFORMANCE INFORMATION

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

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

#### Supply Chain Management

- All Bid and Asset Disposal Committee Members duly appointed in 2017/18
- Updated contract register in place
- SCM committees trained
- Circulars developed to guide end users
- Finance policies updated and approved by the Board
- Standard operating procedures updated and workshopped with staff

#### Revenue

- Revenue received from license applications is processed monthly and paid over to DOCS

#### LINKING PERFORMANCE WITH BUDGET

Component/Activity/Objective	2017/2018			2016/2017		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Finance	12 049	11 632	417	-	-	-
<b>Total</b>	<b>12 049</b>	<b>11 632</b>	<b>417</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 3.6 Component 6: Corporate Services

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

The core functions of this component include the following areas:

- Human Resource Management
- Corporate Administration

#### PERFORMANCE INDICATORS

Component: Corporate Services					
Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of employee performance reviews facilitated	0	2	2	-	-
Number of employee wellness programmes conducted	0	4	4	-	-
Number of staff satisfaction surveys conducted	0	2	2	-	-
Number of quarterly performance reports submitted	0	4	4	-	-
Number of meetings with IT service provider	0	12	12	-	-

#### ANALYSIS OF PERFORMANCE INFORMATION

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

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

#### Performance Management System

- Final performance appraisals have been conducted and finalised for the 2017/18 financial year
- Performance agreements have been concluded for all staff members for the 2018/19 financial year

### Employee Wellness and Assistance Program

- Heritage day celebrations were facilitated at the WCLA offices for staff members
- WCLA participated in the annual Nelson Mandela Day activities
- 4 Employee health and wellness sessions were facilitated

### Skills development

- Bursaries to the value of R84 698 were awarded to 7 staff members in 2017/18
- Customer care training was provided to all staff members of the Authority in February 2018
- Diversity training was provided to all staff members of the Authority in March 2018

### LINKING PERFORMANCE WITH BUDGET

Component/Activity/ Objective	2017/2018			2016/2017		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Corporate Services	10 168	8 257	1 911	24 220	23 217	1 003
<b>Total</b>	<b>10 168</b>	<b>8 257</b>	<b>1 911</b>	<b>24 220</b>	<b>23 217</b>	<b>1 003</b>

## 4. REVENUE COLLECTION

Sources of revenue	2017/2018			2016/2017		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
License issuing fee	1 637	550	1 087	500	1 530	(1 030)
License fee temp & special	831	229	602	900	777	123
Auto renewal	26 722	34 352	(7 630)	24 000	24 976	(976)
Transfer of licencee	227	376	(149)	150	212	(62)
Application fee temp & special	436	88	348	300	407	(107)
<b>Total</b>	<b>29 853</b>	<b>35 595</b>	<b>(5 742)</b>	<b>25 850</b>	<b>27 902</b>	<b>(2 052)</b>

The Authority receives funding from Treasury via the Department of Community Safety for its day to day operations and service delivery. The Authority received funding to the value of R37, 663 million in the main budget and a further R707 000 in March 2018 for a media campaign. A further R3, 425 million was rolled over and R743 518 cash surplus retained from the 2016/17 financial year.

In terms of the Western Cape Liquor Act, Act 4 of 2008 as amended and GRAP principles, the Authority acts as an agent to the Provincial Revenue Fund. All monies collected in the form of license fees for temporary and special event licences, transfer of licences and license issuing fees lodged before 1 July 2017 were paid over to the Provincial Revenue Fund via the Department of Community Safety. The change in the Act and Regulations allowed the fees to be retained by the Authority. All license renewal fees are paid to the PRF via the Department of Community Safety. The department had set a revenue target amount of R29, 85 million as part of its budgeting process for the Authority. Up until the 31st of March 2018 the Authority paid over an amount of R35, 31 million to the Provincial Revenue Fund. The balance of R281 000 generated in 2017/18 will be paid over in 2018/19.

The over-collection of revenue is linked to the increase in fees which took effect from 1 July 2017 with the amended Regulations.

In order to ensure that the Authority achieves on its "revenue" targets for the financial year, the Authority continued to improve processes in the Revenue section to enable the speedy allocation of payments to license holders. More effort was also put in to clear suspense account entries.

### 4.1. Capital investment

The planned enhancements of the financial and licensing system for the financial year under review has been successfully completed. The licensing system is known as the Licensing Management and Tracking System (LMaTS). Further enhancements to the LMaTS is underway and will follow a similar implementation strategy as the initial enhancement project (referred to as an agile project approach). The project was expanded due to additional requirements identified and is due for finalisation in October 2018.

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

95% of the Authority's assets are in a good condition and 5 % are in a fair condition. The Authority also disposed of assets that had reached their useful life expectancy in accordance with the depreciation schedule as set in the asset register or as and when required. Maintenance of all

Authority assets takes place on an as and when required basis. The asset register is updated when new assets are purchased or disposed of.

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

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

Infrastructure projects	2017/2018			2016/2017		
	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	1 570	686	885	2 135	736	1 399
Website	107	107	-	-	-	-
<b>Total</b>	<b>1 677</b>	<b>793</b>	<b>885</b>	<b>2 135</b>	<b>736</b>	<b>1 399</b>



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

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## 1. INTRODUCTION

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

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

## 2. PORTFOLIO COMMITTEES

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

- Operations Committee
- Finance, HR, IT and Compliance Committee
- Risk committee (this committee was established by the previous Board towards the end of the year)
- Social Fund Committee

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

## 3. EXECUTIVE AUTHORITY

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

## 4. THE ACCOUNTING AUTHORITY / BOARD

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

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

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

The fiduciary responsibilities of the Board are as follows:

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

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

## Composition of the Board

Table 1 indicates the composition of the outgoing Governing Board whose term came to an end on 11 March 2018.

Table 2 indicates the composition of the current Governing Board that took up office on 12 March 2018.

**Table 1**

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee/ Ministerial task team)	No. of Meetings attended
Michael Jones	Chairperson	12/03/2015	N/A	B Tech Marketing Honours	Finance, Governance and General Management	Michael Jones Consultancy	N/A	25
Rev. Philip Philander	Member	12/03/2015	N/A	B. Theology	Social Fund	Pollsmoor Parole Board, Kensington Community Police Forum, Kensington Minister's Fraternal	SOC Com	12
Hendri Terblanche	Member	12/03/2015	N/A	BA Accountancy	Governance, Finance and Compliance	Karl Bremmer Hospital Facility Board	Fin, HR, IT & Comp Com, Risk Com	23
Andre Du Plessis	Member	12/03/2015	N/A	B. Proc	Governance and Administration	N/A	OPS Com	12

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
Julia Modise	Member	12/03/2015	N/A	MA (Clinical Social Work), BA Social Work, BA (Hons Sociology)	Governance and HR	N/A	Fin, HR, IT & Comp Com	16
Undere Deglon	Deputy Chairperson	16/01/2017	N/A	MA (Research Psychology), BSocSC (Honours Psychology), HDipEd, BA	Governance, HR and Finance	Western Cape Gambling and Racing Board, Council of the Cape Peninsula University of Technology	Ops Com	11
Ina Du Bruyn	Member	16/01/2017	N/A	Professional Business Coaching	Governance, HR and Finance	N/A	Fin, HR, IT & Comp Com, Risk Com	17

Table 2

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

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

### Governing Board and Committee meetings

Governing Board/ Committee	No. of meetings held	No. of members	Name of members
Governing Board	7	7	Michael Jones, Undere Deglon, Andre Du Plessis, Julia Modise, Hendri Terblanche, Philip Philander, Ina Du Bruyn
Other*	18	Various	Michael Jones, Undere Deglon, Andre Du Plessis, Julia Modise, Hendri Terblanche, Philip Philander, Ina Du Bruyn
OPS Committee	2	3	Andre Du Plessis, Undere Deglon, Michael Jones
Finance, HR, IT and Compliance Committee	8	3	Hendri Terblanche, Ina Du Bruyn, Julia Modise
Social Fund Committee	4	2	Philip Philander, Michael Jones
Risk Committee	3	2	Ina Du Bruyn, Hendri Terblanche

