



Western Cape
Government



Annual Report 2014/15
Western Cape Liquor Authority

WESTERN CAPE LIQUOR AUTHORITY

Annual Report

2014/2015

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PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME: Western Cape Liquor Authority

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E-MAIL ADDRESS: Philip.Prinsloo@wcla.gov.za

WEBSITE ADDRESS: www.wcla.gov.za

EXTERNAL AUDITORS: Auditor General of South Africa

BANKERS: Nedbank (PTY) LTD

COMPANY/BOARD SECRETARY: Caylynne Symes

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor General of South Africa
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DEDAT	Department of Economic Development and Tourism
DPO	Deputy Presiding Officer
GB	Governing Board
LLT	Liquor Licencing Tribunal
MEC	Member of Executive Council
MTEF	Medium Term Expenditure Framework
PFMA	Public Finance Management Act
PO	Presiding Officer
SEF	Social and Education Fund
SMME	Small Medium and Micro Enterprises
SCM	Supply Chain Management
TR	Treasury Regulations
WCLA	Western Cape Liquor Authority

3. FOREWORD BY THE CHAIRPERSON

It is my pleasure to present the annual report of the Western Cape Liquor Authority, encompassing the financial and non-financial performance for the year 2014/2015. This financial year brought an end to the Western Cape Liquor Authority's third year of existence. Against the background of challenging circumstances and as a young public entity, we have continued to build on our successes.

Financial expenditure has generally been remarkable, having an expenditure of 93% against plan. Despite some challenges in the operating environment, major milestones have been achieved. During the year under review we managed to meet and exceed most of the performance indicators directly under our control. The Board, in conjunction with the management team, finalised a detailed strategic plan which is geared to assist us with overcoming our future challenges and provide strategic growth opportunities.

The Authority will continue to build on the solid foundation that has been laid, while realising that, in order to do this, we must continually examine the value and impact of our operations. Some of the planned initiatives include the role out of automated processes, enhanced service delivery initiatives, improved stakeholder engagement, streamlined operations, focused enforcement interventions and an improved customer experience. We look forward to the pending and proposed changes to the Act that will further assist us in performing our duties effectively and efficiently.

In closing, I express my gratitude to my fellow board members for their commitment to the Authority. Also, thank you to the CEO: Adv. Thys Giliomee and his team for their efforts, enthusiasm and commitment towards the Authority.

Finally, I thank Minister Alan Winde as well as the Department of Economic Development and Tourism for their ongoing commitment and support.



Michael Jones
Western Cape Liquor Authority
Date: 14 August 2015



4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

The Annual Report is an account and overview of how we have taken up the challenge to regulate the micro-manufacturing and retail sale of liquor in the Western Cape. The 2014/15 financial reporting cycle is evidence of the commitment of the Western Cape Liquor Authority towards its mandate to implement the Western Cape Liquor Act, and to perform against the predetermined performance indicators. It is a pleasure to look back on the achievements in this third year of existence of the Western Cape Liquor Authority. The Western Cape Liquor Authority prides itself in receiving unqualified audit reports since inception.

The term of the first Governing Board of the Western Cape Liquor Authority ended on 11 March 2015. Establishing a new entity is always a huge challenge associated with teething problems and start up scars. I thank the outgoing Governing Board for their contributions.

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

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

The inherited backlog of 4 494 section 19 liquor licences were prepared by the Liquor Licencing Administration for consideration by the Liquor Licencing Tribunal. The Liquor Licencing Tribunal considered the majority of these applications during the year under review.

The switch over from a DOS based software system (Clipper) to the new Liquor Licencing System (L-MaTS) was completed and Clipper was decommissioned by 31 March 2015. Not only was the logic of the Clipper system included in the L-MaTS software but a number of automations and additional workflows were added. The software development of L-MaTS was completed within the specified timeline and budget. The Western Cape Liquor Authority also benefited from the staggered approach to the implementation of L-MaTS.

Throughout the year under review the Western Cape Liquor Authority has increased its educational initiatives. Since August 2014 it is a prerequisite for persons applying for liquor licences and persons to be appointed as managers at licensed establishments to undergo an induction and training session on liquor legislation in the Western Cape.

The inspectors of the WCLA have been appointed as Peace Officers inferring on them additional functions and powers as per the Criminal Procedures Act (Act 51 of 1977) in respect of all offences as provided for in the Western Cape Liquor Act (Act 4 of 2008 as amended). This significantly increases the inspector's powers to effectively enforce the provisions of the Western Cape Liquor Act (Act 4 of 2008 as amended).



The majority of the allocated Western Cape Liquor Authority budget for the financial year under review was spent or committed by 31 March 2015. The difference in budgeted and actual expenditure was in respect of the office modernisation for which authorisation had to be obtained.

This Annual Report outlines the details of the various components and how they performed towards meeting their targets. We firmly believe that we are on track to becoming the best run Liquor Authority in the world.

The attached Annual Financial Statements compiled according to GRAP standards outline the financial position and financial performance of the entity in detail for the 2014/15 financial year.

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

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



Thys Giliomee
Chief Executive Officer
Western Cape Liquor Authority
Date: 14 August 2015

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

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

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

The annual report is complete, accurate and 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 section.

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

External auditors are utilised to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2015.

Yours faithfully



Chief Executive Officer

Thys Giliomee

Date: 14 August 2015



Chairperson of the Board

Michael Jones

Date: 14 August 2015

6. STRATEGIC OVERVIEW

6.1. Vision

To be the best run Liquor Authority in the world.

6.2. Mission

- Regulate the responsible micro-manufacturing and retail sale of liquor by licence holders in the Western Cape.
- Facilitate the entry of new liquor licence holders in the Western Cape to reduce illegal liquor trading.
- Promote the responsible use of liquor in the Western Cape to the benefit of its citizens.

6.3. Values

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

- **Integrity**
The quality of possessing and steadfastly adhering to a moral or ethical code and high professional standards.
- **Honesty**
The quality, condition, or characteristic of being fair, truthful, and morally upright in conduct and adherence to the facts.
- **Incorruptibility**
Moral uprightness and selfless service of public servants.
- **Transparency**
The principle that the organisation (WCLA) will conduct its business in an accessible, clear and visible manner and that its activities are open to examination by its stakeholders.
- **Responsibility**
Having the authority to make decisions and following through on the expectation to make those decisions and take necessary action.
- **Accountability**
The principle that the organisation is obligated to demonstrate and take responsibility for its actions, decisions and policies and that it is answerable to the public at large.
- **Human Resource Development**
Encouraging and assisting human resources to acquire new skills and/or to advance skills, knowledge, and viewpoints, by providing opportunities for development.
- **Mutual respect**
Encouraging a culture of mutual respect by treating every person with dignity and equal worth.

7. LEGISLATIVE AND OTHER MANDATES

7.1 Constitutional mandates

The Regulation of liquor licencing is a provincial competency in terms Schedule 5 of the Constitution. In this regard the Western Cape Liquor Authority has been established in terms of Section 2(1) of the Western Cape Liquor Act, Act 4 of 2008. The relevant sections pertaining to liquor in the Constitution of the Republic of South Africa of 1996 are as follows:

- Schedule 5 of the Constitution;
- Functional Areas of exclusive provincial legislative competence:
 - PART A - Liquor Licences - Provincial Competency; and
 - PART B - Control of undertakings that sell liquor to the public - Local Competency.

7.2 Legislative mandates

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

Other Legislation includes:

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

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

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

7.3 Policy mandates

The Western Cape Liquor Policy, 2005

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

The policy had five objectives, namely:

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

The policy formed the basis on which the initial Western Cape Liquor Bill of 2006 was drafted.

7.4 Relevant court rulings

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

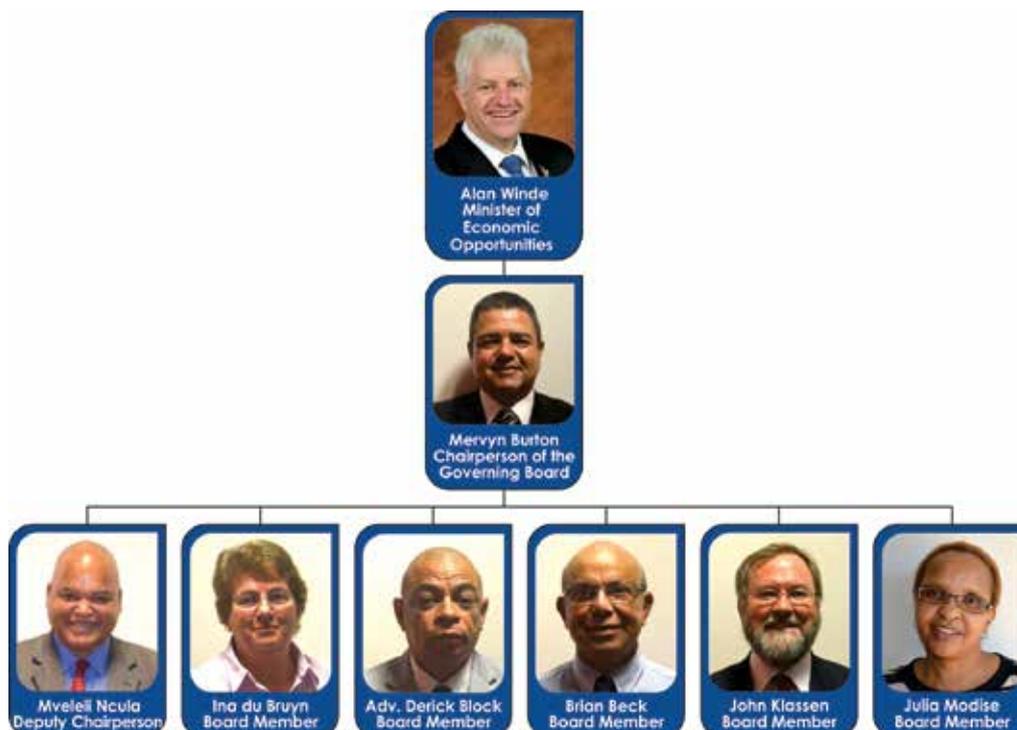
The State President, at the time, took the unprecedented step to utilise section 79(4)(b) of the 1996 Constitution to refer a bill to the Constitutional Court to have the constitutionality thereof tested after the bill had been approved by the National Assembly. The State President stated his reasons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

The Constitutional Court found that if the exclusive provincial legislative competence regarding “liquor licences” in Schedule 5 applies to all liquor licences, the national government has made out a case in terms of Section 44(2) justifying its intervention in creating a national system of registration for manufacturers and wholesale distributors of liquor and in prohibiting cross-holdings between the three tiers in the liquor trade. No case has, however, been made in regard to retail sales of liquor, whether by retailers or by manufacturers, nor for micro-manufacturers whose operations are essentially provincial. The Minister has, to this extent, failed to establish that Parliament had the competence to enact the Liquor Bill and it is therefore unconstitutional.

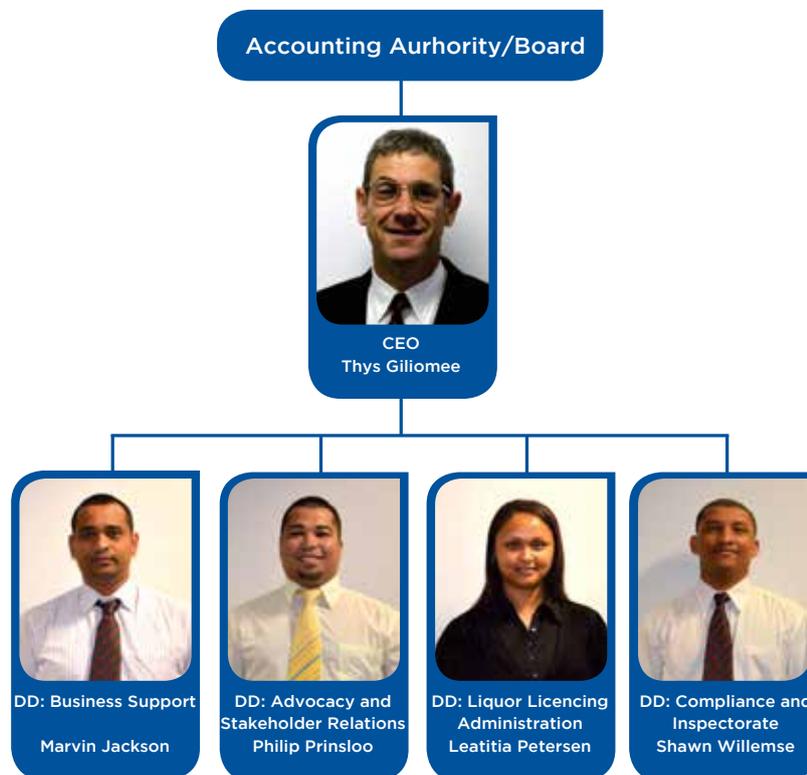
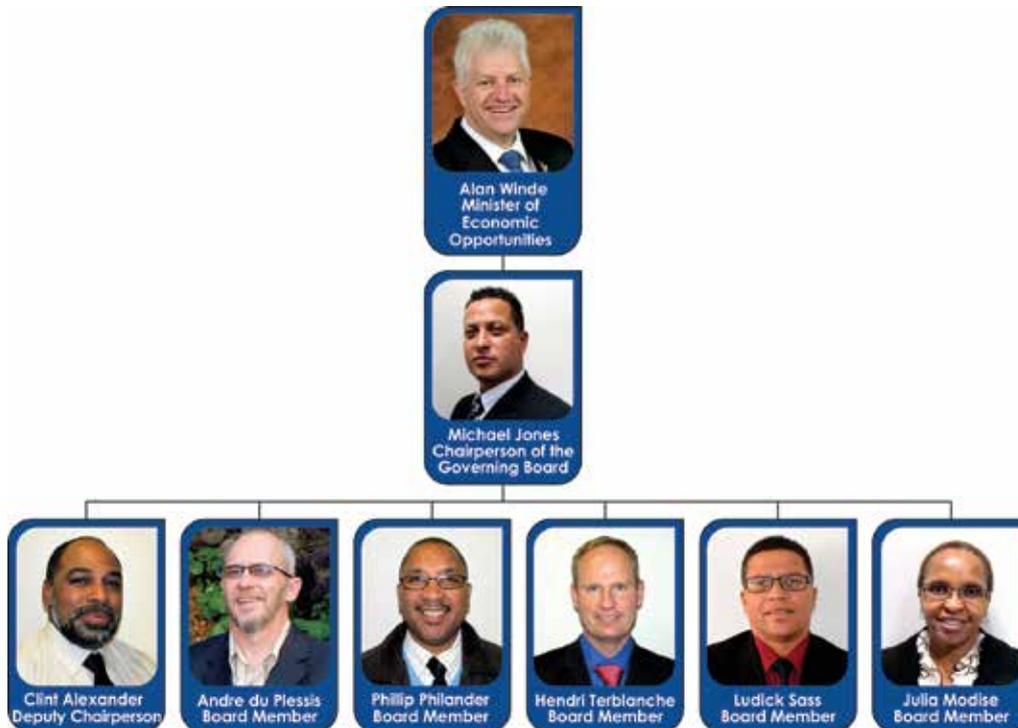
This finding is of utmost importance in establishing the legislative and functional powers and responsibilities of the national and the provincial governments regarding liquor licencing.

8. ORGANISATIONAL STRUCTURES

Outgoing Governing Board



Incoming Governing Board



PART B: PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

Refer to page 57 of the Auditor's Report, published as Part E: Financial Information.

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

2. SITUATIONAL ANALYSIS

2.1. Service Delivery Environment

The Western Cape Liquor Act was enacted to provide for the licensing of the retail sale and the micro-manufacture of liquor in the Western Cape Province and to provide for incidental matters.

The Western Cape Liquor Authority (hereinafter referred to as the WCLA) is a Provincial Public Entity established by sub section 2(1) of the Western Cape Liquor Act (4/2008) as amended by the Amendment Act (10/2010) and as referred to in section 5 of the National Liquor Act (27/1989) as amended. The WCLA is listed as a Provincial Public Entity in Schedule 3 C of the PFMA. In order to assist users of the annual report to gain an understanding of the challenges, successes and other factors that might impact on a public entity's performance, it is necessary to provide the users with an overview of the context within which the public entity operated and sought to implement its strategic plan and annual performance plan.

The subject of liquor is a very contentious issue and the regulation thereof is complex. Based on the previous statement the WCLA operates in an environment that brings with it many challenges and obstacles. Be that as it may, the Authority still managed to achieve most of its performance targets and in some way made a difference in the lives of not only the licence holders but also those of the broader community as well. The Authority continuously strives to provide the best service to its stakeholders and ensure that whatever interventions they implement allow them to achieve on their performance targets as well as positively impacting the citizens of the Western Cape.

ACHIEVEMENTS

Enforcement

The Authority is mandated by the Western Cape Liquor Act to monitor and enforce compliance by liquor licence holders with the provisions of the Act in conjunction with the South African Police Service, municipalities and other relevant stakeholders. To this end the Authority subscribes to the constitutional principle of co-operative governance to monitor and enforce compliance with the provisions of the Act.

In the execution of its mandate during the financial year under review the Inspectorate component conducted inspections, joint enforcement operations, issued compliance notices and successfully prosecuted a number of non-compliant liquor licence holders before the Liquor Licensing Tribunal in conjunction with the SAPS, municipal law enforcement and other stakeholders. In the process of addressing non-compliance the Authority successfully prosecuted 95% of cases against non-compliant licence holders before the Liquor Licensing Tribunal, resulting in the revoking of six licenses, suspension of three licenses and imposing of eight fines to the value of R175 000. In future this co-operation with other law enforcement agencies will enable the Authority to act against unlicensed liquor traders to ensure a more holistic and effective regulation of the liquor industry in the Western Cape.

The inspectors' involvement at operational planning meetings of major events pro-actively contributes to compliance at these events. This has contributed to our aim of being more visible and effective at all major events in the Province.

The Western Cape Liquor Authority has successfully hosted a National Compliance and Enforcement Subcommittee meeting. This meeting aims to address issues relating to liquor regulation in South Africa and feeds into the National Liquor Regulatory Forum. This meeting was followed by a National Blitz where inspectors from different provinces joined the WCLA on licenced outlets inspections within the Western Cape.

Stakeholder engagements

In any organisation it is important to understand that stakeholder perceptions affect reputation and therefore, as an Authority, we should seek to manage reputational risk.

The WCLA has segmented its stakeholders in order to implement appropriate interventions using relevant channels to communicate the message, as well as to encourage an interactive approach to provide an opportunity for stakeholder to share their views. During the year under review we have engaged with:

- Liquor License Holders - Educating them about the liquor legislation, having discussions on responsible liquor trading and creating a platform for them to share their views with us.
- Communities - Engaging with communities using industrial theatre (drama) as well as talks and presentations. These sessions are used to create awareness on the negative consequences of liquor abuse, as well as to share other relevant information. Examples on how to raise objections during the liquor licence application process are shared and communities are allowed to share their views.
- Schools - In 2012 a research study conducted on the Western Cape school grades 8 to 12 showed that of learners who consumed alcohol, almost $\frac{1}{3}$ reported initiation of alcohol use before the age of 13; at least 10% reported using alcohol on a weekly basis; and a small proportion reported being drunk on a daily (2%) or weekly (10%) basis. We also engaged with schools using music and drama that highlighted the negative effects of liquor abuse, as well as brief testimonies of young people with relevant success stories.

The Authority has further embarked on engagements with liquor consultants, large manufacturers and distributors, municipalities, and National and other Provincial Departments to discuss liquor related matters. Challenges in the industry and possible ways of addressing these challenges were discussed. During the year under review we implemented a training session for new liquor entrants and their staff. Before a liquor license is issued, they have to complete this training.

Sixteen episodes were broadcast on Cape Town Television that deals with different topics relating to liquor abuse and the effects thereof. DVD's of these educational sessions will be distributed amongst communities. These DVD's addressed frequently asked questions that are posed by communities.

The Authority developed the first phase of its website where relevant information and upcoming events are shared. We also embarked on developing business requirements for a second phase of the website which will include on-line applications. The on-line space will be another vehicle where stakeholders will be able to find information. One will also be able to apply for licenses electronically. Further future developments will include moving onto the on-line social media platforms and a help desk where applicants will be assisted. Strategic partnerships will share financial resources in order to have a wider reach.

The Authority participated in numerous radio interviews and talk shows during the year under review and engaged with stakeholders on different platforms. Many stakeholders had indicated the value they obtained from these specific targeted interventions.

Liquor licencing system

The Authority has inherited two systems from the then Liquor Board that was utilised to administer liquor licences and capture the fees levied in respect of these licences. The licencing system known as CMaTS was used to track the progress of the applications while the Clipper system, a DOS based system was used to track payments received for the various applications. The two systems were not compatible with each other. Manual entries for one application have to be entered and this sometimes led to information not being updated on applications.

The Authority has successfully embarked on enhancing the CMaTS system and outphasing the Clipper system. The new enhanced CMaTS system is known as the LMaTS system (Liquor Management and Tracking System). The LMaTS system has integrated with the financial system utilised by the Authority. This eliminated the manual entry of information into two systems and also to a large extent has eliminated the risk of incomplete or inaccurate information. The enhancement of the system project has taken place in a phased approach. The project has been successfully completed and was fully implemented on the 1 April 2015.

In respect of liquor licence applications and secondary applications lodged under the current act, the Western Cape Liquor Authority ensured that all new liquor licence applications were advertised, thus ensuring public participation in the liquor licencing process. The Liquor Licencing Administration of the Western Cape Liquor Authority ensured that no new backlogs were created and that applications are prepared in the minimum time, given the statutory mandatory time frames.

PROGRESS

Office accommodation

The Authority will take occupancy of its new office accommodation in the last week of June 2015. The Authority wishes to express its thanks to the Department of Public Works and Transport for its assistance with this project. The Authority is confident that the new office accommodation will not only provide much needed occupational satisfaction but will also assist with the promotion of the brand of the Western Cape Liquor Authority.

Backlog of old applications

The backlog of section 19 applications totalling 4 494 has successfully been prepared and has been made available to the Liquor Licencing Tribunal for consideration. Subsequent to a legal opinion received by the Authority the majority of the section 19 applications have been finalised by the LLT. The remaining 1 116 applications will be finalised early in the new financial year.

CHALLENGES/KEY INITIATIVES

Budget

The 2014/2015 budget allocation allowed the Authority to achieve most of its performance targets. Although the Authority had targeted specific interventions to address the different needs of its stakeholders and met most of its performance targets the Authority, in order to fulfil its mandate, needs to improve on its past performance. The Authority wishes to become a regulator to be reckoned with in its business environment and make greater strides towards sounder education, awareness and responsible liquor trading interventions in order to try and combat the negative social ills of liquor. We recognise that in order to reach these objectives greater enforcement will also have to be maintained. A cause of concern that will limit this endeavour is the fact that the budget allocation for the 2015/2016 financial year has substantially decreased from the 2014/2015 financial year.

Organisational structure

The Western Cape Liquor Authority was previously a programme within the Department of Economic Development and Tourism. Being a program all of the support services for the Liquor Board were performed by other Departments. Parts of the licencing functions were previously performed by magistrates and their staff. In terms of the current Act, all of these (support and licencing) functions must be performed by the Authority. The Authority has a licence database numbering, more than 8000 and has eight liquor inspectors who have to do inspections at all of these licenced premises. Adding to the difficulty faced by the inspectors in performing their function is the fact that these licences are scattered throughout the entire Western Cape Province.

Secondary Applications backlog

An inherited backlog of secondary applications lodged under the Liquor Act 27/1989, before April 2012 (being transfer, removal and other minor applications) currently exists at the Western Cape Liquor Authority (WCLA). It was discovered that no record existed on the correspondence management system known as CMaTS (a system used by the previous Liquor Board and was previously used by the WCLA before the implementation of the LMaTS system). These applications are yet to be processed, but before this process can commence, this backlog first needs to be quantified.

The WCLA has embarked on an exercise whereby it obtained a database of all valid licenses from the earliest date on the system to when a license has been issued up to and including all license issued on 31 March 2012 (pre-April 2012). This had to be done since the secondary applications backlog exists in terms of all applications lodged against valid licenses before the commencement of the Liquor Act 4/2008, which was 1 April 2012.

The following interventions were employed by the WCLA in the year under review, to both quantify and process the secondary applications:

- Approach Magistrates Courts
- Assistance from the Compliance and Inspectorate component
- Communication strategy
- Face to face meetings with liquor consultants
- Further assistance from the Red Tape Reduction Unit

Despite the implementation of the above initiatives the WCLA is planning further initiatives to address the eradication of the secondary backlog. For this reason a project based intervention has been devised and will be implemented. A business case will be presented to the Governing Board addressing the need for additional resources, funding requirements and time lines.

2.2. Organisational Environment

The Western Cape Liquor Act 4 of 2008 (as amended) stipulates the functions and responsibilities attached to the Authority. Many of the functions now attached to the Authority were assigned to the Liquor Board under the previous Act, the Liquor Act 27 of 1989. The Liquor Licencing Tribunal (LLT) was appointed to consider licence applications under the new Act.

The Authority in addressing the limited capacity of the LLT has proposed amendments to the Act which will assist the LLT in terms of capacity. These amendments have been published in the Provincial Gazette and are in the process of public participation. The LLT, in the meanwhile, has scheduled its time in such a manner that it ensures that all new applications (in terms of the current Act) are being disposed of in the prescribed timeframe.

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

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

The SEF budget allocated for the year under review was R539 000. This budget was spent in line with its mandate and was utilised to procure service providers to conduct the industrial theatre shows; 16 episodes on Cape Town Television and promotional DVD's to distribute at these community sessions. With a high expectation placed on the Social and Education Fund, the Authority tries its best within its powers to address the mandate of the fund as set out in section 31 of the Act.

The inspectors of the Compliance and Inspectorate component are responsible for monitoring and enforcing compliance at over 8 000 licenced liquor outlets across the Province. These include inspections, investigations, the issuing of compliance notices, joint enforcement operations and prosecutions. It is extremely challenging for the inspectors to perform their functions effectively as envisaged by the Act within the province.

District offices have been identified as the most probable solution for addressing this service delivery shortcoming and will therefore be prioritised by the Authority.

The Authority, in conjunction with the Department of Economic Development and Tourism, is in the process of effecting critical amendments to the Act. The normal legislative process will now be followed.

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.

The Western Cape Liquor Act (4/2008) as amended came into effect on 1 April 2012. The second amendments to the Act are in the process of being tabled at the Legislature.

The Western Cape Liquor Authority forms part of the Alcohol Harms Reduction Game Changer initiative that was identified by the Department of the Premier. We foresee that policy developments and possible legislative changes may result from this initiative.

2.4. Strategic Outcome Oriented Goals

The WCLA has to ensure that the public at large and the governmental authorities have trust in the liquor industry. The WCLA, through its regulatory authority, has to provide an environment that can be seen to be trustworthy and viable and, at the same time, attempt to derive the maximum benefit and minimum negative impact from the industry.

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1 Programme 1 and 2: Governing Board and Office of the CEO

- To assist the Minister and to give effect to the legislative mandate placed on the Western Cape Liquor Authority; and
- To assist the Governing Board in ensuring that the Western Cape Liquor Authority fulfil its mandate as a regulatory entity.

Strategic objectives, performance indicators planned targets and actual achievements

Strategic objectives

To ensure the implementation of the Western Cape Liquor Act and the managing of the business of the Authority.

Key performance indicators, planned targets and actual achievements

Programme: Governing Board and Office of the CEO					
Strategic Objective	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Percentage of liquor outlets licenced [(# of licenced outlets / # of unlicenced outlets (baseline figure) x 100]	30.96%	35% (baseline: 24 000)	32.49%	2.51%	The number of licenced outlets is linked to the annual renewal process of licenced establishments as well as the approval of licence applications which the Authority has no control over.

Strategy to overcome areas of under performance

The number of licenced outlets is directly linked to the renewal process as well as the approval of licence applications. These two processes are outside of the control of the Authority and are dependant on whether licence holders want to renew their licences and on the completeness and suitability of new applications being considered by the LLT.

Changes to planned targets

No changes to performance indicators within the year under review.

Linking performance with budgets

The Governing Board's budget is included in the budget of Business Support.

3.2 Programme 3: Business Support

To provide a strategic and quality support services to the Western Cape Liquor Authority.

Strategic objectives, performance indicators planned targets and actual achievements

The Business Support component provides a strategic and quality administrative support function to the components of the WCLA in order to ensure that the Authority achieves its performance targets. This unit will strive to ensure compliance with all relevant rules and legislations that govern public sector procurement and finance. It is the aim of this unit to ensure sufficient and optimal resources for the continuous efficient and effective day to day operations of the Authority.

Strategic objectives

To ensure an enabling environment for good corporate governance of the organisation.

Key performance indicators, planned targets and actual achievements

Programme: Business Support					
Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Vacancy rate of 20% or less of funded posts	0	20% (Funded posts: 47)	23.4%	3.4%	The reason for the high vacancy rate is that 7 critical posts were approved on 4 March 2015, which were advertised in March but can only be filled after the closing date.
Percentage of invoices paid within 30 days	100%	90%	100%	10%	All invoices were paid within the prescribed timeframes.