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

## Remuneration of board members

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

Sub-category B2	R.p.d	R.p.h
Chairperson	R 3 685	R 461
Deputy Chairperson	R 2 595	R 324
Member	R 2 258	R 282

Name	Remuneration	Other allowance	Other re-imbursments	Total
Michael Jones	R 69 436	R 6 348	R 52	R 75 836
Philip Philander	R 20 631	R 1 235	-	R 21 866
Andre Du Plessis	R 22 837	R 4 619	-	R 27 456
Hendri Terblanche	R 28 818	R 1 087	-	R 29 905
Julia Modise	R 27 111	R 1 285	-	R 28 396
Undere Deglon	R 22 296	R 4 194	-	R 26 490
Ina Du Bruyn	R 23 739	R 3 469	-	R 27 208

## 5. RISK MANAGEMENT

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

## 6. INTERNAL CONTROL UNIT

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



## 7. INTERNAL AUDIT AND AUDIT COMMITTEES

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

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

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

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

The table below discloses relevant information on the audit committee members

Name	Qualifications	Internal or External	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Ethel Hamman	CA(SA); PGDA	External	-	1 April 2013	-	4
Hendri Terblanche	BA Accountancy	Internal	Board member	1 April 2015	-	5
Rozan Jaftha	CA(SA); CIA	External	-	1 April 2014	-	5

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

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

## 9. FRAUD AND CORRUPTION

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

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

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## 10. MINIMISING CONFLICT OF INTEREST

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

For the 2017/18 financial year, there was no conflict of interest identified.

## 11. CODE OF CONDUCT

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

## 12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

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

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N/A

## 14. SOCIAL RESPONSIBILITY

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The Authority supported the Mandela Day charitable initiatives by visiting the Kensington Treatment Centre in Maitland. This Centre is an in-patient treatment facility for women who are affected by substance abuse. The Authority collected donations amongst the staff and procured food, toiletries, luxuries and clothing for the women attending the centre.

## 15. AUDIT COMMITTEE REPORT

The Audit Committee (the committee) submits its report in respect of the financial year ended 31 March 2018.

### Audit Committee Responsibility

The committee reports that it has complied with its responsibilities arising from section 51 (1)(a)(ii) of the Public Finance Management Act (PFMA) and Treasury Regulation 27.1. The Audit committee is governed by the formal terms of reference of its Audit Committee Charter as approved and annually reviewed by the Governing Board of the Authority. The committee has regulated its affairs in compliance with this charter and has discharged 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.

### The Effectiveness of Internal Control

The committee has considered the reports received from the Internal Audit on the Authority's system of internal controls. Management implemented action plans in response thereto and the Authority's system of internal controls continued to improve during the period under review. The Committee is satisfied that the controls implemented mitigate risks identified by management and auditors.

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

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

The Authority has reported monthly and quarterly to the Treasury as is required by the PFMA. The committee is satisfied with the quality of management and quarterly reports prepared and issued by the Authority during the period under review.

### Governance of Risk

The committee is responsible for the oversight of the risk management process.

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

### Evaluation of Financial Statements

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

The committee has reviewed the AGSA's audit and management report as well as management's responses thereto; and reviewed the adjustments resulting from the audit thereof. The Audit Committee accepts the conclusions and is satisfied that the shortcomings raised were remedied.

### Auditor-General's Report

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

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## Appreciation

The committee expresses its appreciation to the Management of the Authority, the internal auditors and the AGSA for the co-operation and information they have provided to enable the compilation of this report.

A handwritten signature in black ink, appearing to read 'Ethel Hamman', is written over a light grey rectangular background.

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**Ethel Hamman**  
Chairperson of the Audit Committee  
Western Cape Liquor Authority  
Date: 31 July 2018

PART D:

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HUMAN RESOURCE MANAGEMENT

# d 1. INTRODUCTION

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

At the beginning of the 2017/18 financial year, staff members entered into performance agreement contracts with the organisation. All performance assessments have been finalised and plans have been put in place to address and monitor underperformance and to reward over achievers.

In the 2017/18 financial year, the Authority focussed more on group training which was identified through feedback received from the staff via our Staff Satisfaction Survey. The group training identified focussed on Customer Care and Diversity Management training.

Regarding recruitment, most of the funded vacancies were filled at the end of the financial year. The need for additional Inspector positions were identified and our Parent Department funded three additional Inspector positions, which were filled on a contract basis.

Employee wellbeing is important and this year emphasis was placed on employee financial wellbeing. These sessions were facilitated by companies who conducted presentations on debt management, savings, investments, wills and planning for retirement. Staff recreational activities such as a Mandela Day charity event in which staff were involved was a great success and thoroughly enjoyed by all. A staff strategic session was held in December 2017 to educate staff on HIV/Aids, long service recognition rewards were distributed and the employee of the year was announced during this event.

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

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

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

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



## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

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### Personnel Cost by component / activity/ objective

Programme/Activity/Objective	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of Total Expenditure (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
Communication, Education and Stakeholder Relations	22 136	2 295	10.37%	5	459
Compliance and Enforcement	22 136	5 726	25.87%	14	409
Liquor Licensing Administration	22 136	5 882	26.57%	14	420
Corporate Services	22 136	4 768	21.54%	11	433
Finance	22 136	3 465	15.65%	9	385

### Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel Cost (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
Top Management	961	4.34%	1	961
Senior Management	3 376	15.25%	5	675
Professional qualified	7 330	33.11%	17	431
Skilled	9 596	43.35%	26	369
Semi-skilled	873	3.95%	4	218
<b>TOTAL</b>	<b>22 136</b>	<b>100.00%</b>	<b>53</b>	<b>2 654</b>

### Performance Rewards

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

\* The Authority does not pay out performance bonuses.

## Training Costs

Programme/Activity/Objective	Total Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost (R'000)	No. of Employees Trained	Average Training Cost per Employee (R'000)
Communication, Education and Stakeholder Relations	2 295	8	0.03%	5	1
Compliance and Enforcement	5 726	24	0.09%	13	1
Liquor Licensing Administration	5 882	26	0.09%	14	1
Corporate Services	3 465	53	0.20%	11	4
Finance	2 295	15	0.06%	9	1

NOTE: The total training costs is exclusive of bursaries paid out to staff members.

NOTE: The amounts include group training that was provided to all staff members as well as individual training for staff members.

## Employment and vacancies

Programme/Activity/Objective	2016/2017 No. of Employees	2017/2018 Approved Posts	2017/2018 No. of Employees	2017/2018 Vacancies	% of Vacancies
Communication, Education and Stakeholder Relations	4	5*	5	-	-
Compliance and Enforcement	12	14	13	1	7.14%
Liquor Licensing Administration	15	14	14	-	-
Corporate Services	20	11	11	-	-
Finance**	0	9	9	-	-

\* One of the position within the Liquor Licensing Administration component was transferred to the Communication, Education and Stakeholder Relations component during the 17/18 financial year.

\*\* The Finance component was reported on as a separate component for the first time in the 2017/18 financial year. Previously this component was reported on under the Corporate Services component.

Programme/Activity/Objective	2016/2017 No. of Employees	2017/2018 Approved Posts	2017/2018 No. of Employees	2017/2018 Vacancies	% of Vacancies
Top Management	1	1	1	-	-
Senior Management	5	5	5	-	-
Professional qualified	15	17*	16	1	5.88%
Skilled	26	26	26	-	-
Semi-skilled	4	4	4	-	-
Unskilled	-	-	-	-	-
<b>TOTAL</b>	<b>51</b>	<b>53</b>	<b>52</b>	<b>1</b>	<b>1.88%</b>

\* The increase in professionally qualified appointments is as a result of the addition of 2 contract positions within the Compliance and Enforcement component. The vacancy is as a result of one of those inspectors resigning and the recruitment process only being finalised in the 2018/19 financial year.