Strategy to overcome areas of under performance

The Authority has over achieved on these performance indicators.

Changes to planned targets

No changes to performance indicators within the year under review.

Linking performance with budgets

Programme/ activity/ objective	2014/2015			2013/2014		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Business Support	R 18 080	R 16 722	R 1 393	R 14 271	R 6 872	R 7 399
Chief Executive Officer	R 1 203	R 1 188	R 15	R 1 215	R 1 200	R 15
Total	R 19 283	R 17 910	R 1 373	R 15 486	R 8 072	R 7 414

3.3 Programme 4: Advocacy and Stakeholder Relations

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

Strategic objectives, performance indicators planned targets and actual achievements

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

Strategic objectives

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

Programme: Advocacy and Stakeholder Relations					
Strategic Objective	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Percentage of the social and education fund budget spent annually (100%)	100%	100%	98.65%	1.35%	The Authority made use of a new service provider that quoted lower than the service providers previously utilised.

Key performance indicators, planned targets and actual achievements

Programme: Advocacy and Stakeholder Relations					
Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Number of awareness campaigns conducted	103	100	127	27	There was a greater demand for engagement with liquor licence holders, communities and schools.

Key performance indicators, planned targets and actual achievements

Programme: Advocacy and Stakeholder Relations					
Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Number of people reached through awareness programmes	4 331	3 000	6 042	3 042	This increase in the number of people reached is due to the increase in the request for engagements from stakeholders. In certain instances where schools only allowed the Authority to speak to grade 11 and 12 learners, requests were received from schools to address additional grades. The new approach in utilising infotainment to engage with our stakeholders also ensured that the turnout of audiences in communities significantly increased. In addition, a better working relations with stakeholders such as the SAPS also ensured that numbers increased at interventions hosted by the Authority.
Number of social responsibility programmes conducted	-	2	2	-	
Number of circulars	44	12	25	13	Information needed to be communicated to the industry based on the greater demand for engagement sessions.

Programme: Advocacy and Stakeholder Relations					
Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Number of updates to the website	10	12	20	8	The website was updated more frequently flowing out of the greater need for engagement with stakeholders and up to date information sharing.

Strategy to overcome areas of under performance

The Authority has over achieved on these performance indicators.

Changes to planned targets

No changes to performance indicators within the year under review.

Linking performance with budgets

Programme/ activity/ objective	2014/2015			2013/2014		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Advocacy and Stakeholder Relations	R 3 946	R 3 456	R 490	R 4 638	R 3 422	R 1 216
Total	R 3 946	R 3 456	R 490	R 4 638	R 3 422	R 1 216

3.4 Programme 5: Compliance and Inspectorate

The focus of this component is to provide enforcement and compliance service, in terms of the Act, to the Western Cape Liquor Authority.

Strategic objectives, performance indicators planned targets and actual achievements

This component is responsible for monitoring and enforcing compliance with the provisions of the Act, regulations and liquor licence conditions by:

- conducting inspections to monitor compliance with liquor licence conditions;
- conducting investigations against non-compliant liquor licence holders;
- issuing compliance notices to address non-compliance;
- joint enforcement operations with external law enforcement agencies aimed at addressing targeted non-compliance;
- prosecution of non-compliant liquor licence holders; and
- attending liquor forum meetings and Community Police Forum meetings with the Advocacy and Stakeholder Relations component to educate licence holders about the Act and responsible trading, as well as to educate Community Police Forums about the Act.

Strategic objectives

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

Programme: Compliance and Inspectorate					
Strategic Objective	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Number of hearings for non-compliant licenced outlets	-	12	26	14	This over achievement was as a result of the availability of the LLT and better co-ordination with SAPS.

Key performance indicators, planned targets and actual achievements

Programme: Compliance and Inspectorate					
Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Number of inspections conducted	3 820	3 000	4 163	1 163	The increase in awareness campaigns by the Advocacy and Stakeholder Relations component resulted in more complaints having to be investigated increasing the number of inspections conducted.
Number of compliance notices issued	227	180	489	309	This indicator is linked to the number of inspections conducted. The over achievement is as a result in the increase in the number of inspections conducted and better co-operation with SAPS and Law Enforcement.
Number of enforcement interventions conducted	-	10	23	13	The over achievement on this indicator is as a result of complaints received and requests from law enforcement agencies.

Strategy to overcome areas of under performance

The Authority has over achieved on these performance indicators.

Changes to planned targets

No changes to performance indicators within the year under review.

Linking performance with budgets

Programme/ activity/ objective	2014/2015			2013/2014		
	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 Inspectorate	R 4 499	R 4 503	(R 4)	R 5 843	R 5 403	R 440
Total	R 4 499	R 4 503	(R 4)	R 5 843	R 5 403	R 440

3.5 Programme 6: Liquor Licencing Administration

The Liquor Licensing Administration Component will administer all liquor applications in the Western Cape for consideration by the Liquor Licensing Tribunal.

Strategic objectives, performance indicators planned targets and actual achievements

The Liquor Licence Administration component has, as its core, responsibility for the administration of all liquor licence applications lodged in the Western Cape which are to be considered by the Liquor Licensing Tribunal. This component is also responsible for the issuing of liquor licences and certificates as well as the issuing of renewal notices and renewal certificates for all valid liquor licences.

Strategic objectives

To administer all liquor licence applications in accordance with the provisions of the WCL Act 4, 2008.

Key performance indicators, planned targets and actual achievements

Programme: Liquor Licence Administration					
Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Number of licences issued	1 602	1 750	1 807	57	The issuing of licences is a process that is dependant on the number of applications considered and approved by the Liquor Licencing Tribunal.
Number of applications received	3 308	2 650	3 621	971	This is a demand driven indicator and is dependant on the number of applications submitted.

Programme: Liquor Licence Administration

Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Number of section 36 applications received and processed (Section 36 application is an application in terms of the Western Cape Liquor Act 4 of 2008 as amended)	636	725	534	(191)	The receiving of applications is a demand driven process and is dependant on the number of applications submitted. The processing of applications is dependant on whether all the supporting information and/or documentation has been submitted along with the application by the applicant. An application will thus only be regarded as received and processed once the application has been submitted and is regarded as complete (all documents and information required has been submitted) and is ready for consideration by the LLT. All applications received with adequate documentation have been addressed.

Programme: Liquor Licence Administration

Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Number of secondary applications received and processed	1 133	725	991	266	The receiving of applications is a demand driven process and is dependant on the number of applications submitted. The processing of applications is dependant on whether all the supporting information and/or documentation has been submitted along with the application by the applicant. An application will thus only be regarded as received and processed once the application has been submitted and is regarded as complete (all documents and information required has been submitted) and is ready for consideration by the LLT. All applications received with adequate documentation have been addressed.

Programme: Liquor Licence Administration					
Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Number of special and temporary licence applications received and processed	1 539	1 200	1 474	274	This is a demand driven indicator and is dependant on the number of applications submitted, however all applications received for special and temporary applications have been processed by the Liquor Licencing Administration component.

Strategy to overcome areas of under performance

The under achievement on number of section 36 applications received and processed is directly linked to the fact that it is a demand driven indicator. This means that the Authority is dependant on the the number of applications it receives and the completeness of those applications. The Authority engages regularly with prospective applicants and provides assistance in terms of ensuring that new applicants understand what is required of them legislatively as well as in terms of documentation.

Changes to planned targets

No changes to performance indicators within the year under review.

Linking performance with budgets

Programme/ activity/ objective	2014/2015			2013/2014		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Liquor Licence Administration	R 8 034	R 7 294	R 740	R 8 416	R 8 264	R 152
Total	R 8 034	R 7 294	R 740	R 8 416	R 8 264	R 152

3.6 Programme 7: Liquor Licencing Tribunal

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

Strategic objectives, performance indicators planned targets and actual achievements

The Liquor Licensing Tribunal is appointed to act as an independent judiciary body and must exercise its discretion in an unbiased manner, without any external influence, in performing all powers and functions as provided for in terms of Section 20 of the Western Cape Liquor Act 4 of 2008, as amended which include the following:

- Consideration of all liquor licence applications lodged with the Western Cape Liquor Authority;
- Conduct application and inspectorate hearings; and
- The Liquor Licensing Tribunal has been established to consider and make a final decision regarding:
 - any application for a licence referred to in Section 33(1) of the Act;
 - any application for the transfer of a licence in terms of Section 65(9) of the Act;
 - representations for or against the granting of applications;
 - any report lodged with it by a designated liquor officer, an inspector or a municipal official;
 - any complaint lodged with it regarding the conduct of a licenced business;
 - representations by a licensee or other interested person regarding the rescission of the suspension of a licence or the removal or amendment of any condition imposed upon a licence;
 - any other matter referred to it by the Chief Executive Officer or which it may or must consider in terms of this Act;
 - appointment of managers in terms of Section 52;
 - renewal of Licenses in terms of Section 64;
 - removal of licenses in terms of Section 66;
 - applications in terms of Section 67 regarding deceased, insolvent or liquidated estates, abandoned premises and similar matters, as described in that section;
 - Interim orders to close premises i.t.o Section 71;
 - applications for exemptions referred to in Section 84(2);
 - applications lodged in terms of Act 27 of 1989;
 - applications for new licenses in terms of Section 19;
 - applications for transfers of licenses in terms of Section 113; and
 - applications for removals of licenses in terms of Section 122.

Strategic objectives

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

Key performance indicators, planned targets and actual achievements

Programme: Liquor Licence Tribunal					
Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Number of new Act applications considered	-	500	802	302	The receiving of applications is a demand driven process and is dependant on the number of applications submitted. The consideration of applications by the Tribunal is dependant on whether all the supporting information and/or documentation has been submitted along with the application by the applicant. An application will thus only be submitted for consideration once the application is regarded as complete. The number of applications considered by the Tribunal might differ from the number of application received and processed by administration as matters considered in the previous financial year that was postponed for further information might only be ready for consideration again in the following financial year.

Programme: Liquor Licence Tribunal

Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Number of old Act applications considered	-	750	1 509	759	A recently acquired legal opinion resulted in the Section 19 applications being dealt with in accordance with the decision as was given in the Macssands case by the Constitutional Court. This meant that if certain basic requirements were not met the application needed be considered further. This increased the turnaround time for these applications.
Number of new licence (Section 36) applications approved (Section 36 application is an application in terms of the Western Cape Liquor Act 4 of 2008 as amended)	362	350	308	(42)	The outcome of each application is dependant on the information provided to the Tribunal, the suitability of the applicant and premises, the impact on the public interest and the number and nature of objections. It is impossible to always correctly predict what the outcomes of applications would be since it depends on so many variables.

Programme: Liquor Licence Tribunal

Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Number of old licence applications (Section 19) applications approved (Section 19 application is an application in terms of the previous Western Cape Liquor Act 27 of 1989)	-	250	11	(239)	The requirements set by the Macssands case resulted in the majority of the applications not meeting the minimum requirements.
Number of secondary licence applications approved	649	400	381	(19)	The outcome of each application is dependant on the information provided to the Tribunal, the suitability of the applicant and premises, the impact on the public interest and the number and nature of objections. It is impossible to always correctly predict what the outcomes of applications would be since it depends on so many variables.

Programme: Liquor Licence Tribunal					
Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned target to Actual Achievement for 2014/2015	Comment on deviations
Number of special and temporary licence applications approved	1 192	1 000	1 169	169	The outcome of each application is dependant on the information provided to the Tribunal, the suitability of the applicant and premises, the impact on the public interest and the number and nature of objections. It is impossible to always correctly predict what the outcomes of applications would be since it depends on so many variables.

Strategy to overcome areas of under performance

The under achievement on the identified indicators is linked to the completeness and suitability of the licence application. The LLT can only consider what is placed before them and must consider each application on its merit. The Authority engages regularly with prospective applicants and provides assistance in terms of ensuring that new applicants understand what is required of them legislatively as well as in terms of documentation.

Changes to planned targets

No changes to performance indicators within the year under review.

Linking performance with budgets

Programme/ activity/ objective	2014/2015			2013/2014		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Liquor Licence Tribunal	R 2 038	R 2 030	R 8	R 1 951	R 1 816	R 135
Total	R 2 038	R 2 030	R 8	R 1 951	R 1 816	R 135

4. REVENUE COLLECTION

Sources of revenue	2014/2015			2013/2014		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Licence issuing fee	R 500	R 64	R 436	R 500	R 495	R 5
Licence fee temp & special	R 900	R 525	R 375	R 900	R 1 200	(R 300)
Auto renewal	R 24 000	R 25 642	(R 1 642)	R 24 000	R 24 428	(R 428)
Transfer of licencee	R 150	R 321	(R 171)	R 150	R 187	(R 37)
Application fee temp & special	R 300	R 399	(R 99)	R 300	R 384	(R 84)
Total	R 25 850	R 26 951	(R 1 101)	R 25 850	R 26 694	(R 844)

The Western Cape Liquor Authority, according to the Western Cape Liquor Act, 2008 (Act 4/2008) as amended and GRAP principles, acts as an agent to the Provincial Revenue Fund. All monies collected in the form of licence fees for temporary and special event licences, licence renewal fees, transfer of licences and licence issuing fees are paid over to the Provincial Revenue Fund via the Department of Economic Development and Tourism. The Western Cape Liquor Authority has set itself a target amount of R24 million as part of its budgeting process. The Authority reached its set targets in terms of the budget and has paid over the amount of R28 million to the Provincial Revenue Fund. The Authority received funding from DEDAT to the value of R38 240 million (this amount is broken down as follows: R26 936 million from DEDAT, R6 million from Provincial Treasury and R5 304 million as part of the adjusted estimate process).

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

In order to ensure that the Authority achieves on its "revenue" targets for the financial year, the Authority capacitated the revenue section of the Business Support Component. This allowed the Authority to ensure that all monies were allocated where there were cases of incorrect or limited referencing as per the bank statement. This involved cold calling applicants and requesting proof of payments as well as reasons for payments. This also enabled the Authority to reduce its suspense account entries.

4.1. Capital Investment

The planned roll out of its systems enhancement of its current financial and licencing system has been successfully completed. The new licencing system is now known as the Licencing Management and Tracking System (LMaTS). The aim of the project was to outphase the Liquor Licencing System known as Clipper and enhance the Correspondence Management and Tracking System (CMaTS). This project was successfully implemented on 1 April 2015.