## Employment changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top Management	1	-	-	1
Senior Management	5	-	-	5
Professional qualified*	15	4	3	16
Skilled	26	2	2	26
Semi-skilled	4	-	-	4
Unskilled	-	-	-	-
<b>TOTAL</b>	<b>51</b>	<b>6</b>	<b>5</b>	<b>52</b>

\* During the 2017/18 financial year the Authority received additional funding for the appointment of 3 additional contract compliance inspectors who fall under professionally qualified salary band. This additional appointments increased the salary band from 15 to 17 positions. During the year one of the permanently employed inspectors resigned and one of the contract inspectors applied for the said vacancy, and was successful, leaving another vacancy in the same salary band. One of the 2 vacant position within the inspectorate was filled leaving one position vacant as at the end of the financial year.

## Reasons for staff leaving

Reason	Number	% of Total no. of Staff Leaving
Death	-	-
Resignation	5	9.43% (53)
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
<b>TOTAL</b>	<b>5</b>	<b>9.43% (53)</b>

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

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

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

### Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	2
Written Warning	4
Final Written Warning	1
Dismissal	-

### Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0.2	-	0.3	-	-	-	0.1
Senior Management	-	0.9	2	1.4	-	-	1	0.5
Professional qualified*	2	2.9	5	4.6	-	0.1	3	1.6
Skilled	2	4.4	5	7.0	1	0.2	2	2.4
Semi-skilled	0	0.7	1	1.1	-	-	-	0.4
Unskilled	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>5</b>	<b>9.1</b>	<b>13</b>	<b>14.4</b>	<b>1</b>	<b>0.3</b>	<b>6</b>	<b>4.9</b>

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	0.1	-	0.2	-	-	-	0.1
Senior Management	1	0.7	1	1.2	-	-	-	0.4
Professional qualified*	2	2.5	4	3.9	-	0.1	-	1.3
Skilled	5	3.8	8	6.0	-	0.1	3	2.0
Semi-skilled	1	0.6	2	0.9	-	-	-	0.3
Unskilled	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>9</b>	<b>7.2</b>	<b>14</b>	<b>11.5</b>	<b>-</b>	<b>0.1</b>	<b>3</b>	<b>3.9</b>

## Employment changes

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



**PART E:**

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**FINANCIAL INFORMATION**

# REPORT OF THE EXTERNAL AUDITOR

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENT

### Opinion

1. I have audited the financial statements of the Western Cape Liquor Authority set out on pages 59 to 103, which comprise the statement of financial position as at 31 March 2018, and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Western Cape Liquor Authority as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the requirements of the Western Cape Liquor Act, 2008 (Act No. 4 of 2008) (Western Cape Liquor Act).

### Basis for opinion

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

### Responsibilities of accounting authority for the financial statements

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

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

8. 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.



9. 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

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes/components presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. 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 programmes/components presented in the annual performance report of the entity for the year ended 31 March 2018.

Programmes/Components	Pages in the annual performance report
Programme/Component 1 - liquor Licensing administration	22 - 23
Programme/Component 4 - compliance and enforcement	27 - 29

13. 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.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes/components:
- Programme/Component 1 - liquor Licensing administration
  - Programme/Component 4 - compliance and enforcement

### Other matters

15. I draw attention to the matters below.

### Achievement of planned targets

16. Refer to the annual performance report on pages 22 to 24 and 27 to 29 for information on the achievement of planned targets for the year and explanations provided for the over/under-achievement of a significant number of targets.

## REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

### Introduction and scope

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

19. The entity's accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes/components presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
21. 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 programmes/components presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. 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.
23. I have nothing to report in this regard.

### INTERNAL CONTROL DEFICIENCIES

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

### OTHER REPORTS

25. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
26. The Western Cape Liquor Authority certified that there were two (2) cases (irregularities relating to the refurbishment and fitting out of the leased building of the public entity and the appointment of a service provider for organisational design) on hand as at 31 March 2018 that are under investigation. The cases were referred to the provincial forensic unit.

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27. The date of finalising and concluding of these investigations is not yet known. Both cases were identified as audit findings during the 2015-16 financial year.

*Auditor-General*

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Cape Town  
31 July 2018



**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 programmes/components and on the entity's compliance with respect to the selected subject matters.

#### Financial statements

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

#### Communication with those charged with governance

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

## Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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### General Information

<b>Country of incorporation and domicile:</b>	South Africa
<b>Nature of business and principal activities:</b>	Regulation of the liquor industry in the Western Cape
<b>Registered office:</b>	3rd Floor Sunbel Building 3 Old Paarl Road Bellville 7530
<b>Postal address Private Bag X6:</b>	Sanlamhof Bellville 7532
<b>Bankers:</b>	Nedbank Limited
<b>Auditors:</b>	Office of the Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
<b>Secretary:</b>	C Symes
<b>Attorneys:</b>	State Attorney
<b>Chief Executive Officer:</b>	L Mdunyelwa
<b>Chairperson of the Governing Board:</b>	TS Sidaki (Date of appointment 12-March-2018) M Jones (Date of termination 11-March 2018)
<b>Audit Committee members:</b>	E Hamman (Chairperson) R Jaftha H Terblanche (Date of termination 11-March 2018)

## e Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Governing Board Members' Responsibilities and Approval

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

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

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

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

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

The members have reviewed the entity's cash flow forecast for the year to 31 March 2019 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The financial statements set out on pages 59 to 103, which have been prepared on the going concern basis, were approved by the board on 31 May 2018 and were signed on its behalf by:



Thembalihle Sidaki  
Chairman of the Governing Board

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Statement of Financial Position as at 31 March 2018

Figures in Rand	Note(s)	2018	2017
<b>Assets</b>			
Current Assets	2	72 536	235 769
Receivables from Exchange Transactions	3	729 738	32 000
Receivables from Non-Exchange Transactions	4	8 366 683	4 542 474
Cash and Cash Equivalents			
		<b>9 168 957</b>	<b>4 810 243</b>
Non-Current Assets		14 300 024	14 616 066
Property, Plant and Equipment	5	2 430 677	1 997 567
Intangible Assets	6	<b>16 730 701</b>	<b>16 613 633</b>
<b>Total Assets</b>		<b>25 899 658</b>	<b>21 423 876</b>
<b>Liabilities</b>			
Current Liabilities			
Provisions	7	45 584	31 021
Current Employee Benefits	8	481 513	482 342
Payables from Exchange Transactions	9	2 436 528	1 970 980
Unspent Conditional Grant & Funds to be Surrendered	10	3 956 879	3 613 310
Current Portion of Long-term Liabilities	11	395 735	436 304
Over Payments from License Holders	37	630 000	-
Unallocated Deposits	38	1 501 507	-
		<b>9 447 746</b>	<b>6 533 957</b>
Non-Current Liabilities			
Long-term Liabilities	11	2 038 398	1 873 613
Non-Current Provisions	7	1 190 849	1 123 442
Operating Lease Liabilities	12	621 019	520 947
		<b>3 850 266</b>	<b>3 518 002</b>
<b>Total Liabilities</b>		<b>13 298 012</b>	<b>10 051 959</b>
<b>Net Surplus</b>		<b>12 601 646</b>	<b>11 371 917</b>
Reserves			
Social and Education Fund Reserve	13	15 805	58 994
Accumulated Surplus		12 585 841	11 312 923
<b>Net Assets</b>		<b>12 601 646</b>	<b>11 371 917</b>

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
<b>Revenue</b>			
<b>Revenue from Exchange Transactions</b>			
Application Fees	14	1 790 100	1 332 472
Granting Fees		1 220 000	19 850
Interest Earned - External Investments		623 232	524 932
Other Income	15	37 621	40 479
Gain on disposal of assets		-	2 856
<b>Total Revenue from Exchange Transactions</b>		<b>3 670 953</b>	<b>1 920 589</b>
<b>Revenue from Non-Exchange Transactions</b>			
<b>Transfer revenue</b>			
Government Grants and Subsidies	16	38 753 870	36 413 751
Penalties and Fines	17	4 249 200	1 294 908
Other Income	15	-	834
<b>Total Revenue from Non-Exchange Transactions</b>		<b>43 003 070</b>	<b>37 709 493</b>
<b>Total Revenue</b>		<b>46 674 023</b>	<b>39 630 082</b>
<b>Expenditure</b>			
Employee Related Costs	18	(24 660 081)	(20 556 450)
Remuneration of Governing Board Members	19	(223 702)	(354 144)
Depreciation and Amortisation	20	(2 244 221)	(2 130 042)
Finance Charges	21	(730 546)	(747 829)
General Expenses	22	(17 595 826)	(17 916 153)
Impairment Loss/ Reversal of Impairments	39	10 081	(2 383)
<b>Total Expenditure</b>		<b>(45 444 295)</b>	<b>(41 707 001)</b>
<b>Surplus/(deficit) for the year</b>		<b>1 229 728</b>	<b>(2 076 919)</b>



## Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Statement of Changes in Net Assets

Figures in Rand	Social and Education Fund Reserve	Accumulated Surplus	Total Net Assets
<b>Balance at 01 April 2016</b>	<b>11 573</b>	<b>13 437 263</b>	<b>13 448 836</b>
Changes in net assets			
Surplus for the year	-	(2 076 919)	(2 076 919)
Movement in Social and Education Fund Reserve	47 421	(47 421)	-
<b>Total changes</b>	<b>47 421</b>	<b>(2 124 340)</b>	<b>(2 076 919)</b>
<b>Balance at 01 April 2017</b>	<b>58 994</b>	<b>11 312 924</b>	<b>11 371 918</b>
Changes in net assets			
Surplus for the year	-	1 229 728	1 229 728
Movement in Social and Education Fund Reserve	(43 189)	43 189	-
<b>Total changes</b>	<b>(43 189)</b>	<b>1 272 917</b>	<b>1 229 728</b>
<b>Balance at 31 March 2018</b>	<b>15 805</b>	<b>12 585 841</b>	<b>12 601 646</b>

Note(s)

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# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government Grants		38 887 500	36 015 572
Interest		605 326	534 986
Other Receipts		6 990 261	2 789 293
		<u>46 483 087</u>	<u>39 339 851</u>
<b>Payments</b>			
Suppliers and Employees		(41 893 922)	(38 838 203)
Finance Charges		(669 468)	(695 229)
		<u>(42 563 390)</u>	<u>(39 533 432)</u>
<b>Net cash flows from operating activities</b>	23	<b>3 919 697</b>	<b>(193 581)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(1 605 833)	(909 954)
Purchase of Intangible Assets	6	(745 375)	(736 282)
Proceeds with disposal of Property, Plant and Equipment		-	22 650
		<u>(2 351 208)</u>	<u>(1 623 586)</u>
<b>Cash flows from financing activities</b>			
Repayment of over payments from license holders		630 000	-
Movement in unallocated deposits		1 501 507	-
Finance Lease Capital Redemption		124 214	(160 234)
		<u>2 255 721</u>	<u>(160 234)</u>
<b>Net cash flows from financing activities</b>		<b>2 255 721</b>	<b>(160 234)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3 824 210</b>	<b>(1 977 401)</b>
Cash and cash equivalents at the beginning of the year		4 542 474	6 519 875
<b>Cash and cash equivalents at the end of the year</b>	4	<b>8 366 684</b>	<b>4 542 474</b>

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference between Final Budget and Actual
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Application Fees	2 578 970	(458 020)	2 120 950**	1 790 100	(330 850)
Granting Fees	-	-	-	1 220 000	1 220 000
Other Income	24 550	10 434	34 984**	37 621	2 637
Interest Earned - External Investments	350 000	-	350 000**	623 232	273 232
<b>Total revenue from exchange transactions</b>	<b>2 953 520</b>	<b>(447 586)</b>	<b>2 505 934</b>	<b>3 670 953</b>	<b>1 165 019</b>
<b>Revenue from non-exchange transactions</b>					
<b>Transfer revenue</b>					
Government Grants & Subsidies	37 663 000	5 603 144	43 266 144**	38 753 870	(4 512 274)
Penalties and Fines	1 901 100	1 081 850	2 982 950**	4 249 200	1 266 250
<b>Total revenue from non-exchange transactions</b>	<b>39 564 100</b>	<b>6 684 994</b>	<b>46 249 094</b>	<b>43 003 070</b>	<b>(3 246 024)</b>
<b>Total revenue</b>	<b>42 517 620</b>	<b>6 237 408</b>	<b>48 755 028*</b>	<b>46 674 023</b>	<b>(2 081 005)</b>
<b>Expenditure</b>					
Employee Related Costs	(25 704 548)	698 771	(25 005 777)**	(24 660 081)	345 696
Remuneration of Governing Board Members	(313 927)	(30 000)	(343 927)**	(223 702)	120 225
General Expenses	(14 752 686)	(3 338 393)	(18 091 079)**	(17 595 826)	495 253
<b>Total expenditure</b>	<b>(40 771 161)</b>	<b>(2 669 622)</b>	<b>(43 440 783)</b>	<b>(42 479 609)</b>	<b>961 174</b>
<b>Operating surplus</b>	<b>1 746 459</b>	<b>3 567 786</b>	<b>5 314 245</b>	<b>4 194 414</b>	<b>(1 119 831)</b>
<b>Statement of Financial Position</b>					
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	122 000	1 459 892	1 581 892	1 606 832	23 940
Intangible Assets	400 000	2 051 590	2 451 590	745 375	(1 706 215)
Finance Lease	1 224 459	56 305	1 280 764	1 062 707	(218 057)
	<b>1 746 459</b>	<b>3 567 787</b>	<b>5 314 246</b>	<b>3 413 914</b>	<b>(1 900 332)</b>
<b>Total Assets</b>	<b>1 746 459</b>	<b>3 567 787</b>	<b>5 314 246</b>	<b>3 413 914</b>	<b>(1 900 332)</b>
<b>Net Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>780 500</b>	<b>780 500</b>

\* The Final Budget differs from published budget statement due to approval for retention of cash surplus amounting to R743 518 which was received in March 2018 after the budget was finalised.

\*\* The Final Budget breakdown differs from the published budget statement due to shift at year-end approved after the budget was finalised.

#### Reconciliation of Net Surplus to the Statement of Financial Performance

Net Surplus	780 500
Add back: Total Assets	3 413 914
Less: Finance Charges	(730 546)
Less: Depreciation	(2 244 221)
Add back: Impairment Reversal	10 081
Net Surplus as per Statement of Financial Performance	1 229 728

# e Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Accounting Policies

#### 1. Presentation of Financial Statements

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

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

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

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

##### 1.1 Presentation currency

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

##### 1.2 Going concern assumption

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

##### 1.3 Comparative information

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

##### 1.4 Amended disclosure policy

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

##### 1.5 Presentation of budget information

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

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

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Accounting Policies

The comparable information includes the following:

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

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

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

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

#### 1.6 Materiality

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

#### 1.7 Reserves

##### Social and Education Fund Reserve

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

The purpose of the Fund is:

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

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

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

#### 1.8 Leases

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

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

##### Finance leases - lessee

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

# e Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Accounting Policies

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

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

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

#### Operating leases - lessee

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

#### 1.9 Provisions

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

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

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

#### 1.10 Employee benefits

##### Provision for staff leave

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

Accumulated leave is vesting.

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Accounting Policies

#### 1.11 Property, Plant and Equipment

##### Initial Recognition

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

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

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

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

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

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

##### Subsequent Measurement - Cost Model

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

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

##### Depreciation and Impairment

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

# e Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Accounting Policies

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

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

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

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

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

#### De-recognition

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

#### 1.12 Intangible Assets

##### Initial Recognition

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

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

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

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

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

- the Authority intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Authority has the resources to complete the project;



# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

e

### Accounting Policies

- it is probable that the Authority will receive future economic benefits or service potential; and
- the Authority can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

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

#### Subsequent Measurement - Cost Model

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

#### Amortisation and Impairment

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

Item	Useful Life
Computer Software	10 years
Website Development	3 years

#### De-recognition

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

#### 1.13 Impairment of cash-generating assets

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

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

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

## e Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Accounting Policies

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

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

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

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

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

Useful life is either:

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

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

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

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

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

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

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Accounting Policies

necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

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

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

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

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

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

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

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

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

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

- depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The

## e Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

#### 1.15 Financial instruments

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

##### Initial recognition

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

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Accounting Policies

#### Subsequent Measurement

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

#### Receivables

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Authority. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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

#### Payables

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

#### Unallocated Deposits

The authority received deposits which are not correctly referenced and thus cannot be allocated to revenue. These are initially recorded in a suspense account during the financial year. When books are closed at the end of the financial year, the balance of the suspense account is transferred to current liabilities - unknown deposits. The deposits are only recognised as revenue or refunded when they can be positively identified with supporting documentation. The liability is carried for three (3) years after which, they are allocated to revenue on the proportion of revenue collections for the financial year in which the liability is written off.