As a public entity the Authority needs to have an independent IT Infrastructure. Currently, the Authority is enjoying the services of the Centre for E-innovation but this relationship will have to come to an end once the Authority has established its own IT Infrastructure. In terms of establishing its own IT Infrastructure the Authority approached the State Information Technology Agency (SITA) to assist them with the development of an ICT Plan. This has been developed and approved by the Board. It includes the procurement of the IT Infrastructure hardware and software requirements. The implementation of the IT Infrastructure is subject to the relocation of the Authority.

In line with its long term strategic objectives, the Authority has successfully embarked on the development of its own unique website. The second phase of this development is to eventually allow the public to apply for licences online. Talks relating to the second phase of the development of this website have reached an advanced stage and SITA has agreed to assist the Authority with the second phase of the development. SITA will provide this to the Authority free of charge and a letter of intent has already been signed between the Authority and SITA.

Ninety percent of the Authority's assets are in a good condition and 10% are in a fair condition. With the move to new office accommodation, the Authority adhered to the principles as prescribed by the office modernisation. Resulting from this, the majority of the Authority's office furniture currently utilised will have to be disposed of. The Authority will also dispose of assets that have reached their useful life expectancy and this will take place in accordance with the depreciation schedule as outlined in the asset register or as and when required.

The Authority had three reports of theft relating to assets during the year under review. This related to laptops and a digital camera that were stolen. The thefts were reported to the SAPS and to the Authority's insurance broker. A claim amounting to approximately R9 000 was instituted and the Authority was paid out. In accordance with its disposal procedure, the Authority donated computer equipment to the Kuils River Technical School during the financial year under review.

In terms of maintenance projects, the Authority has not embarked on such an exercise. Maintenance of all Authority assets takes place on an as and when required basis.

Infrastructure projects	2014/2015			2013/2014		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
LMaTS	R 725	R 723	R 2	R 1 260	R 361	R 899
IT Infrawstructure	R 2 899	R 1 907	R 992	R 2 810	R -	R 2 810
Website	R 385	R 385	R -	R 300	R -	R 300
Office Modernisation	R 6 662	R 6 662	R -	R 3 505	R -	R 3 505
Total	R 10 671	R 9 677	R 994	R 7 875	R 361	R 7 511

PART C: GOVERNANCE

1. INTRODUCTION

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

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

2. PORTFOLIO COMMITTEES

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

- Operations Committee;
- Human Resources Committee;
- Finance and IT Committee; and
- Social 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 respective mandates of the said sub-committees.

3. EXECUTIVE AUTHORITY

The Governing Board meets on a quarterly basis where feedback is provided on quarterly financial and non-financial performance as well as the general wellbeing of the Authority.

4. THE ACCOUNTING AUTHORITY/BOARD

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

The Governing Board of the Authority must ensure the implementation of the Western Cape Liquor Act and must manage the business of the Authority. The Governing Board is responsible for policy, control, strategy direction, leadership, proper accountability, probity and transparency in respect of all aspects, the conduct of the business of the Western Cape Liquor Authority, ensuring sufficient budget and other resources and the establishment and functioning of the Social and Education Fund.

The strategic objective in this regard is to ensure an effective, efficient and informed Governing Board to lead the Western Cape Liquor Authority to be the best regional entity in the world.

The role of the Board is as follows:

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

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

Board Charter

The charter was formulated and officially adopted on 17 March 2014.

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

Composition of the Board

The table alongside indicates the composition of the outgoing Governing Board whose term came to an end on 11 March 2015.

The table on page 40 indicates the composition of the new Governing Board that took up office on 12 March 2015.

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
Mervyn Burton	Chairperson	15/03/2012	N/A	CA(SA)	Finance and General Management	N/A	Fin Com and HR Com	7
Mveleli Ncula	Deputy Chairperson	15/03/2012	24/11/2014	Senior Teaching Diploma, Personnel and Training Diploma, Labour Relations Diploma	Governance and Communi- cation	South African Rugby Union, Urban Foundation Port Elizabeth, ENERGOS Foundation Cape Town	Fin Com, OPS Com and HR Com	3
Derrick Block	Member	15/03/2012	N/A	B.luris, LLB, H Dip Tax, Admitted Advocate	Compliance and Governance	Board Member of MINTEK, CSOS,	OPS Com	4
John Klassen	Member	15/03/2012	N/A	B Comm (Hons)	Social Fund	N/A	Soc Com and OPS Com	7
Brian Beck	Member	15/03/2012	N/A	Dip Theology	Governance	N/A	HR Com, Soc Com and Risk Com	3
Ina du Bruyn	Member	15/03/2012	N/A	Professional Business Coaching	Governance, HR and Finance	CapeNature	HR Com, Fin Com and Audit Com	7
Julia Modise	Member	17/10/2014	N/A	MA (Clinical Social Work), BA Social Work, BA (Hons Sociology)	Governance and HR	N/A	Fin Com, and HR Com	4

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	-
Clint Alexander	Deputy Chairperson	12/03/2015	N/A	Diploma in Sales and Marketing	Governance and Communication	N/A	SOC Comm	-
Ludick Sass	Member	12/03/2015	N/A	B.luris	Compliance and Governance	Chairperson of Tygerberg Association for Street People (TASP)	OPS Com	-
Rev. Philip Philander	Member	12/03/2015	N/A	B. Theology	Social Fund	Pollsmoor Parole Board, Kensington Community Police Forum, Kensington Minister's Fraternal	SOC Comm	-
Hendri Terblanche	Member	12/03/2015	N/A	BA Accountancy	Governance, Finance and Compliance	Karl Bremmer Hospital Facility Board	Fin and HR Com	-
Andre du Plessis	Member	12/03/2015	N/A	B. Proc	Governance and Administration	N/A	OPS Com	-
Julia Modise	Member	12/03/2015	N/A	MA (Clinical Social Work), BA Social Work, BA (Hons Sociology)	Governance and HR	N/A	Fin Com and HR Com	-

Committees

Committee	No. of meetings held	No. of members	Name of members
OPS Committee	4	4	Derrick Block, Mveleli Ncula and John Klassen
Finance Committee	4	4	Mervyn Burton, Mveleli Ncula, Ina du Bruyn and Julia Modise
HR Committee	4	4	Ina du Bruyn, Mervyn Burton, Brian Beck and Julia Modise
Social Fund Committee	4	3	John Klassen, Brian Beck and Derrick Block

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 3 232	R 404
Deputy Chairperson	R 2 280	R 285
Member	R 1 976	R 247

Name	Remuneration	Other allowance	Other re-imbursments	Total
Mervyn Burton	R 113 810	R 4 724	R 260	R 118 794
Mveleli Ncula	R 13 906	R 1 175	R -	R 15 081
Derrick Block	R 23 465	R 14 665	R 90	R 38 220
John Klassen	R 47 795	R 9 591	R 455	R 57 841
Brian Beck	R 8 645	R 854	R -	R 9 499
Ina du Bruyn	R 37 966	R 7 198	R 80	R 45 244
Julia Modise	R 11 753	R 932	R 101	R 12 786

5. RISK MANAGEMENT

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

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

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

The Inherent risk rating is an indication of the severity of the risks facing the entity. The expectation would therefore be that the risks with the highest Inherent risk rating would be those issues that are regularly discussed at Executive Committee and Governing Board meetings; and have the most effective risk mitigating measures currently.

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

6. INTERNAL CONTROL UNIT

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

7. INTERNAL AUDIT AND AUDIT COMMITTEES

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

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

- Review on recruitment, selection and dismissals;
- Review on licencing and application processing;
- Inspections process;
- IT;
- SCM and Assets;
- Pre-determined objectives; and
- Communication.

The Audit committee of the Authority meets once a quarter to review the internal audit reports and to benchmark the activities of the internal audits against the internal audit plan. The audit 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); RA	External	-	1 April 2013	-	5
Stephanus Claassen	B Com (Accounting); M Com (Accounting); Company Secretary	External	-	1 April 2013	20 February 2014	0
Ina Du Bruyn	Professional Business Coaching	Internal	Board member	1 April 2013	Vacant as on the 31 March 2015	5
Rozan Jaftha	CA(SA); CIA	External	-	1 June 2014	-	4

8. COMPLIANCE WITH LAWS AND REGULATIONS

The Western Cape Liquor Authority is governed by the Western Cape Liquor Act, Act 4 of 2008, as amended. Every effort is made by the Authority to enforce the Act in the regulation of licenced premises and the adjudication of liquor licences.

Not only is the Authority guided by the Liquor Act, but it is also the responsibility of the Authority to adhere to all policies and procedures as set out in other regulatory legislation that govern the Western Cape.

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 for which the Authority's internal audit service providers performed in the financial year (2014/2015).

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. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his injury. Each member of the management team and staff will be familiar with the types of improprieties that might occur within his area of responsibility, and be alert to any indication of irregularity.

Any irregularity that is detected or suspected must be reported immediately to a Deputy Director and/or the CEO and the CEO will and may involve any organ of state or department in the investigation.

An employee who discovers or suspects fraudulent activity will contact the CEO immediately. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his attorney or representative, or any other inquirer should be directed to the CEO. No information concerning the status of an investigation will be revealed.

If an investigation results in a recommendation to discipline an employee, the recommendation will be reviewed for approval by the designated representative from Human Resources, before any such action is taken. No outside unit has the authority to terminate the services of an employee. The decision to terminate the services of an employee is made by the CEO based on the recommendation received from the chairperson of a disciplinary hearing.

During the year under review one matter was referred to the Provincial Forensic Investigations Unit (hereinafter referred to as PFIU). The final report relating to the incidence was made available on 31 March 2015 and will be forwarded to the Governing Board for further action should this be required.

10. MINIMISING CONFLICT OF INTEREST

All employees involved (directly or indirectly) in the supply chain processes of the Authority is subject to completing a declaration of interest form. This form endeavours to curtail any potential incidences where possible conflict of interest may occur. The employees also subscribe to the policies as outlined in the Provincial Treasury regulations (chapter 16A) which specifically deals with the Supply Chain Management of goods and services. This piece of regulation outlines the specific detail as to how public sector organisations need to procure goods and services.

11. CODE OF CONDUCT

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

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

13. COMPANY/BOARD SECRETARY

The Secretariat to the Governing Board provides all logistical and administrative support to the Governing Board and the Sub Committees of the Governing Board.

14. SOCIAL RESPONSIBILITY

During the year under review the Western Cape Liquor Authority once again participated in social responsibility programmes. The Authority supported the Mandela Day charitable initiatives by visiting an animal shelter (Animal anti-cruelty league) to care and assist for the animals as well as assisting with the cleaning. The Authority also collected donations amongst the staff and procured food and toys for these animals. The Authority further donated computers that they disposed of to Kuils River Technical High School.

In support of the initiative launched by the Department of the Premier the Authority made use of interns. By supporting this initiative the Authority not only managed to be more productive but provided much needed skills transfer and development training to these interns. With the initiative the Authority had already permanently employed three of the interns, one fix term contract employee and has enabled a number of others to obtain permanent employment in other departments as well as in the private sector. Due to a change in legislation the Authority will no longer make use of interns but will look at other avenues to provide similar opportunities.

The Authority will strive to make its social responsibility footprint more prominent in the years to come.

15. AUDIT COMMITTEE REPORT

The Audit Committee (The Committee) submits its report for the financial year ended 31 March 2015.

Audit Committee Responsibility

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

The Effectiveness of Internal Control

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

This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes resulting from the procedures conducted as part of the Internal Audit Plan.

We have reviewed and concur with management's acceptance of the AGSA's management report.

In-Year Management and Monthly/Quarterly Report

The Committee has extensively reviewed quarterly financial and performance reporting, together with findings from the Auditor General and Internal Audit. These findings have been discussed with management. Based on the processes and assurances obtained, the committee believes that the significant internal controls are generally effective and that accounting practices are appropriate. The Committee is satisfied with the quality of 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.

Auditor-General's Report

The Committee concurs and accepts the conclusions of the external auditor's opinion on the annual financial statements and is of the view that the unqualified audited annual financial statements be accepted and read together with the report of the Auditor-General.

Evaluation of Financial Statements

The Committee has reviewed the financial statements prepared by the Authority.

The Committee has:

- reviewed and discussed the audited the Annual financial Statements to be included in the Annual Report with the AGSA and the Accounting Authority;
- reviewed the AGSA's Management Report and management's response thereto
- reviewed the changes in accounting policies and practices where applicable;
- reviewed the Authority's processes for compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit

Appreciation

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



Ethel Hamman
Chairperson of the Audit Committee
Western Cape Liquor Authority
Date: 14 August 2015

1. INTRODUCTION

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

Regarding recruitment, most of the funded vacancies were filled at the end of the financial year. HR policies have been reviewed, amended and it has been approved by the Governing Board and communicated to all employees. It was also the first year in which the employee's performance has been evaluated and all qualifying employees received a performance bonus and/or notch increase.

This was also the first year in which we have held an employee wellness day which focused on employee wellbeing and the emotional, physical and financial health of employees. Staff recreational activities such as a Mandela Day charity event to the Animal Cruelty League was organised in which staff was involved, a Staff Strategic Session was held in November 2014 to educate staff on the mission, vision and strategic objectives of the Authority as well as the focusing on the goals that needs to be reached within the Authority and the overall moral boosting of the organisation. Lastly we also organised a year end function for all staff to thank them for their hard work and commitment.

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

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

These committees are made up of employees within the Authority.

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

- Organisational re-design and benchmarking, to commence in the new financial year;
- Employee benefits;
- Shortage of staff to execute the mandate more effectively, after critical posts has been approved to address some of the shortages; and
- Training and development budget for further education.