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Accounting Policies

#### Cash and Cash Equivalents

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

#### De-recognition of Financial Instruments

##### Financial assets

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

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

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

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

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

##### Financial liabilities

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

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

##### Offsetting of financial instruments

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



# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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### Accounting Policies

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

#### 1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

When the criteria for recognition is satisfied, services in-kind are measured on initial recognition

# e Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Accounting Policies

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

#### 1.17 Revenue from exchange transactions

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

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

- The Authority has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Authority retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than



# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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### Accounting Policies

the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

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

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

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

#### 1.18 Related parties

The Authority resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

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

The following are regarded as related parties of the Authority:

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

# e Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Accounting Policies

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

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

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

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

Management include:

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

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

#### 1.19 Irregular expenditure

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

#### 1.20 Fruitless and wasteful expenditure

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

#### 1.21 Contingent liabilities

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

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Accounting Policies

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

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

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

##### Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. For other assets management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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

##### Intangible Assets

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

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

##### Provisions and contingent liabilities

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

##### Revenue recognition

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

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

##### Provision for staff leave

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

# e Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Accounting Policies

#### Provision for performance bonus

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

#### Provisions

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

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

- Judgement is based on quotations of an independent contractor to determine the cost of rehabilitation of premises.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

#### 1.23 Commitments

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

#### 1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

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

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

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand	2018	2017
<b>2. Receivables from Exchange Transactions</b>		
Accrued Interest on Investment Accounts	58 149	40 234
Prepayment	-	186 177
Sundry receivables	14 387	9 349
	<b>72 536</b>	<b>235 769</b>

The prepayment relates to a rent which was paid to the landlord in terms of the lease agreement for the offices residing in Bellville. There was no prepayment made for rent in 2018. No receivables were older than 1 year.

### 3. Receivables from Non-Exchange Transactions

Accrued Fines	519 800	32 000
Other receivables from non-exchange revenue	209 938	-
	<b>729 738</b>	<b>32 000</b>

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

### 4. Cash and Cash Equivalents

Cash and cash equivalents consist of:		
Cash on hand	270	-
Call Investment Deposits	7 471 400	4 132 782
Primary Bank Accounts	881 125	393 933
Procurement Card	13 888	15 759
	<b>8 366 683</b>	<b>4 542 474</b>

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

The Authority has the following bank accounts:

#### Call Investment Deposits

Call investment deposits consist out of the following account:		
Nedbank - acc no 037881100168 - Call (Grant)	5 281 242	3 868 908
Nedbank - acc no 037881100168- Call (Income)	2 174 354	204 880
Nedbank - acc no 037881100168- Call ( Social and Education Fund)	15 805	58 994
	<b>7 471 401</b>	<b>4 132 782</b>

# e Western Cape Liquor Authority

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### Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Primary Bank Accounts</b>		
Nedbank - account no 1452069883 (income account)	70 121	49 800
Nedbank - account no 1452069905 (expense account)	811 004	34 133
	<b>881 125</b>	<b>393 933</b>
<b>Nedbank - account no 1452069883 (income account)</b>		
Cash book balance at beginning of year	49 800	91 935
Cash book balance at end of year	70 121	49 800
Bank statement balance at beginning of year	49 800	91 935
Bank statement balance at end of year	70 121	49 800
<b>Nedbank - account no 1452069905 (expense account)</b>		
Cash book balance at beginning of year	344 133	60 304
Cash book balance at end of year	811 004	344 133
Bank statement balance at beginning of year	344 133	60 304
Bank statement balance at end of year	811 004	344 133
<b>Procurement Card</b>		
<b>Nedbank</b>		
Balance at beginning of year	15 759	4 195
Balance at end of year	13 888	15 759
	-	-



## Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand	Opening Balance	Additions	Disposals	Depreciation	Impairment Loss	Total
<b>Reconciliation of property, plant and equipment - 2017</b>						
Computer Equipment	2 893 238	569 673	(19 794)	(669 337)	-	2 773 780
Office Equipment	717 636	61 394	-	(88 401)	-	690 629
Furniture and Fittings	3 494 899	3 762	-	(236 473)	-	3 262 188
Safety and Security	866 663	103 955	-	(98 975)	-	871 643
Office Equipment (Leased Assets)	434 275	170 420	-	(249 292)	-	355 403
Motor Vehicles (Leased Assets)	1 700 027	750	-	(178 872)	-	1 521 905
Leasehold Improvements (Leased Assets)	4 556 964	-	-	(318 212)	-	4 238 752
Capital Restoration Costs (Leased Assets)	968 731	-	-	(64 582)	(2 383)	901 766
	<b>15 632 433</b>	<b>909 954</b>	<b>(19 794)</b>	<b>(1 904 144)</b>	<b>(2 383)</b>	<b>14 616 066</b>

#### Pledged as security

Leased Assets were pledged as security as per note 11

There are no fully depreciated assets which are still in use or any assets held for disposal or any temporary idle assets as at reporting date. Included in the carrying value of Computer Equipment is an amount of R172 905.30 relating to compute servers that were purchased. At year-end, the servers were not yet operational as the servers required further testing and configuration to the current server environment and is therefore not considered to be ready for use as required by GRAP17. Therefore no depreciation was calculated for these items.



# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand	2018			2017		
	Cost/ Valuation	Accum- ulated amor- tisation & accumulated impairment	Carrying Value	Cost/ Valuation	Accum- ulated amor- tisation & accumulated impairment	Carrying Value
<b>6. Intangible Assets</b>						
Computer Software	3 276 687	(846 010)	2 430 677	2 531 311	(533 744)	1 997 567

	Opening Balance	Additions	Amor- tisation	Total
<b>Reconciliation of intangible assets - 2018</b>				
Computer Software	1 997 567	745 375	(312 265)	2 430 677
<b>Reconciliation of intangible assets - 2017</b>				
Computer Software	1 487 183	736 282	(225 898)	1 997 567

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

Description	Remaining Amortisation Period	Carrying Value	
LMATS - phase 1	6 years	154 005	180 161
LMATS - phase 2	6 years	59 514	69 515
LMATS - phase 3	7 years	173 080	200 775
LMATS - phase 4	7 years	109 758	126 683
LMATS - phase 5	7 years	118 335	136 030
LMATS - phase 6	7 years	185 534	212 460
LMATS - phase 7	7 years	117 805	132 531
LMATS - phase 8	8 years	122 808	137 534
LMATS - phase 9	8 years	124 301	139 026
LMATS - phase 10	9 years	191 958	214 046
LMATS - phase 11	9 years	198 554	220 643
FMATS	6 years	164 360	194 000
Website Development	0 years	-	29 430
TMS Software	7 years	4 150	4 733
Website Development	3 years	50 267	-
LMATS-phase 12	10 years	137 735	-
LMATS-phase 13	10 years	107 760	-
LMATS-phase 14	10 years	215 520	-
LMATS-phase 15	10 years	195 233	-
		<b>2 430 677</b>	<b>1 997 567</b>

#### Other information

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

## Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand					
	Opening Balance	Utilised during the year	Reversed during the year	Change in discount factor	Total
<b>7. Provisions</b>					
<b>Reconciliation of provisions - 2018</b>					
Provision for Restoration of Leased Premises	1 123 442	-	-	67 407	1 190 849
Workmens Compensation	31 021	48 173	(33 610)	-	45 584
	<b>1 154 463</b>	<b>48 173</b>	<b>(33 610)</b>	<b>67 407</b>	<b>1 236 433</b>
<b>Reconciliation of provisions - 2017</b>					
Provision for Restoration of Leased Premises	1 054 875	-	-	68 567	1 123 442
Workmens Compensation	21 301	32 712	(22 992)	-	31 021
	<b>1 076 176</b>	<b>32 712</b>	<b>(22 992)</b>	<b>68 567</b>	<b>1 154 463</b>

Figures in Rand		2018	2017
Non-current liabilities		1 190 849	1 123 442
Current liabilities		45 584	31 021
		<b>1 236 433</b>	<b>1 154 463</b>

#### Restoration of Leased Premises Provision

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

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

A retrospective calculation of time value of money, based on an average weighted investment rate of prime less 4%, was used.

This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

#### Workmans Compensation Provision

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

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand	2018	2017
<b>8. Current Employee Benefits</b>		
Provision for Staff Leave	481 513	482 342
The movement in current employee benefits is reconciled as follows:		
<b>Provision for Staff Leave</b>		
Balance at beginning of year	482 342	441 979
Contribution to Current Portion - Note 18	40 490	111 333
Expenditure Incurred	(41 319)	(70 970)
	<b>481 513</b>	<b>482 342</b>

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

Provision for Performance Bonuses		
Balance at beginning of year	-	299 823
Expensed during the Year	-	(299 823)
	-	-

Performance bonuses were phased out in 2017

Defined contribution Pension Plan

Pension fund contributions has been included in personnel cost. Pension contributions amounting to R 3 807 358 (R2 388 392, 2017) were paid over to Verso Umbrella Retirement Pension Fund.

### 9. Payables from Exchange Transactions

Trade payables	2 082 274	1 161 514
Accrued Interest on Finance Leases	73 254	12 176
Provincial Revenue Fund	281 000	797 290
<b>Total Payables from Exchange Transactions</b>	<b>2 436 528</b>	<b>1 970 980</b>

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

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

Adjustment to opening balance	111 700	-
Outstanding balance at beginning of year	797 290	1 380 542
Total amount collected on behalf of Provincial Revenue Fund	35 594 480	27 378 816
Total amount of collections paid to Provincial Revenue Fund	(36 222 470)	(27 962 068)
<b>Balance at the end of the year</b>	<b>281 000</b>	<b>797 290</b>

The principal-agent relationship is defined in terms of the Western Cape Liquor Act of 2008 as amended. The WCLA collects fees on behalf of the Provincial Revenue Fund, which is paid to the Department of Community Safety (DOCS) who then pays the fees collected to the Provincial Revenue Fund. These payments are done in terms of the memorandum of understanding between the WCLA and DOCS. No significant risks are identified.

# e Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand	2018	2017
<b>10. Unspent Conditional Grant &amp; Funds to be Surrendered Unspent</b>		
<b>Conditional Grant &amp; Funds to be surrendered comprises of:</b>		
Western Cape Department of Community Safety	3 956 879	3 613 310
<b>Reconciliation</b>		
Unspent Conditional Grant	343 568	-
Funds to be Surrendered	3 613 311	3 613 310
	<b>3 956 879</b>	<b>3 613 310</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	3 613 310	4 011 489
Grants Received	38 887 500	36 015 572
Grants Recognised as Income	(38 753 869)	(36 413 751)
Grant receivable	209 938	-
	<b>3 956 879</b>	<b>3 613 310</b>
<b>11. Long-Term Liabilities</b>		
Capitalised Lease Liabilities - At amortised cost Less:	2 434 133	2 309 917
Current Portion transferred to Current Liabilities	(395 735)	(436 304)
<b>Total - At amortised cost using the effective interest rate method</b>	<b>2 038 398</b>	<b>1 873 613</b>

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

## Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Capitalised Leased Liabilities consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554E)	14.34 %	- %	3 years	30 June 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554E)	14.34 %	- %	3 years	30 June 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554E)	14.34 %	- %	3 years	30 June 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C364E)	21.62 %	- %	3 years	30 June 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C454E)	21.62 %	- %	3 years	30 June 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C654E)	26.99 %	- %	3 years	31 May 2019
Minolco (Pty) Ltd	Printer/Fax/Copier (Model B454E)	17.29 %	- %	3 years	29 February 2020
Government Motor Transport	Ford Ranger 3.2XLT D/CAB 4X4	24.49 %	- %	5 years	28 February 2020
Government Motor Transport	Hyundai Elantra - 1.8	30.75 %	- %	5 years	29 April 2019
Government Motor Transport	Hyundai Elantra - 1.8	30.76 %	- %	5 years	29 June 2019
Government Motor Transport	Hyundai H1.2.4 GLS Wagon	37.81 %	- %	7 years	29 March 2020
Government Motor Transport	Toyota Etios - 1.5 XS	34.79 %	- %	7 years	28 April 2020
Government Motor Transport	Toyota Hilux 2.7 4x2 D/CAB	34.48 %	- %	7 years	27 November 2020
Government Motor Transport	Volkswagen Caddy - 2.0 Trendline	24.24 %	- %	5 years	29 June 2019
Government Motor Transport	Volkswagen Polo 1.4 Trendline	35.35 %	- %	7 years	28 August 2020
Government Motor Transport	Volkswagen Polo 1.4 Trendline	35.35 %	- %	7 years	28 August 2020
Government Motor Transport	Volkswagen Polo Vivo 1.4 Trendline	30.42 %	- %	5 years	22 November 2022
Government Motor Transport	Volkswagen Polo Vivo 1.4 Trendline	30.56 %	- %	5 years	22 February 2023
Government Motor Transport	Ford Figo 1.5 TDCI Ambiente	27.45 %	- %	5 years	23 February 2023

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

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

The obligations under finance leases are scheduled below:

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand	2018	2017
	Maximum lease payment	
Payable within one year	1 074 953	1 037 767
Payable within two to five years	2 921 576	2 744 166
Subtotal	3 996 529	3 781 933
Less: Future finance obligations	(1 562 395)	(1 471 016)
	<b>2 434 134</b>	<b>2 310 917</b>
<b>12. Operating Lease Liabilities</b>		
Non-current liabilities	621 019	520 947
	<b>621 019</b>	<b>520 947</b>

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

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

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

The minimum lease payments are payable as follow:

Payable within one year	2 632 317	2 390 134
Payable within two to five years	3 322 643	5 839 646
	<b>5 954 960</b>	<b>8 229 780</b>

#### Motor vehicles

Leasing arrangements:

Operating leases relate to 2 vehicles and a trailer with anticipated remaining lease terms of 7 to 27 months as at 31 March 2018. The department does not have an option to purchase the leased assets at the expiry of the leased period.

These rentals are classified as contingent rentals due to uncertain lease periods and fluctuating tariff increases. The operating lease payments are therefore not subject to straight-lining. It is therefore impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP 13.