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

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

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme/ activity/ objective

Programme/ activity/ objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Office of the CEO	R 15 423	R 1 111	6.40%	2	R 503
Business Support	R 15 423	R 4 650	26.77%	23	R 202
Advocacy and Stakeholder Relations	R 15 423	R 1 487	8.56%	7	R 212
Compliance and Inspectorate	R 15 423	R 3 656	21.05%	11	R 332
Liquor Licencing Administration	R 15 423	R 4 520	26.02%	31	R 146

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	R 865	5.61%	1	R 865
Senior Management	R 2 248	14.58%	4	R 562
Professional qualified	R 5 362	34.77%	15	R 357
Skilled	R 5 695	36.93%	24	R 237
Semi-skilled	R 467	3.03%	3	R 155
Unskilled	R 786	5.10%	27	R 29
TOTAL	R 15 423	100%	74	R 2 205

Performance Rewards

Programme/activity/objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	1	R 23	9.10%
Senior Management	4	R 59	23.39%
Professional qualified	10	R 103	40.76%
Skilled	8	R 67	26.76%
Semi-skilled	-	-	-
Unskilled	-	-	-
TOTAL	23	R 252	100%

Training Costs

Programme/activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg. training cost per employee
Governing Board	R 349	R 42	10.03%	6	R 7
Business Support	R 4 650	R 88	1.72%	14	R 6
Advocacy and Stakeholder Relations	R 1 487	R 24	1.01%	4	R 6
Compliance and Inspectorate	R 3 656	R 43	1.23%	9	R 5
Liquor Licencing Administration	R 4 520	R 73	1.44%	11	R 7
Liquor Licencing Tribunal	R 1 944	-	-	-	-

Employment and vacancies

Programme/ activity/ objective	2013/2014 No. of Employees	2014/2015 Approved Posts	2014/2015 No. of Employees	2014/2015 Vacancies	% of vacancies
Office of the CEO	1	1	1	-	-
Business Support	14	15	14	1	6.7%
Advocacy and Stakeholder Relations	3	4	4	-	-
Compliance and Inspectorate	9	9	9	-	-
Liquor Licencing Administration	11	14	9	5	35.7%
Liquor Licencing Tribunal	4	4	4	-	-

Programme/ activity/ objective	2013/2014 No. of Employees	2014/2015 Approved Posts	2014/2015 No. of Employees	2014/2015 Vacancies	% of vacancies
Top Management	-	-	-	-	-
Senior Management	4	4	4	-	-
Professional qualified	13	13	13	-	-
Skilled	19	19	17	2	10.5%
Semi-skilled	3	3	2	1	33.3%
Unskilled	-	-	-	-	-
TOTAL	39	39	36	3	43.8%

The filling of vacancies is a tedious process. All positions are currently advertised through another department and the timeframes attached to when the request to advertise the position are sent and when the long list is received back from the department takes up to a month and a half. High volumes of applications are received per post and with limited staff it can take up to a month or longer to finalise the shortlisting process. Many times shortlisting panels need to meet after hours to finalise the shortlist as their day-to-day duties and functions take up the bulk of their day. When interviews are scheduled we need to take into consideration the availability of the interview panel as well as the availability of the successful candidate after an appointment recommendation has been made to the Chief Executive Officer. In the new financial year the Authority might embark on doing their advertising process, compiling a long list and submitting a long-short list for the Authority through an external recruitment company. This will reduce the timeframe and filling the positions. All advertising of positions are currently done in Die Burger, Weekend Argus and the Government's Internal Bulletin.

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	-	-	-	-
Senior Management	4	-	-	4
Professional qualified	13	-	1	13
Skilled	19	4	5	17
Semi-skilled	3	-	1	2
Unskilled	-	-	-	-
Total	39	4	5	36

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	5	11.91% (42)
Dismissal	1	2.38% (42)
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
Total	6	14.29% (42)

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; and
3. Flat organisational structure - no growth potential.

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

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	1
Written Warning	1
Final Written warning	-
Dismissal	1

Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	-	0.7	3	0.9	-	-	-	0.3
Professional qualified	2	2.2	1	3.1	1	0.1	3	1
Skilled	0	3.5	4	4.9	1	0.1	-	1.6
Semi-skilled	0	0.5	1	0.7	-	-	-	0.2
Unskilled	-	-	-	-	-	-	-	-
TOTAL	2	6.9	9	9.6	2	0.2	3	3.1

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	-	0.6	1	1	-	-	-	0.3
Professional qualified	2	2.1	4	3.3	-	0.1	-	1.1
Skilled	4	3.4	6	5.3	-	0.1	2	1.7
Semi-skilled	-	0.5	1	0.8	-	0	-	0.2
Unskilled	-	-	-	-	-	-	-	-
TOTAL	6	6.6	12	10.4	-	0.2	2	3.3

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

PART E: FINANCIAL INFORMATION

1. REPORT OF THE EXTERNAL AUDITOR

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

Report on the financial statements

Introduction

1. I have audited the financial statements of the Western Cape Liquor Authority set out on pages 63 to 116, which comprise the statement of financial position as at 31 March 2015, 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, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The governing board, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) and the Western Cape Liquor Act, 2008 (Act No.4 of 2008), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Western Cape Liquor Authority as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA and the Western Cape Liquor Act.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of errors discovered during 2014-15 in the financial statements of the Western Cape Liquor Authority at, and for the year ended, 31 March 2015.

Material underspending of the budget

9. As disclosed in the statement of comparison of budget and actual, the entity has materially underspent the capital budget to the amount of R1,8 million (2013-14: R6,1 million).

Additional matter

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

Unaudited supplementary schedules

11. The supplementary information set out on page 117 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express an opinion thereon.

Report on other legal and regulatory requirements

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2015:
 - Programme 4: Advocacy and stakeholder relations on pages 22 to 24
 - Programme 5: Compliance and inspectorate on pages 25 to 26

- Programme 6: Liquor licencing administration on pages 28 to 31
- Programme 7: Liquor licencing tribunal on pages 33 to 36

14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information .
16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
 - Programme 4: Advocacy and stakeholder relations
 - Programme 5: Compliance and inspectorate
 - Programme 6: Liquor licencing administration
 - Programme 7: Liquor licencing tribunal

Additional matters

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

Achievement of planned targets

19. Refer to the annual performance report on pages 22 to 26, 28 to 31 and 33 to 36 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for Programme 4: Advocacy and stakeholder relations as well as Programme 7: Liquor licencing tribunal. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

21. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

22. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Other reports

Investigations

23. The provincial forensic investigation unit completed a fraud investigation on the issuing of fraudulent liquor licenses. The investigation covered all licences issued from June to September 2014. A total of 32 cases were identified where liquor licenses had not been issued in terms of the Western Cape Liquor Act. A criminal case of fraud has been laid with the South African Police Service.

Auditor - General

Cape Town
29 July 2015



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

2. ANNUAL FINANCIAL STATEMENTS

WESTERN CAPE LIQUOR AUTHORITY

GENERAL INFORMATION

Country of incorporation and domicile:	South Africa
Nature of business and principal activities:	Regulation of the liquor industry in the Western Cape.
Registered office:	3rd Floor Sunbel Building 3 Old Paarl Road Bellville 7530
Bankers:	Nedbank Corporate
Auditors:	Office of the Auditor General of South Africa
Chief Executive Officer:	MG Giliomee
Chairperson of the Governing Board:	M Jones
Attorneys	State Attorney
Audit Committee members	E Hamman R Jaftha H Terblanche I du Bruyn (terminated 11 March 2015)

WESTERN CAPE LIQUOR AUTHORITY

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WESTERN CAPE LIQUOR AUTHORITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

GOVERNING BOARD MEMBERS' RESPONSIBILITIES AND APPROVAL

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

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

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

The Governing Board members have reviewed the Authority's cash flow forecast for the year to 31 March 2016 and, in the light of this review and the current financial position, they are satisfied that the Authority has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 64 to 116 which have been prepared on the going concern basis, were approved by the board and were signed on its behalf by:



Mr Michael Jones
Chairperson of the Governing Board
Western Cape Liquor Authority
Date: 14 August 2015

WESTERN CAPE LIQUOR AUTHORITY

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2015

	Notes	2015 R	Restated 2014 R
NET ASSETS AND LIABILITIES			
Net Assets		10 870 061	1 740 327
Social and Education Fund Reserve	2	10 732	3 453
Accumulated Surplus		10 859 329	1 736 874
Non-Current Liabilities		2 113 493	1 619 290
Long-term Liabilities	3	2 113 493	1 619 290
Current Liabilities		6 493 554	12 664 328
Provisions	4	19 083	608 596
Current Employee Benefits	5	723 130	737 077
Payables from Exchange Transactions	6	1 339 353	1 819 659
Unspent Government Grants	7	3 834 562	9 428 238
Current Portion of Long-term Liabilities	3	577 427	70 758
Total Net Assets and Liabilities		19 477 109	16 023 945
ASSETS			
Non-Current Assets		6 888 251	3 426 922
Property, Plant and Equipment	8	5 367 575	2 785 670
Intangible Assets	9	1 520 676	641 252
Current Assets		12 588 858	12 597 023
Receivables from Exchange Transactions	10	6 741 306	66 838
Cash and Cash Equivalents	11	5 847 552	12 530 185
Total Assets		19 477 109	16 023 945

WESTERN CAPE LIQUOR AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 R	Restated 2014 R
REVENUE			
Revenue from Non-exchange Transactions		36 342 158	29 681 093
Government Grants and Subsidies	12	34 939 572	28 009 174
Penalties and Fines	13	1 250 800	1 106 941
Third Party Payments	14	8 790	8 440
Transfer of Assets	15	-	556 538
Other Income	16	142 996	-
Revenue from Exchange Transactions		2 061 371	1 642 765
Application Fees	17	1 276 100	1 014 922
Interest Earned - External Investments		755 366	585 225
Other Income	16	29 905	42 618
Total Revenue		38 403 529	31 323 858
EXPENDITURE			
Employee Related Costs	18	15 193 203	14 633 042
Remuneration of Governing Board Members	19	257 339	312 866
Depreciation and Amortisation	20	514 583	261 635
Finance Charges	21	639 621	430 760
Grants and Subsidies Paid	22	1 390	1 185 000
General Expenses	23	12 597 663	13 472 343
Loss on disposal of Property, Plant and Equipment	24	69 996	9 660
Loss on transfer of Property, Plant and Equipment	25	-	15 080
Total Expenditure		29 273 795	30 320 386
NET SURPLUS FOR THE YEAR		9 129 734	1 003 472

WESTERN CAPE LIQUOR AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2015

	Notes	Social and Education Fund Reserve R	Accumulated Surplus R	Total R
Balance at 1 April 2013	zz	460 000	276 855	736 855
Correction of error restatement - note 26.01		-	-	-
Restated balance at 1 April 2013		460 000	276 855	736 855
Net Surplus for the year		-	1 003 472	1 003 472
Movement in Social and Education Fund Reserve		(456 547)	456 547	-
Balance at 31 March 2014	2	3 453	1 736 874	1 740 327
Net Surplus for the year		-	9 129 734	9 129 734
Movement in Social and Education Fund Reserve		7 279	(7 279)	-
Balance at 31 March 2015	2	10 732	10 859 329	10 870 061

WESTERN CAPE LIQUOR AUTHORITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 R	Restated 2014 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Other Receipts		2 708 591	2 177 667
Government Grant		29 345 896	30 936 000
Interest		7 42 898	560 305
Payments			
Suppliers and employees		(29 145 468)	(28 017 110)
Finance Charges		(626 125)	(396 273)
Grants and subsidies paid		(1 390)	(1 185 000)
Net cash inflow from Operating Activities	27	3 024 402	4 075 589
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(1 885 208)	(487 915)
Purchase of Intangible Assets	9	(983 967)	(657 983)
Prepayment	10	(6 662 000)	-
Net cash outflow from Investing Activities		(9 531 175)	(1 145 898)
CASH FLOW FROM FINANCING ACTIVITIES			
Finance lease capital redemption		(175 859)	(43 958)
Net cash outflow from Financing Activities		(175 859)	(43 958)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6 682 633)	2 885 733
Cash and Cash Equivalents at the beginning of the year		12 530 185	9 644 452
Cash and Cash Equivalents at the end of the year	28	5 847 552	12 530 185
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6 682 633)	2 885 733

WESTERN CAPE LIQUOR AUTHORITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 31 MARCH 2015

	ORIGINAL BUDGET	ADJUST- MENTS	FINAL BUDGET	CASH BASIS ACTUAL	ACTUAL VS FINAL BUDGET
	R	R	R	R	R
REVENUE					
Government Grants and Subsidies	32 936 000	5 304 000	38 240 000	29 345 896	(8 894 104)
Penalties and Fines	1 061 900	-	1 061 900	1 250 800	188 900
Third Party Payments	-	11 790	11 790	8 790	(3 000)
Application Fees	913 550	-	913 550	1 276 100	362 550
Interest Earned - External Investments	300 000	400 000	700 000	742 898	42 898
Other Income	24 550	-	24 550	172 901	148 351
Total Revenue	35 236 000	5 715 790	40 951 790	32 797 385	(8 154 405)
EXPENDITURE					
Employee Related Costs	17 133 789	(1 370 000)	15 763 789	15 216 664	(547 125)
Remuneration of Governing Board Members	300 000	-	300 000	292 318	(7 682)
Depreciation and Amortisation	-	-	-	-	-
Finance Charges	-	-	-	-	-
Grants and Subsidies Paid	-	1 400	1 400	1 390	(10)
General Expenses	17 027 211	(3 511 135)	13 516 076	13 714 333	198 257
Loss on disposal of Property, Plant and Equipment	-	-	-	-	-
Total Expenditure	34 461 000	(4 879 735)	29 581 265	29 224 705	(356 560)
NET SURPLUS FOR THE YEAR	775 000	10 595 525	11 370 525	3 572 680	(7 797 845)
CAPITAL EXPENDITURE					
Property, Plant and Equipment	625 000	9 635 525	10 260 525	8 547 208	(1 713 317)
Intangible Assets	150 000	960 000	1 110 000	983 967	(126 033)
TOTAL CAPITAL EXPENDITURE	775 000	10 595 525	11 370 525	9 531 175	(1 839 350)

Refer to note 43.1 for explanations of material variances between the original and final budget.

Refer to note 43.2 for explanations of material variances between actual amounts and the final budget.

Refer to note 43.3 for reconciliation between the cash and accrual basis.

Material variances are considered to be any variances greater than R300 000.

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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

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

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

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

1.2. PRESENTATION CURRENCY

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

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1.5. AMENDED DISCLOSURE POLICY

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

1.6. PRESENTATION OF BUDGET INFORMATION

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

Budget information is based on the same period as the actual amounts, i.e. 1 April 2014 to 31 March 2015. The budget information is based on the cash basis of accounting and is therefore not on a comparable basis to the actual amounts as per the financial statements which is accounted for on the accrual basis of accounting. Reconciliations are performed on the actual amounts in order to eliminate all accrual type entries in order to make it comparable to the budgeted amounts.

The comparable information includes the following:

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

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

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

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

1.7. MATERIALITY

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

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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

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

Standard	Description	Effective Date
<p>GRAP 18 (Original - Feb 2011) Segment Reporting</p>	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>The Authority does not have any major segments so therefore this standard will have a minimal impact.</p>	1 April 2015
<p>GRAP 20 (Original - June 2011)</p>	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Authority's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Authority resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
<p>GRAP 32 (Original - Aug 2013)</p>	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
<p>GRAP 105 (Original - Nov 2010)</p>	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	1 April 2015

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

Standard	Description	Effective Date
GRAP 106 (Original - Nov 2010)	Transfer of Functions Between Entities Not Under Common Control The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No such transactions or events are expected in the foreseeable future.	1 April 2015
GRAP 107 (Original - Nov 2010)	Mergers The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No such transactions or events are expected in the foreseeable future.	1 April 2015
GRAP 108 (Original - Sept 2013)	Statutory Receivables The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. No significant impact is expected as the Authority's does not have significant statutory receivables.	Unknown
IGRAP 11	Consolidation - Special Purpose Entities (SPE) The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE. No significant impact is expected as the Authority does not have any SPE's at this stage.	Unknown
IGRAP 12	Jointly Controlled Entities non-monetary contributions The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Authority does not have any JCE's at this stage.	Unknown

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

Standard	Description	Effective Date
IGRAP 17	<p>Service Concession Arrangements where a grantor controls a significant residual interest in an asset</p> <p>This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Authority does not have any Concession Arrangements at this stage.</p>	Unknown

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

1.9. RESERVES

1.9.1 Social and Education Fund Reserve

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

The purpose of the Fund is:

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

The budget of the Fund is included within the budget of the Authority that is submitted in accordance with the Public Finance Management Act, 1999.

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

1.10. LEASES

1.10.1 Authority as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Authority. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Authority uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Authority recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset. *1.10.2 Authority as Lessor*

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

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

1.11. PROVISIONS

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

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

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

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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

- (a) The Authority has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Authority has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

1.12. EMPLOYEE BENEFITS

1.12.1 *Provision for Staff Leave*

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

Accumulated leave is vesting.

1.12.2 *Provision for Performance Bonuses*

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

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 *Initial Recognition*

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Authority, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Authority. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

Where an asset is acquired by the Authority for no or nominal consideration (i.e. a nonexchange 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 nonmonetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

1.13.2 *Subsequent Measurement - Cost Model*

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

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

1.13.3 *Depreciation and Impairment*

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

	<i>Years</i>
Other Assets	
Computer Equipment	5 - 10
Furniture and Fittings	5 - 30
Office Equipment	3 - 30
Motor Vehicles	7

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.

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1.13.4 De-recognition

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

1.14. INTANGIBLE ASSETS

1.14.1 Initial Recognition

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

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

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

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

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

- the Authority intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Authority has the resources to complete the project;
- it is probable that the Authority will receive future economic benefits or service potential; and
- the Authority can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up. *1.14.2 Subsequent Measurement – Cost Model*

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

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1.14.3 Amortisation and Impairment

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

Intangible Assets	Years
Computer Software	10
Website Development	3

1.14.4 De-recognition

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

1.15. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.15.1 Cash-generating assets

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

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

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Authority have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Authority operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Authority have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

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

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Authority estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.15.2 *Non-cash-generating assets*

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

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

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

- (a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset.
 - Significant long-term changes with an adverse effect on the Authority have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Authority operates.
- (b) Internal sources of information
 - Evidence is available of physical damage of an asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

- Significant long-term changes with an adverse effect on the Authority have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance. The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.16 FINANCIAL INSTRUMENTS

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

1.16.1 *Initial Recognition*

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

1.16.2 *Subsequent Measurement*

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

1.16.2.1 Receivables

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

For amounts due from debtors carried at amortised cost, the Authority first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue).

If the Authority determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

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

1.16.2.2 Payables

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

1.16.2.3 Cash and Cash Equivalents

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

1.16.3 De-recognition of Financial Instruments

1.16.3.1 Financial Assets

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

- the rights to receive cash flows from the asset have expired; or
- the Authority has transferred its rights to receive cash flows from the asset or as 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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

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

1.16.3.2 *Financial Liabilities*

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

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

1.16.4 *Offsetting of Financial Instruments*

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

1.17. REVENUE

1.17.1 *Revenue from Non-Exchange Transactions*

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

Funding from the Western Cape Provincial Treasury department via the Western Cape Department of Economic Development and Tourism received or receivable is recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised. The liability is transferred to revenue as and when the operating or capital expenditure has been recognised. Penalties and Fines are charged in accordance with section 20(3)(b)(v), 63(4) and 82(2)(b) of the Western Cape Liquor Act. Penalties constitute additional charges on late payment on licence fees and the revenue is recognised when payment is received. Fines are either imposed by the Liquor Licensing Tribunal or other law-enforcement agencies for non-compliance by the licensee. Fines imposed by the Liquor Licensing Tribunal are recognised when the fines are issued. In cases where fines are issued by other law-enforcement agencies, revenue will only be recognised when monies are received, as the Authority does not have any control over fines issued by other law-enforcement agencies.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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

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

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Authority's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law. At year-end, the Authority also evaluates revenue streams received during the year. Based on the historic revenue streams, unknown receipts is reallocated to Revenue from Exchange Transactions, Revenue from Non-Exchange Transactions, payable to the principle in terms of the agency function or remain as unknown receipts.

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.

1.17.2 *Revenue from Exchange Transactions*

Revenue from exchange transactions refers to revenue that accrued to the Authority directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable. Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

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

Interest revenue is recognised using the effective interest rate method.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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

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

Application Fees are charged in accordance with section 26(8), 36(1)(e), 38, 64(1) and 65(9) of the Western Cape Liquor Act. Application Fees mainly include applications for new liquor licenses or amendments to existing liquor licenses. The application documents are only supplied to the applicants on confirmation that the application fees have been received in the Authority's bank account. Revenue is recognised when payment is received.

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

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

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services. The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

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

1.18. RELATED PARTIES

The Authority resolved to adopt the disclosure requirements as per GRAP 20 - "Related Party Disclosures".

A related party is a person or an entity:

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

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

The following are regarded as related parties of the Authority:

- (a) A person or a close member of that person's family is related to the Authority if that person:
- has control or joint control over the Authority.
 - has significant influence over the Authority. Significant influence is the power
 - to participate in the financial and operating policy decisions of the Authority.
 - is a member of the management of the Authority or its controlling entity.
- (b) An entity is related to the Authority if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Authority or an entity related to the Authority. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity). Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Authority. A person is considered to be a close member of the family of another person if they:
- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

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

including:

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

Management include:

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

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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.

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

1.22. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

1.22.1 *Property, Plant and Equipment*

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

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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

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

1.22.2 Intangible Assets

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

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

1.22.3 Provisions and Contingent Liabilities

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

1.22.4 Revenue Recognition

Accounting Policy 1.17.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.17.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Authority.

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

1.22.5 Provision for Staff leave

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

1.22.6 Provision for Performance bonuses

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

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1.23. CAPITAL COMMITMENTS

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

1.24. EVENTS AFTER REPORTING DATE

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

2. NET ASSET RESERVES

Social and Education Fund Reserve

Opening balance

Contributions made

Expenditure incurred

Total Net Asset Reserves

2015 R	2014 R
3 453	460 000
539 000	780 000
(531 721)	(1 236 547)
10 732	3 453

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 11.

3. LONG-TERM LIABILITIES

Capitalised Lease Liabilities - At amortised cost

Less: Current Portion transferred to Current Liabilities

Total - At amortised cost using the effective interest rate method

2 690 920	1 690 048
(577 427)	(70 758)
2 113 493	1 619 290

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

3. LONG-TERM LIABILITIES continued

Capitalised Lease Liabilities are secured by Property, Plant and Equipment as set out in note 8.

Capitalised Leased Liabilities consist out the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual escalation	Lease term	Maturity Date
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554)	13.66%	0%	3 years	30 Apr 2016
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554E)	24.46%	0%	3 years	28 Feb 2017
Government Motor Transport	Ford Ranger 3.2XLT D/CAB 4X4	23.89%	5.50%	5 years	28 Feb 2020
Government Motor Transport	Hyundai H1.2.4 GLS Wagon	36.46%	5.37%	7 years	29 Mar 2020
Government Motor Transport	Hyundai Elantra - 1.8	28.86%	5.37%	5 years	29 April 2019
Government Motor Transport	Hyundai Elantra - 1.8	29.73%	5.37%	5 years	29 June 2019
Government Motor Transport	Toyota Etios - 1.5 XS	34.80%	5.37%	7 years	28 Jan 2020
Government Motor Transport	Toyota Etios - 1.5 XS	34.83%	5.37%	7 years	28 Jan 2020
Government Motor Transport	Toyota Etios - 1.5 XS	35.07%	5.37%	7 years	28 Jan 2020
Government Motor Transport	Toyota Etios - 1.5 XS	31.11%	5.37%	7 years	28 Jul 2020
Government Motor Transport	Toyota Etios - 1.5 XS	35.93%	5.37%	7 years	27 Feb 2020
Government Motor Transport	Toyota Etios - 1.5 XS	34.13%	5.37%	7 years	28 Apr 2020
Government Motor Transport	Toyota Hilux 2.7 4x2 D/CAB	33.74%	5.37%	7 years	27 Nov 2020
Government Motor Transport	Volkswagen Caddy - 2.0 Trendline	22.21%	5.37%	5 years	29 June 2019
Government Motor Transport	Volkswagen Polo 1.4 Trendline	35.19%	5.37%	7 years	28 Aug 2020
Government Motor Transport	Volkswagen Polo 1.4 Trendline	35.19%	5.37%	7 years	28 Aug 2020

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

3. LONG-TERM LIABILITIES continued

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

	Minimum lease payments	
Payable within one year	1 308 161	621 252
Payable within two to five years	3 597 210	2 520 940
Payable after five years	449 235	1 512 853
	5 354 606	4 655 045
Less: Future finance obligations	(2 663 687)	(2 964 997)
Present value of lease obligations	2 690 919	1 690 048

4. PROVISIONS

	2015 R	2014 R
Legal Fees	-	580 000
Workmens Compensation	19 083	28 596
Total Provisions	19 083	608 596

As previously reported		580 000
Correction of error restatement - note 26.02		28 596
Restated balance		608 596

Legal Fees

Balance at beginning of year	580 000	-
Contribution/(Reversal of Contribution) for the year	(338 032)	580 000
Expenditure for the year	(241 968)	-
Balance at end of year	-	580 000

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

Workmens Compensation

Balance at beginning of year	28 596	10 606
Contribution for the year	26 202	17 990
Expenditure for the year	(35 716)	-
Balance at end of year	19 082	28 596

Provision for Workmens Compensation is based on the risk factor of 0.13% as indicated by the Department of Labour. The provision is calculated by multiplying the risk factor with employee's earnings. This is regarded as a provision as the timing and amount of the final assessment is an uncertainty.

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

5. CURRENT EMPLOYEE BENEFITS

	2015 R	2014 R
Provision for Staff Leave	448 459	484 607
Provision for Performance Bonuses	274 671	252 470
Total Current Employee Benefits	723 130	737 077

The movement in current employee benefits is reconciled as follows:

Provision for Staff Leave

Balance at beginning of year	484 607	156 475
Contribution to current portion - note 18	77 409	408 795
Expenditure incurred	(113 557)	(80 663)
Balance at end of year	448 459	484 607

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	252 470	-
Contribution to current portion - note 18	274 201	252 470
Expenditure incurred	(252 000)	-
Balance at year-end	274 671	252 470

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

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

6. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables
Provincial Revenue Fund
Unknown Receipts
Accrued Interest on Finance Leases

2015 R	2014 R
519 059	288 722
464 920	702 620
307 391	793 830
47 983	34 487
1 339 353	1 819 659

Total Payables from Exchange Transactions

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

The Authority acts as an agent for the Provincial Revenue Fund for the collection of licence fees.

Outstanding balance at beginning of year
Total amount collected on behalf of the Provincial Revenue Fund
Total amount of Unknown Receipts deemed to be monies belonging to the Provincial Revenue Fund
Total amount of collections paid to the Provincial Revenue Fund
Outstanding balance as at year-end

702 620	1 856 930
27 173 170	26 619 977
-	553 345
(27 410 870)	(28 327 632)
464 920	702 620

Unknown receipts consist out of deposits from unknown sources into the entity's bank account. Once the source of these deposits become known, the appropriate reclassifications entries are done. At year-end, a portion of Unknown Receipts is reallocated to the different income streams based on historic data. Unknown Receipts were reallocated as follow:

Unknown Receipts prior to reallocation
Reallocated as follow:
Provincial Revenue Fund (Licences)
Penalties and Fines - note 13
Application Fees - note 17
Other Income - note 16
Unknown Receipts after reallocation

-	1 391 251
-	(597 421)
-	(553 345)
-	(22 541)
-	(20 667)
-	(868)
-	793 830

No reallocation of Unknown Receipts were done during 2014/15 as there was no significant increase in the Unknown Receipt balance.

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

7. UNSPENT GOVERNMENT GRANTS

Western Cape Department of Economic Development and Tourism

Total Unspent Government Grants

As previously reported

Correction of error restatement - note 26.03

Correction of error restatement - note 26.03

Restated balance

2015 R	2014 R
3 834 562	9 428 238
3 834 562	9 428 238
	8 894 604
	562 230
	(28 596)
	9 428 238

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

Unspent Government Grants are reconciled as follow:

Opening balance

Grants received

Grants recognised as income

Grants surrendered

Closing balance

9 428 238	6 501 412
38 240 500	30 936 000
(34 939 572)	(28 009 174)
(8 894 604)	-
3 834 562	9 428 238

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

8. PROPERTY, PLANT AND EQUIPMENT

31 MARCH 2015

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

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

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

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

31 MARCH 2014

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment				Carrying Value		
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Other Assets	292 911	487 915	556 538	(10 376)	1 326 988	(16 056)	(109 408)	-	716	(124 748)	1 202 240
Computer Equipment	271 430	342 232	128 593	(10 376)	731 879	(15 188)	(86 245)	-	716	(100 717)	631 162
Office Equipment	3 373	145 683	69 495	-	218 551	(203)	(10 525)	-	-	(10 728)	207 823
Furniture and Fittings	18 108	-	358 450	-	376 558	(665)	(12 638)	-	-	(13 303)	363 255
Leased Assets	-	867 281	857 137	-	1 724 418	-	(135 496)	(5 492)	-	(140 988)	1 583 430
Office Equipment	-	238 434	-	-	238 434	-	(41 707)	-	-	(41 707)	196 727
Motor Vehicles	-	628 847	857 137	-	1 485 984	-	(93 789)	(5 492)	-	(99 281)	1 386 703
	292 911	1 355 196	1 413 675	(10 376)	3 051 406	(16 056)	(244 904)	(5 492)	716	(265 736)	2 785 670

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

9. INTANGIBLE ASSETS

Net Carrying amount at 1 April

Cost
Accumulated Amortisation
Additions
Amortisation

Net Carrying amount at 31 March

Cost
Accumulated Amortisation

	2015 R	2014 R
Net Carrying amount at 1 April	641 252	-
Cost	657 983	-
Accumulated Amortisation	(16 731)	-
Additions	983 967	657 983
Amortisation	(104 543)	(16 731)
Net Carrying amount at 31 March	1 520 676	641 252
Cost	1 641 950	657 983
Accumulated Amortisation	(121 274)	(16 731)