#### 13. Social and Education Fund Reserve

Opening Balance	58 994	11 573
Contributions Made	224 196	750 000
Expenditure Incurred	(267 385)	(702 579)
<b>Total Social and Education Fund Reserve</b>	<b>15 805</b>	<b>58 994</b>

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

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand	2018	2017
<b>14. Application Fees</b>		
New licences	949 600	909 250
Change of premises on existing licences	26 100	24 000
License for transfer of license to new owner	145 700	107 500
Alterations of premises on existing licences	124 500	94 550
Amendment of conditions on existing licences	7 850	13 000
Interim or pending license fee	130 500	99 000
Transfer of financial interest on existing licences	42 050	25 500
Other application fees	22 600	33 100
Unknown Receipts deemed to be Application Fees	-	26 572
App fee temp & event	341 200	-
	<b>1 790 100</b>	<b>1 332 472</b>
<b>15. Other Income</b>		
Copy of licences	37 619	40 197
Sundry income	2	282
Unknown receipts recognised as income	-	834
	<b>37 621</b>	<b>41 313</b>
<b>Disclosed as follow:</b>		
Revenue from Non-Exchange Transactions	-	834
Revenue from Exchange Transactions	37 621	40 479
	<b>37 621</b>	<b>41 313</b>
<b>16. Government grants and subsidies</b>		
<b>Operating grants</b>		
Western Cape Department of Community Safety	38 026 432	36 413 751
WR SETA grant	727 438	-
	<b>38 753 870</b>	<b>38 413 751</b>
<b>Western Cape Department of Community Safety</b>		
Balance unspent at beginning of year	3 613 310	4 011 489
Current-year receipts	38 370 000	36 015 572
Conditions met - transferred to revenue	(38 026 431)	(36 413 751)
	<b>3 956 879</b>	<b>3 613 310</b>
The grant enables the Authority to carry out its mandate to regulate the liquor industry in the Western Cape.		
<b>Wholesale &amp; Retail SETA</b>		
Current-year receipts	517 500	-
Conditions met - transferred to revenue	(727 438)	-
Grant Receivable	209 938	-
	<b>-</b>	<b>-</b>

WR SETA grant was received for the appointment of interns

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand	2018	2017
<b>17. Penalties and Fines</b>		
Penalties on late payments of license renewals	1 093 250	962 500
Fines imposed by the Liquor Licensing Tribunal	1 766 000	292 000
Penalties on late lodgement of app for Event license	1 363 050	2 000
Fines imposed by Designated Liquor Officer	26 900	12 100
Unknown Receipts deemed to be Penalties and Fines	-	26 308
<b>Total Penalties and Fines</b>	<b>4 249 200</b>	<b>1 294 908</b>
<b>18. Employee Related Costs</b>		
Salaries and Wages	19 982 390	17 506 344
Contribution to Leave Provision	40 490	111 333
Contribution to Bonus Provision	-	(214)
UIF	97 113	91 974
Overtime	71 120	68 591
Pension Fund Contributions	2 606 086	2 388 392
Workmen's Compensation	48 173	35 712
Group Rijs and Funeral Benefits	174 798	161 410
Long-service awards	90 000	-
Incentive Bonus	1 328 785	-
Cellphone Allowances	221 126	192 908
	<b>24 660 081</b>	<b>20 556 450</b>
<b>Chief Executive Officer - Luzuko Mdunyelwa</b>		
Basic Salary	836 877	789 030
Pension Fund	125 532	118 354
Cellphone Allowance	15 307	14 400
Contributions to UIF	1 785	1 785
Incentive Bonus	66 950	-
	<b>1 046 451</b>	<b>923 569</b>
<b>Chief Financial Officer - Victoria Letswalo</b>		
Basic Salary	589 070	488 481
Pension Fund	88 360	73 272
Cellphone Allowance	10 205	8 800
Contributions to UIF	1 785	1 636
Incentive Bonus	47 126	-
	<b>736 546</b>	<b>572 189</b>
<b>Deputy Director: Corporate Services - Marvin Jackson</b>		
Basic Salary	615 989	557 241
Pension Fund	92 398	83 586
Performance Bonus	-	14 980
Cellphone Allowance	10 205	9 600
Contributions to UIF	1 785	1 785
Incentive Bonus	49 279	-
Long Service Award	3 000	-
	<b>772 656</b>	<b>667 192</b>



# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Deputy Director: Liquor Licensing Administration - Leatitia Petersen</b>		
Basic Salary	558 229	557 241
Pension Fund	85 687	83 586
Performance Bonus	-	14 980
Cellphone Allowance	9 354	9 600
Contributions to UIF	1 785	1 785
Incentive Bonus	49 279	-
Long Service Award	3 000	-
	<b>707 334</b>	<b>667 192</b>
<b>Deputy Director: Compliance and Enforcement - Shawn Willemse (1 December 2012 - 31 August 2016)</b>		
Basic Salary	-	232 184
Pension Fund	-	34 828
Performance Bonus	-	14 980
Cellphone Allowance	-	4 000
Contributions to UIF	-	809
	<b>-</b>	<b>286 801</b>
<b>Deputy Director: Compliance and Enforcement - Martell van Lill</b>		
Basic Salary	571 610	222 037
Pension Fund	85 741	33 306
Cellphone Allowance	10 205	4 000
Contributions to UIF	1 785	744
	<b>669 341</b>	<b>260 087</b>
<b>Deputy Director: Communication, Education and Stakeholder Relations - Philip Prinsloo</b>		
Basic Salary	615 989	557 241
Pension Fund	92 398	83 586
Performance Bonus	-	14 980
Cellphone Allowance	10 205	9 600
Contributions to UIF	1 785	1 785
Incentive Bonus	49 279	-
Long Service Award	3 000	-
	<b>772 656</b>	<b>667 192</b>

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand	Committees Fees	Total
<b>19. Remuneration of Governing Board Members</b>		
<b>Governing Board Members</b>		
<b>31 March 2018</b>		
Mr Michael Jones (Chairperson)	69 437	69 437
Mr Ronald Kingwill (Deputy Chairperson)	1 782	1 782
Mr Andre du Plessis	22 838	22 838
Mr Hendri Terblanche	28 818	28 818
Mr Jacobus Louw	1 410	1 410
Rev Phillip Philander	20 632	20 632
Dr Lukas Muntingh	1 551	1 551
Dr Laurine Platzky	1 551	1 551
Adv Thembalihle Sidaki (Chairperson)	2 536	2 536
Ms Ina du Bruyn	23 740	23 740
Ms Julia Modise	27 112	27 112
Ms Undere Deglon	22 296	22 296
	<b>223 703</b>	<b>223 703</b>
<b>31 March 2017</b>		
Mr Michael Jones (Chairperson)	127 120	127 120
Mr Clint Alexander (Deputy Chairperson)	10 421	10 421
Mr Andre du Plessis	50 357	50 357
Mr Hendri Terblanche	48 234	48 234
Mr Ludick Sass	10 700	10 700
Rev Phillip Philander	46 136	46 136
Ms Julia Modise	47 074	47 074
Ms Ina du Bruyn	5 821	5 821
Ms Undere Deglon	8 281	8 281
	<b>354 144</b>	<b>354 144</b>
<b>20. Depreciation and Amortisation</b>		
Property, Plant and Equipment - note 5	1 931 956	1 906 527
Intangible Assets - note 6	312 265	225 898
	<b>2 244 221</b>	<b>2 132 425</b>
<b>21. Finance Charges</b>		
Long-term Liabilities	663 139	679 262
Non-current Provisions	67 407	68 567
	<b>730 546</b>	<b>747 829</b>

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand	2018	2017
<b>22. General Expenses</b>		
Advertising Fees	3 586 299	2 427 543
Assets expensed	1 470	-
Audit Fees - external	1 116 786	1 700 894
Audit Fees - internal	212 996	563 561
Bank charges	37 825	21 452
Cleaning Services	108 302	103 733
Computer Equipment Support	1 118 209	902 488
Conferences and Seminars	75 766	108 802
Consulting and Professional Fees	636 287	1 942 953
Entertainment and Catering	39 517	27 073
Insurance	307 144	290 416
Legal Fees	110 565	266, 54
License Fees	1 315 172	1 175 121
Liquor Licensing Tribunal	2 714 992	2 189 290
Operating Leases	2 700 166	2 648 392
Postage	36 540	258 827
Printing and Stationery	562 055	467 801
Rates and Taxes	207 404	194 046
Repairs and Maintenance	122 848	19 549
Social and Education Fund	283 189	701 312
Subscriptions and membership fees	24 339	22 763
Telephone	580 860	559 731
Training	255 961	247 554
Travel and Subsistence	799 741	615 657
Water and Electricity	535 314	413 935
Other	106 079	47 106
	<b>17 595 826</b>	<b>17 916 153</b>
<b>23. Cash generated from (used in) operations</b>		
Surplus (deficit)	1 229 728	(2 076 919)
<b>Adjustments for:</b>		
Depreciation and amortisation	2 244 221	2 130 042
(Gain)/Loss on disposal of Property, Plant and Equipment	-	(2 856)
Finance costs - Finance leases	67 407	68 567
Impairment	(10 081)	2 383
Operating Lease Liabilities - increase	100 072	221 282
Current Employee Benefits	(829)	(259 460)
Movements in provisions	14 563	9 720
<b>Changes in working capital:</b>		
Receivables from Exchange Transactions	163 233	59 804
Accrued Fines	(697 738)	51 000
Payables from Exchange Transactions	465 553	1 035
Unspent Conditional Grant & Funds to be Surrendered	343 568	(398 179)
	<b>3 919 697</b>	<b>(193 581)</b>