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

Description	Remaining Amortisation Period	Carrying Value	
		2015 R	2014 R
LMATS - phase 1	8 years	232 547	258 704
LMATS - phase 2	8 years	89 545	99 546
LMATS - phase 3	9 years	256 242	-
LMATS - phase 4	9 years	160 580	-
LMATS - phase 5	9 years	171 467	-
LMATS - phase 6	9 years	266 386	-
FMATS	8 years	253 361	283 002
Website Development	3 years	90 547	-
		1 520 676	641 252

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

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

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

10. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Accrued Interest on Investment Accounts

Prepayment

Total Receivables from Exchange Transactions

2015 R	2014 R
79 306	66 838
6 662 000	-
6 741 306	66 838

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

Ageing of Receivables from Exchange Transactions

Accrued Interest on Investment Accounts

Current (0 - 30 days)

Total

79 306	66 838
79 306	66 838

Prepayment

Current (0 - 30 days)

Total

6 662 000	-
6 662 000	-

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

11. CASH AND CASH EQUIVALENTS

	2015 R	2014 R
Call Investment Deposits	5 662 622	12 390 016
Primary Bank Accounts	184 930	140 169
Total Cash and Cash Equivalents	5 847 552	12 530 185

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

The Authority has the following bank account:

Primary Bank Accounts

Nedbank - account no 1452069883 (income account)	125 979	87 448
Nedbank - account no 1452069905 (expense account)	58 951	52 721
	184 930	140 169

Nedbank - account no 1452069883 (income account)

Cash book balance at beginning of year	87 448	373 285
Cash book balance at end of year	125 979	87 448

Bank statement balance at beginning of year	87 448	373 285
Bank statement balance at end of year	125 979	87 448

Nedbank - account no 1452069905 (expense account)

Cash book balance at beginning of year	52 721	53 258
Cash book balance at end of year	58 951	52 721

Bank statement balance at beginning of year	56 908	-
Bank statement balance at end of year	58 951	56 908

Call Investment Deposits

Call investment deposits consist out of the following account:

Nedbank - acc no 037881100168 - Call 1 (Grant)	1 000	6 904 339
Nedbank - acc no 037881100168 - Call 3 (Income)	5 650 010	5 482 224
Nedbank - acc no 037881100168 - Call 7 (Social and Education Fund)	11 613	3 453
	5 662 622	12 390 016

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

	2015 R	2014 R
12. GOVERNMENT GRANTS AND SUBSIDIES		
Western Cape Department of Economic Development and Tourism	34 939 572	28 009 174
Total Government Grants and Subsidies	34 939 572	28 009 174
As previously reported		28 553 414
Correction of error restatement - note 26.03		(562 230)
Correction of error restatement - note 26.03		17 990
Restated balance		28 009 174

12.1 Western Cape Department of Economic Development and Tourism

Opening balance	9 428 238	6 501 412
Grants received	38 240 500	30 936 000
Grants recognised as income	(34 939 572)	(28 009 174)
Grants surrendered	(8 894 604)	-
Closing balance	3 834 562	9 428 238

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

13. PENALTIES AND FINES

Penalties on late payments of licence renewals	973 700	951 800
Fines imposed by the Liquor Licencing Tribunal	192 500	104 500
Fines imposed by Designated Liquor Officer	84 600	28 100
Unknown Receipts deemed to be Penalties and Fines	-	22 541
Total Penalties and Fines	1 250 800	1 106 941

14. THIRD PARTY PAYMENTS

Property, Plant and Equipment	8 790	8 440
Total Third Party Payments	8 790	8 440

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

15. TRANSFER OF ASSETS

Department of Economic Development and Tourism	-	556 538
Total Transfer of Assets	-	556 538

Assets were transferred from the Department of Economic Development and Tourism to the Authority in August 2013. The assets consisted of Property, Plant and Equipment. The fair value of the assets received were determined using the current replacement cost and factorising it with a condition rating.

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

15. TRANSFER OF ASSETS

Department of Economic Development and Tourism

Total Transfer of Assets

2015 R	2014 R
-	556 538
-	556 538

Assets were transferred from the Department of Economic Development and Tourism to the Authority in August 2013. The assets consisted of Property, Plant and Equipment. The fair value of the assets received were determined using the current replacement cost and factorising it with a condition rating.

16. OTHER INCOME

Copy of licences

Unknown Receipts deemed to be Other Income

Unknown receipts recognised as income (Prescribed Debt Principle)

Total Other Income

29 905	41 750
-	868
142 996	-
172 901	42 618

Disclosed as follow:

Revenue from Non-Exchange Transactions

Revenue from Exchange Transactions

Total Other Income

142 996	-
29 905	42 618
172 901	42 618

17. APPLICATION FEES

New licences

Change of premises on existing licences

Granting fees

Licensee for transfer of licence to new owner

Alterations of premises on existing licences

Amendment of conditions on existing licences

Interim or pending licence fee

Transfer of financial interest on existing licences

Other application fees

Unknown Receipts deemed to be Application Fees

Total Application Fees

853 800	673 100
27 500	17 500
25 500	34 050
114 650	87 875
87 750	67 350
15 000	13 000
106 450	71 750
29 750	12 500
15 700	17 130
-	20 667
1 276 100	1 014 922

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

18. EMPLOYEE RELATED COSTS

	2015 R	2014 R
Salaries and Wages	12 861 586	12 123 208
Contribution to Leave Provision	77 409	408 795
Contribution to Performance Bonuses Provision	274 201	252 470
UIF	78 568	76 806
Overtime	57 707	38 326
Pension Fund Contributions	1 817 530	1 715 448
Workmens Compensation	26 202	17 990
Total Employee Related Costs	15 193 203	14 633 042
As previously reported		14 615 052
Correction of error restatement - note 26.02		17 990
Restated balance		14 633 042

REMUNERATION OF MANAGEMENT PERSONNEL

Chief Executive Officer - Thys Giliomee

Basic Salary	776 612	655 857
Pension Fund	112 027	115 449
Performance Bonus	22 931	-
Cellphone Allowance	12 350	10 200
Contributions for UIF	1 933	1 785
Total	925 854	783 291

Deputy Director: Liquor Licencing Administration - Leatitia Petersen

Basic Salary	503 697	421 263
Pension Fund	72 812	74 340
Performance Bonus	14 734	-
Cellphone Allowance	7 800	6 000
Contributions for UIF	1 933	1 785
Total	600 977	503 388

Deputy Director: Compliance and Enforcement - Shawn Willemse

Basic Salary	503 697	421 263
Pension Fund	72 812	74 340
Performance Bonus	14 734	-
Cellphone Allowance	7 800	6 000
Contributions for UIF	1 933	1 785
Total	600 977	503 388

Deputy Director: Communication, Education and Stakeholder Relations - Philip Prinsloo

Basic Salary	503 697	421 263
Pension Fund	72 812	74 340
Performance Bonus	14 734	-
Cellphone Allowance	7 800	6 000
Contributions for UIF	1 933	1 785
Total	600 977	503 388

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

18. EMPLOYEE RELATED COSTS continued

Deputy Director: Corporate Services - Marvin Jackson

	2015 R	2014 R
Basic Salary	503 697	421 263
Pension Fund	72 812	74 340
Performance Bonus	14 734	-
Cellphone Allowance	7 800	6 000
Contributions for UIF	1 933	1 785
Total	600 977	503 388

19. REMUNERATION OF GOVERNING BOARD MEMBERS

Sitting Allowances	257 339	312 866
Total Remuneration of Governing Board Members	257 339	312 866

Detail of sitting allowances per Governing Board Member

Mervyn Burton (Previous Chairperson) - contract expired on 11 March 2015	113 810	112 698
Mveleli Ncula (Previous Deputy Chairperson) - contract expired on 11 March 2015	13 906	33 367
Siphiwo Mavumengwana - terminated during 2013/14	-	20 634
John Klassen - contract expired on 11 March 2015	47 795	52 599
Ina du Bruyn - contract expired on 11 March 2015	37 966	47 963
Brian Beck - contract expired on 11 March 2015	8 645	17 940
Derick Block - contract expired on 11 March 2015	23 465	27 665
Julia Modise - re-appointed on 12 March 2015	11 753	-
Michael Jones (Chairperson) - contract commenced on 12 March 2015	-	-
Clint Alexander (Deputy Chairperson) - contract commenced on 12 March 2015	-	-
André du Plessis - contract commenced on 12 March 2015	-	-
Hendri Terblanche - contract commenced on 12 March 2015	-	-
Ludick Sass - contract commenced on 12 March 2015	-	-
Rev Phillip Philander - contract commenced on 12 March 2015	-	-
	257 339	312 866

20. DEPRECIATION AND AMORTISATION

Property, Plant and Equipment - note 8	410 040	244 904
Intangible Assets - note 9	104 543	16 731
Total Depreciation and Amortisation	514 583	261 635

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

21. FINANCE CHARGES

Long-term Liabilities
Total Finance Charges

2014	2014
R	R
639 621	430 760
639 621	430 760

The finance charges relate to finance leases as included under Long-term Liabilities.

22. GRANTS AND SUBSIDIES PAID

Government Motor Transport
Total Grants and Subsidies Paid

1 390	1 185 000
1 390	1 185 000

The subsidy paid during 2013/14 to Government Motor Transport is in lieu of the purchase of 5 additional vehicles to be utilised by the Authority. Subsequently the vehicles will be treated as a finance lease. The accounting treatment is in line with a circular issued by Provincial Treasury. The subsidy paid during 2014/15 relates to a price adjustment on the 5 vehicles purchased during 2013/14.

23. GENERAL EXPENSES

Advertising Fees
 Audit Fees - external
 Audit Fees - internal
 Bank Charges
 Conferences and Seminars
 Consulting and Professional Fees
 Entertainment and Catering
 Insurance
 Legal Fees
 Licence Fees
 Liquor Licencing Tribunal
 Operating Leases
 Postage
 Printing and Stationary
 Social and Education Fund
 Telephone
 Training
 Travel and Subsistence
 Other
Total General Expenses

3 093 352	2 781 420
1 971 226	915 444
222 756	249 489
21 326	18 206
207 119	58 838
1 082 418	425 345
27 409	158 200
203 637	142 615
221 580	1 578 741
620 952	443 592
1 808 285	1 533 889
228 787	361 070
58 717	124 406
517 731	487 792
531 721	1 236 547
129 650	1 199 978
280 279	320 820
1 316 771	1 356 083
53 947	79 868
12 597 663	13 472 343

Legal fees for 2013/14 included a provision of R580 000 as set out in note 4. In the current year, only R241 968 was taxed and the remaining amount of R338 032 (R580 000 provision less R241 968 taxed) was off-set against the current year's Legal Fees as required by GRAP. If the off-setting is taken out of the equation, then the actual Legal Fees incurred for 2014/15 will be R559 612.

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

24. LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Proceeds from disposals
 Book value of disposed items - note 8
 Cost
 Accumulated Depreciation

2015 R	2014 R
-	-
(69 996)	(9 660)
(88 526)	(10 376)
18 530	716
(69 996)	(9 660)

Total Loss on Disposal of Property Plant and Equipment

No proceeds were received as disposals either relate to assets which were stolen or obsolete assets which were donated. Insurance claims as per note 14 were received as compensation for the stolen assets.

The book value of disposed items are summarised as follows:

Donated
 Stolen

53 766	-
16 230	9 660
69 996	9 660

Total book value of disposed Property, Plant and Equipment

25. LOSS ON TRANSFER OF PROPERTY, PLANT AND EQUIPMENT

Leased Assets - Motor Vehicles

-	15 080
-	15 080

Total Loss on Transfer of Property, Plant and Equipment

Motor vehicles subject to finance leases were transferred from Government Motor Trading on 1 April 2013. The above mentioned losses were incurred in cases where the finance lease liability were more than the fair value of the motor vehicle which was transferred.

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

		2014
		R
26.	CORRECTION OF ERROR IN TERMS OF GRAP 3	
26.01	Accumulated Surplus	
	Provisions - note 26.02	10 606
	Unspent Government Grants - note 26.03	(10 606)
	Total adjustments	-
26.02	Provisions	
	During the current year it was noted that no provision for Workmens Compensation was done for the previous years. Accordingly, Accumulated Surplus, Employee Related Costs and Provisions were understated.	
	Refer to Employee Related Costs - note 18	17 990
	Refer to Accumulated Surplus - note 26.01	10 606
	Refer to Provisions - note 5	(28 596)
26.03	Unspent Government Grants	
	During the current year it was noted that the grant income recognised for 2013/14 was overstated by R562 230 due to an error in the calculation of the grant income. Accordingly Government Grants and Subsidies were overstated while Unspent Government Grants were understated.	
	Refer to Government Grants and Subsidies - note 12	562 230
	Refer to Unspent Government Grants - note 7	(562 230)
	In addition, due to the error noted in note 26.02 grant revenue was understated. Accordingly, Accumulated Surplus and Government Grants and Subsidies were understated, while Unspent Government Grants were overstated.	
	Refer to Unspent Government Grants - note 7	28 596
	Refer to Government Grants and Subsidies - note 12	(17 990)
	Refer to Accumulated Surplus - note 26.01	(10 606)

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

	2015 R	2014 R
27. RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Surplus for the year	9 129 734	1 003 472
Adjustments for:		
Transfer of Assets	-	(556 538)
Depreciation	514 583	261 635
Provisions - (decrease)/increase in contributions	(311 830)	597 990
Provisions - expenditure incurred	(277 684)	-
Current Employee Benefits - increase in contributions	351 610	661 265
Current Employee Benefits - expenditure incurred	(365 557)	(80 663)
Grants Received	38 240 500	30 936 000
Grant Expenditure	(34 939 572)	(28 009 174)
Grants Surrendered	(8 894 604)	-
Loss on disposal of Property, Plant and Equipment	69 996	9 660
Loss on transfer of Property, Plant and Equipment	-	15 080
Operating Surplus before changes in working capital	3 517 176	4 838 727
Changes in working capital	(492 774)	(763 138)
Increase in Payables from Exchange Transactions	(480 306)	(742 964)
Increase in Receivables from Exchange Transactions	(12 468)	(20 174)
Cash generated by operations	3 024 402	4 075 589

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investment Deposits - note 11	5 662 622	12 390 016
Primary Bank Accounts - note 11	184 930	140 169
Total Cash and Cash Equivalents	5 847 552	12 530 185

29. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - note 11	5 847 552	12 530 185
Less: Social and Education Fund Reserve	(10 732)	(3 453)
Less: Provincial Revenue Fund	(464 920)	(702 620)
Less: Unspent Government Grants	(3 834 562)	(9 428 238)
Net cash resources available for distribution	1 537 338	2 395 874

30. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - note 3	2 690 920	1 690 048
Used to finance property, plant and equipment - at cost	(2 690 920)	(1 690 048)
Unused Long-term Liabilities	-	-

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

	2015 R	2014 R
31. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
31.1 Fruitless and wasteful expenditure		
No fruitless and wasteful expenditure was incurred in the current reporting period.		
31.2 Irregular expenditure		
No irregular expenditure was incurred in the current reporting period.		
32. DEVIATIONS - SUPPLY CHAIN MANAGEMENT		
Deviations with the Supply Chain Management Regulations were identified and categorised as follow:		
Pastel licence purchases	-	30 268
Hiring of computers for backlog project	-	27 360
Extension of communications tender (TBWA)	-	728 132
Continuation of internal audit function	-	101 916
Install new office layout (Decant area)	12 130	-
LLT workflow study	149 544	-
	161 674	887 676
All deviations were approved by the Board.		
33. CAPITAL COMMITMENTS		
Capital commitments approved and contracted for:		
LMaTS Upgrade	-	898 417
Web Design	-	45 775
SANS Server (Installation costs)	151 695	-
Protective Equipment	240 498	-
Office Modernisation	10 210 000	-
	10 602 193	944 192
Capital commitments will be financed with grant funding. Included in the amount committed above is an amount of R6 662 000 which has been paid to the landlord as per note 10.		
34. OPERATING LEASE COMMITMENTS		
The Authority entered into a 5 year operating lease agreement for the lease of office space. The lease was entered into prior to year-end and will commence on 1 June 2015. The minimum lease payments are payable as follow:		
Payable within one year	1 728 974	-
Payable within two to five years	9 972 416	-
Payable after five years	470 450	-
Total minimum lease payments	12 171 840	-

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

35. FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The Authority does not engage in foreign currency transactions.