## Western Cape Liquor Authority FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand	2018	2017
<b>24. Reconciliation of Available Cash and Investment Resources</b>		
Cash and Cash Equivalents - Note 4	8 366 413	4 542 474
Less: Social and Education Fund Reserve	(15 804)	(58 811)
Less: Provincial Revenue Fund	(281 000)	(797 290)
Less: Funds to be Surrendered	(3 956 879)	(3 613 310)
<b>Net cash resources available for distribution</b>	<b>4 112 730</b>	<b>73 063</b>
<b>25. Utilisation of Long-Term Liabilities Reconciliation</b>		
Long-term Liabilities - note 11	2 434 133	2 309 917
Used to Finance Property, Plant And Equipment - at cost	(1 056 086)	(1 607 438)
	<b>1 378 047</b>	<b>702 479</b>
<b>26. Irregular Expenditure Disallowed</b>		
Opening balance	10 234 631	9 458 006
Add: Irregular Expenditure - current year	-	781 199
Less: Amounts condoned	-	(4 574)
	<b>10 234 631</b>	<b>10 234 631</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Current year	-	776 625
Prior years	783 750	7 125
	<b>783 750</b>	<b>783 750</b>
<b>Details of irregular expenditure - current year</b>		
	-	-

No irregular expenditure was incurred in the current financial year. The irregular expenditure reported in the prior financial year is still being investigated.

#### Fruitless and wasteful expenditure

No fruitless and wasteful expenditure was incurred in the current reporting period.

### 27. Commitments

No.	Name of Supplier	Bid Number	Amount	Total
1	AC Rhodes Trading	WCLA 075 2017/18	3 700	3 700
2	Universal Suppliers	WCLA 074 2017/18	5 700	5 700
3	Bytes Systems	LB 012 2017/18	32 650	32 650
4	Frontline Office Supplies	WCLA 069 2017/18	18 069	18 069
5	Blue Gheko	EXT 001 2017/18	884 823	884 823
6	BC Projects	WCLA 066 2017/18	38 609	38 609
			<b>983 551</b>	<b>983 551</b>

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>	98 728	487 161
<ul style="list-style-type: none"> <li>• Property, plant and equipment</li> <li>• Intangible assets</li> </ul>	884 823	883 539
	<b>983 551</b>	<b>1 370 700</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	983 551	1 370 700

Capital commitments will be financed with grant funding.

## 28. Financial Risk Management

### Financial Risk Management

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

### Credit risk

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

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

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

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

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.

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

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

Financial instrument	2018	2017
Receivables from Exchange Transactions	72 536	235 769

# e Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

#### Liquidity risk

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

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

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

#### Market risk

##### Interest rate risk

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

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

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

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

Figures in Rand	2018	2017
0.5% Increase in interest rates (2017 - 0.5%)	41 833	22 712
0.5% Decrease in interest rates (2017 - 0.5%)	(41 833)	(22 712)
	-	-

##### Foreign exchange risk

Management has set up a policy to require economic entities to manage their foreign exchange risk against their functional currency. The economic entities are required to hedge their entire foreign exchange risk exposure with the entity treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the entity use forward contracts, transacted with entity treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The entity treasury's risk management policy is to hedge between 75% and 100% of anticipated cash flows (mainly export sales and purchase of inventory) in each major foreign currency for the subsequent 12 months. Approximately 90% (2017: 90%) of projected sales in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

For segment reporting purposes, each controlled entity designates contracts with group treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

#### Price risk

The Authority is not exposed to price risk.

#### 29. Financial Instruments Disclosure

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

Figures in Rand	2018	2017
<b>Financial Assets</b>		
<b>Financial instruments at amortised cost</b>		
Receivables from exchange transactions	72 536	235 769
Cash and Cash Equivalents	8 366 683	4 542 474
<b>Total carrying amount of financial assets</b>	<b>8 439 219</b>	<b>4 778 243</b>
<b>Financial Liability</b>		
<b>Financial instruments at amortised cost</b>		
Long-term Liabilities	2 038 398	1 873 613
Payables from Exchange Transactions	2 436 530	1 970 977
Funds to be Surrendered	3 956 879	3 613 310
Current Portion of Long-term Liabilities	395 735	436 304
<b>Total carrying amount of financial assets</b>	<b>8 827 542</b>	<b>7 894 204</b>

#### 30. Events after the reporting date

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

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

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

#### 32. Private Public Partnerships

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

#### 33. Contingent Liability

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

#### 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.

##### Geographic Segment Reporting

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

#### 35. Related parties Related party transactions

The Western Cape Department of Community Safety (DOCS) is considered to be a related party, as DOCS has significant influence over the Authority. Mr Dan Plato is the Western Cape Provincial Minister of Community Safety.

# e Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

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

#### Government Motor Transport

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

Figures in Rand	2018	2017
Capital redemption of finance lease liability - Note 11	-	189 635
Interest paid on finance lease liability included under Finance Charges - Note 23	609 959	592 789
Kilometre tariff included under General Expenses (Travel and Subsistence - Note 25)	337 799	264 650
Operating Lease - Vehicles	203 814	218 476

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

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

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

No business transactions have taken place between management officials, close family members of such officials, partner or associate of such officials during the financial year.

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

In terms of paragraph 1.6 of the accounting policy only deviations of amounts exceeding R360 000 are reported.

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

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

The underspending of R2.9m on the budget is due to capital commitments amounting to R983 550 (see note 28), R465 919 on salaries and board fees due to resignations & less meetings held, R343 569 on advertising (media campaign over April) and R281 171 on LLT fees due to delay in appointing DPO and new member. This underspending has no impact on service delivery.



# Western Cape Liquor Authority

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### Notes to the Financial Statements

#### Reconciliation between Cash and Accrual Basis

	Accrual Basis	Adjustments	Cash Basis
<b>Revenue</b>			
Government Grants and Subsidies	38 753 870	133 630	38 887 500
Penalties and Fines	4 249 200	(516 599)	3 732 601
Granting fees	1 220 000	-	1 220 000
Application Fees	1 790 100	-	1 790 100
Interest Earned - External Investments	623 232	(17 906)	605 326
Other Income	37 621	-	37 621
<b>Expenditure</b>			
Employee Related Costs	(24 660 081)	13 732	(24 646 349)
Remuneration of Governing Board Members	(223 702)	9 821	(213 881)
Depreciation, Amortisation and Impairment	(2,234 140)	2 234 140	-
Finance Charges	(730 546)	60 778	(669 768)
General Expenses	(17,595 826)	772 374	(16 823 452)
	<b>1 229 728</b>	<b>2 689 970</b>	<b>3 919 698</b>
Property, Plant and Equipment	1 605 832	-	1 605 832
Intangible Assets	745 375	-	745 375
	<b>2 351 207</b>	<b>-</b>	<b>2 351 207</b>

Figures in Rand	2018	2017
<b>37. Over Payments from License Holders</b>		
<b>Designated at fair value</b>		
Overpayments by licenceholders	630 000	-
Prepayments received for annual liquor licences renewals not compliant with legislation and therefore must be refunded.		
<b>Current liabilities</b>		
Designated at fair value	630 000	-

#### 38. Unallocated Deposits

Unallocated deposits amount of R1 501 507 is made up of all the monies that were recorded in the suspense account.

#### 39. Impairment of assets

##### Impairments

Property, Plant and Equipment

The main classes of assets affected by impairment losses are lease hold improvements.

	(10 081)	2 383
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The main classes of assets affected by reversals of impairment losses are:

Capital Restoration Costs

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

Reduction of interest rate.



To obtain additional copies of this document, please contact:

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