(b) Price risk

The Authority is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

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

0.5% Increase in interest rates (2014 - 0.5%)
0.5% Decrease in interest rates (2014 - 0.5%)

2015
R

2014
R

29 238
(29 238)

62 651
(62 651)

(d) Credit Risk

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

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

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

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

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

2015 R	2014 R
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35. FINANCIAL RISK MANAGEMENT continued

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 are as follows:

Receivables from Exchange Transactions	79 306	66 838
Cash and Cash Equivalents	5 847 552	12 530 185
	5 926 858	12 597 023

(e) Liquidity Risk

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

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

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

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
2015				
Long-term Liabilities	1 308 161	3 597 210	449 235	5 354 606
Provisions	19 083	-	-	19 083
Payables from Exchange Transactions	1 339 353	-	-	1 339 353
Unspent Government Grants	3 834 562	-	-	3 834 562
Total	6 501 159	3 597 210	449 235	10 547 604
2014				
Long-term Liabilities	621 252	2 520 940	1 512 853	4 655 045
Provisions	608 596	-	-	608 596
Payables from Exchange Transactions	1 819 659	-	-	1 819 659
Unspent Government Grants	9 428 238	-	-	9 428 238
Total	12 477 745	2 520 940	1 512 853	16 511 538

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

	2015 R	2014 R
36. FINANCIAL INSTRUMENTS		
In accordance with GRAP 104 the financial instruments of the Authority are classified as follows:		
36.1 Financial Assets		
Financial instruments at amortised cost		
Receivables from exchange transactions	79 306	66 838
Cash and Cash Equivalents	5 847 552	12 530 185
Total carrying amount of financial assets	5 926 858	12 597 023
36.2 Financial Liability		
Financial instruments at amortised cost		
Long-term Liabilities	2 690 920	1 690 048
Payables from Exchange Transactions	1 339 353	1 819 659
Unspent Government Grants	3 834 562	9 428 238
Current Portion of Long-term Liabilities	577 427	70 758
Total carrying amount of financial liabilities	8 442 261	13 008 703
37. EVENTS AFTER THE REPORTING DATE		
The Authority has assessed and confirmed that there were no events after reporting date that has a financial implication that requires disclosure.		
38. IN-KIND DONATIONS AND ASSISTANCE		
The building currently occupied by the Authority (6th Floor Waldorf Building, from where its operations are conducted) is leased in by the Department of Transport and Public Works. No rent is levied by this Department for the right of use granted to the Authority.		
The Authority also make use of telephone services which is paid for by the Department of Transport and Public Works.		
39. PRIVATE PUBLIC PARTNERSHIPS		
The Authority has not entered into any private public partnerships during the financial year.		
40. CONTINGENT LIABILITY		
The Authority did not have any contingent liabilities at reporting date.		

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

	2015 R	2014 R
41. CONTINGENT ASSET		
The Authority won four legal cases with cost in the High Court. Due to the cost judgement it is probable that there will be an inflow of economic benefits to the Authority. The amount can however not be determined reliable as it must still go through a process of taxation. However, the Authority estimates that an amount of 40% of their legal cost will be recovered. The total cost incurred by the Authority was R349 988, therefore based on the assumption, an amount of R139 995.20 is estimated to be recovered.		
42. RELATED PARTIES		
42.1 Related party transactions		
The Western Cape Department of Economic Development and Tourism (DEDAT) is considered to be a related party, as DEDAT has significant influence over the Authority. Mr Alan Winde is the Western Cape Minister of Finance, Economic Development and Tourism. Both the Western Cape Trade and Investment Promotion Agency (WESGRO) and the Authority reports to Mr Alan Winde. WESGRO and its subsidiary, Saldanha Bay IDZ Licencing Company (SOC) Ltd, are therefore also considered to be related parties. Transactions during the year include the following:		
<u>The Western Cape Department of Economic Development and Tourism (DEDAT)</u>		
Government Grants and Subsidies - refer to note 12		
Transfer of Assets - refer to note 15		
<u>Western Cape Trade and Investment Promotion Agency (WESGRO)</u>		
No transactions were undertaken with this related party		
<u>Saldanha Bay IDZ Licencing Company (SOC) Limited</u>		
No transactions were undertaken with this related party		
The following related party transactions were also entered with other spheres of government:		
<u>Government Motor Transport (GMT)</u>		
A related party relationship exists between the Authority and GMT with regard to the management of government motor vehicles of the Authority. This relationship is based on an arms-length transaction in terms of tariffs approved by the Provincial Treasury. Transactions with GMT are included in the following sections:		
Capital redemption of finance lease liability - note 3	105 101	8 428
Interest paid on finance lease liability included under Finance Charges - note 21	608 449	411 942
Grants and Subsidies paid - note 22	1 390	1 185 000
Kilometer tariff included under General Expenses (Travel and Subsistence) - note 23	526 382	604 181

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

2015 R	2014 R
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42. RELATED PARTIES continued

42.1 Related party transactions - continued

Department of Transport and Public Works

In-Kind Donations and Assistance - note 38

Casidra (SOC) Limited

DEDAT and the Department of Agriculture has a total shareholding in Casidra (SOC) Limited under the oversight of the Provincial Minister of Agriculture and Rural Development. No transactions were undertaken with this related party.

42.2 Compensation of management personnel

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

42.3 Related party transactions with management personnel

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

43. EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

43.1 ORIGINAL BUDGET vs FINAL BUDGET

Government Grants and Subsidies were increased due to unused funds for 2013/14 of which the roll-over was approved by Provincial Treasury.

Interest Earned (External Investments) were increased due to interest rate increases as well as additional grants paid by Provincial Treasury.

Employee Related Costs were decreased due to vacancies and less interns were utilised in projects than what was budgeted for.

General Expenses were decreased in order to accommodate the increase in capital expenditure.

Property, Plant and Equipment increased in order to accommodate office modernisation and IT infrastructure expenditure.

Intangible Assets were increased as no budget was initially allocated for the development of the L-MATS system.

43.2 ACTUAL AMOUNTS vs FINAL BUDGET

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

Application Fees were more than budgeted for as Application Fees are demand driven.

Employee Related Costs were less than budgeted for due to vacancies and less interns were utilised in projects than what was budgeted for.

Property, Plant and Equipment was less than budgeted for due to not all capital expenditure incurred, which was mainly IT infrastructure.

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

43. EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL continued

43.3 RECONCILIATION BETWEEN CASH AND ACCRUAL BASIS

	Note	Accrual Basis R	Adjustments R	Cash Basis R
Revenue				
Government Grants and Subsidies	(i)	34 939 572	(5 593 676)	29 345 896
Penalties and Fines		1 250 800	-	1 250 800
Third Party Payments		8 790	-	8 790
Application Fees		1 276 100	-	1 276 100
Interest Earned - External Investments	(ii)	755 366	(12 468)	742 898
Other Income		172 901	-	172 901
Total Revenue		38 403 529	(5 606 144)	32 797 385
Expenditure				
Employee Related Costs	(iii)	(15 193 203)	(23 461)	(15 216 664)
Remuneration of Governing Board Members	(iv)	(257 339)	(34 979)	(292 318)
Depreciation and Amortisation	(v)	(514 583)	514 583	-
Finance Charges	(vi)	(639 621)	639 621	-
Grants and Subsidies Paid		(1 390)	-	(1 390)
General Expenses	(vii)	(12 597 663)	(1 116 670)	(13 714 333)
Loss on disposal of Property, Plant and Equipment	(viii)	(69 996)	69 996	-
Total Expenditure		(29 273 795)	49 090	(29 224 705)
Surplus for the year		9 129 734	(5 557 054)	3 572 680
Capital Expenditure				
Property, Plant and Equipment	(ix)	3 061 940	5 485 268	8 547 208
Intangible Assets		983 967	-	983 967
		4 045 907	5 485 268	9 531 175

(i) Government Grants and Subsidies

Unspent Government Grants as at 31 March 2016	3 834 562
Less: Opening balance adjustment	(533 634)
Less: Grant Funds Surrendered	(8 894 604)
Total Adjustments	(5 593 676)

(ii) Interest Earned - External Investments

Interest accrued in previous year	66 838
Interest accrued in the current year	(79 306)
Total adjustments	(12 468)

(iii) Employee Related Costs

Contribution to Current Employee Benefits	351 610
Payments made towards Current Employee Benefits	(365 557)
Provisions - contributions made	26 202
Provisions - expenditure incurred	(35 716)
Total Adjustments	(23 461)

WESTERN CAPE LIQUOR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

(iv) Remuneration of Governing Board Members	
Unpaid accruals at 31 March 2014 paid in current year	(34 979)
Unpaid accruals at 31 March 2015	-
Total Adjustments	(34 979)
(v) Depreciation and Amortisation	
Non cash flow item	514 583
Total Adjustments	514 583
(vi) Finance Charges	
Accrued Interest at 31 March 2014 paid in current year	(34 487)
Accrued Interest at 31 March 2015	47 983
Finance Charges on Finance leases transferred to General Expenses	626 125
Total Adjustments	639 621
(vii) General Expenses	
Unpaid accruals at 31 March 2014 paid in current year	(253 744)
Unpaid accruals at 31 March 2015	519 059
Finance Charges on Finance leases transferred	(626 125)
Capital redemption on Finance leases	(175 859)
Provisions - contributions to/(from) provisions	(338 032)
Provisions - expenditure incurred	(241 968)
Total Adjustments	(1 116 670)
(viii) Loss on disposal of Property, Plant and Equipment	
Non cash flow item	69 996
Total adjustments	69 996
(ix) Property, Plant and Equipment	
Leased asset additions are not a cash transaction	(1 176 732)
Prepayment for Office Modernisation	6 662 000
Total adjustments	5 485 268

WESTERN CAPE LIQUOR AUTHORITY

APPENDIX A - Unaudited

SCHEDULE OF EXTERNAL LOANS AS AT 31 MARCH 2015

EXTERNAL LOANS	Rate	Contract	Redeemable	Maturity Date	Balance at 1 April 2014		Received during the period		Redeemed during the period		Balance at 31 March 2015	
					R	R	R	R	R	R	R	R
CAPITALISED LEASED LIABILITIES												
Office Equipment												
Minolco (Pty) Ltd - Model C554 (Serial K041000822)	13.7%	40134541	Monthly	30 Apr 2016	93 299	-	-	(41 501)	51 798			
Minolco (Pty) Ltd - Model C554E (Serial A5AY041001148)	24.5%	40143248	Monthly	28 Feb 2017	109 605	-	-	(29 258)	80 347			
					202 904	-	-	(70 759)	132 145			
Motor Vehicles												
Toyota Etios - 1.5 XS	35.9%	GBS707G	Monthly	27 Feb 2020	120 987	-	-	(19 224)	101 763			
Toyota Etios - 1.5 XS	34.8%	GBR468G	Monthly	28 Jan 2020	124 202	-	-	(22 598)	101 604			
Toyota Etios - 1.5 XS	35.1%	GBR461G	Monthly	28 Jan 2020	123 369	-	-	(21 874)	101 495			
Toyota Etios - 1.5 XS	34.8%	GBR474G	Monthly	28 Jan 2020	124 098	-	-	(22 508)	101 590			
Toyota Etios - 1.5 XS	31.1%	GCD232G	Monthly	28 Jul 2020	117 341	-	-	(16 704)	100 637			
Hyundai H1.2.4 GLS Wagon	36.5%	GBY652G	Monthly	29 Mar 2020	244 874	-	-	-	244 874			
Toyota Etios - 1.5 XS	34.1%	GBV317G	Monthly	28 Apr 2020	120 767	-	-	-	120 767			
Volkswagen Polo 1.4 Trendline	35.2%	GBZ925G	Monthly	28 Aug 2020	123 978	-	-	-	123 978			
Volkswagen Polo 1.4 Trendline	35.2%	GBZ926G	Monthly	28 Aug 2020	123 978	-	-	-	123 978			
Toyota Hilux 2.7 4x2 D/CAB	33.7%	GCF477G	Monthly	27 Nov 2020	263 550	-	-	-	263 550			
Hyundai Elantra - 1.8	28.9%	GCN757G	Monthly	29 April 2019	-	276 390	-	-	276 390			
Hyundai Elantra - 1.8	29.7%	GCN759G	Monthly	29 June 2019	-	276 390	-	(404)	275 986			
Volkswagen Caddy - 2.0 Trendline	22.2%	GCN773G	Monthly	29 June 2019	-	235 416	-	(1 790)	233 627			
Ford Ranger 3.2XLT D/CAB 4X4	23.9%	GCN767G	Monthly	28 Feb 2020	-	388 536	-	-	388 536			
					1 487 144	1 176 732	(105 101)		2 558 775			
Total Capitalised Leased Liabilities					1 690 048	1 176 732	(175 860)		2 690 920			

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**Western Cape
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