Western Cape Government

Annual Report 2012/2013

Western Cape Liquor Authority

Western Cape

Liquor Authority

Annual Report

2012/13

CONTENTS

PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	**The Western Cape Liquor Authority**
ENABLING LEGISLATION:	Western Cape Liquor Act (4/2008) as amended
PHYSICAL ADDRESS:	80 St Georges Mall
	NBS Waldorf Building
	6th Floor
	Cape Town
POSTAL ADDRESS:	PO Box 398
	Cape Town
	8000
TELEPHONE NUMBER/S:	021 483 3385
FAX NUMBER:	021 483 9044
EMAIL ADDRESS:	thysg@live.co.za
WEBSITE ADDRESS:	https://www.westerncape.gov.za/wclb
EXTERNAL AUDITORS:	Auditor General SA
BANKERS:	Nedbank (PTY) LTD

2. LIST OF ABBREVIATIONS/ACRONYMS

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

3. STRATEGIC OVERVIEW

3.1. Vision

The best run regional public entity in the world.

3.2. Mission

Regulate the retail sale and micro-manufacturing of liquor in the province.

3.3. Values

The values identified to guide the conduct of the Western Cape Liquor Authority (hereinafter referred to as the WCLA) are:

- A high standard of professional ethics must be promoted and maintained at all times, in respect of any action by all members and all staff.
- The efficient, economic and effective use of resources must be adhered to.
- Services must be provided and our conduct in all matters must be impartial, objective, fair, equitable and without bias.
- We strive to promote the values inherent to an open and democratic society based on human dignity, equality and freedom.
- Public participation must be encouraged.
- Responsiveness.
- High levels of competency and care.
- Accountability.
- Highest levels of integrity.
- Application of the rule of law and natural justice principles.
- Transparency in respect of procedures and actions.
- The optimisation of the human capital.

3.4. Strategic outcome orientated goals

A regulatory environment that reflects high levels of participation by the public, a maximising of the benefits of the industry for the Province and its people and a minimising of its negative effects through increased awareness, reduced availability of liquor and better law enforcement.

4. LEGISLATIVE AND OTHER MANDATES

The Western Cape Liquor Authority is a public entity as listed under schedule 3 C of the Public Finance Management Act.

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, 2008 (Act 4 of 2008). The relevant sections pertaining to liquor in the Constitution of the Republic of South Africa of 1996 is as follows:

Schedule 5 of the Constitution

Functional Areas of exclusive provincial legislative competence:

PART A – Liquor Licences – Provincial Competency

PART B - Control of undertakings that sell liquor to the public – Local Government Competency

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 amend the Western Cape Liquor Act, 2008 (Act 4 of 2008). On 21 December 2011 the Western Cape Liquor Regulations was passed which contained the new price schedules.

Other Legislation includes:

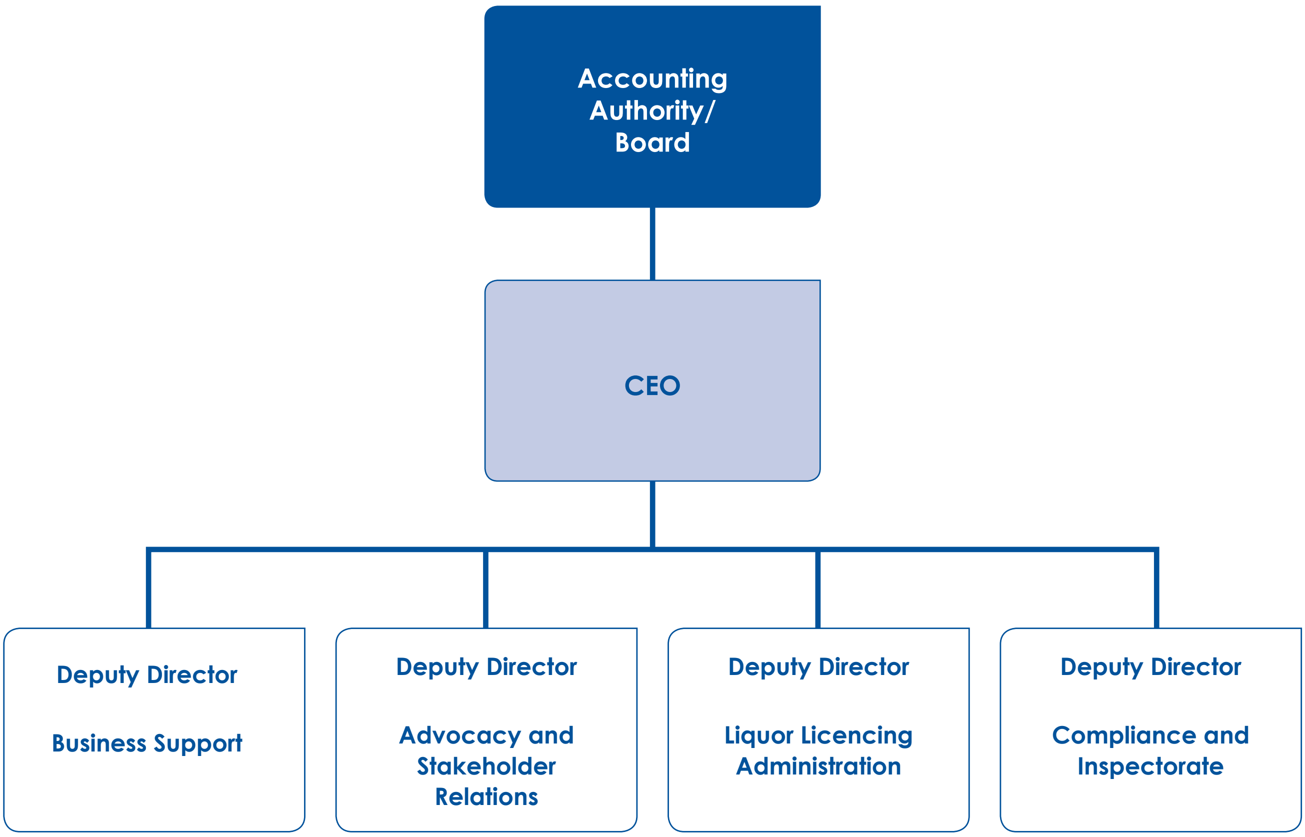
Public Finance Management Act, 1999 (Act 1 of 1999 as amended)

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.

5. ORGANISATIONAL STRUCTURE



6. FOREWORD BY THE CHAIRPERSON

It is with great pleasure that I report on the first financial year of the establishment of the Western Cape Liquor Authority. The bringing into operation of the Western Cape Liquor Act, 2008 (Act 4 of 2008) as amended allows for the establishment of a fully functional and independent provincial public entity, the "Western Cape Liquor Authority".

By the12 of March 2012 Minister Alan Winde appointed the seven board members of the Authority. The Western Cape Liquor Authority (WCLA) is an entity that is established to regulate the retail sale and micro-manufacturing of liquor in the province.

The liquor industry's manufacturing operations and capital expenditure are responsible for an estimated R94.2 billion (or 4.4%) of South Africa's gross domestic product. The industry's GDP multiplier is estimated at 2.08 – which implies that for every R1.00 in sales revenue generated by the liquor industry, R2.08 is added to the country's GDP.

The Western Cape region has been famous for its wine since the late 18th century and exports wine all over the world. In 2010 the Western Cape exported 374.8 million litres of wine. With 100,200ha of vines under cultivation the province is the ninth largest exporter of wine in the world.

Balancing the positives and the negatives of alcohol sales and micro-manufacture is the challenge. The liquor industry has a major positive impact on the economy of the Western Cape but pervasive social ills exist in the Western Cape and includes inter-personal violence, with a high homicide rate of 47 per 100 000 population, widespread alcohol and substance abuse, abuse of women exceeding rates at the national level, and high rates of child abuse, family break-up and neglect of children that affects current and future generations.

Alcohol consumption plays a significant role in road traffic accidents and interpersonal violence. More than 50 per cent of deaths from injuries are alcohol related. South Africa also ranks among the top 5 countries in the world with regard to binge drinking.

The Board appointed Mr Thys Giliomee as CEO of the Western Cape Liquor Authority and he commenced duty on 01 August 2012. A huge task was placed on Mr Giliomee to fill the rest of the vacant positions as well as to develop relevant policies and procedures for the newly established Authority.

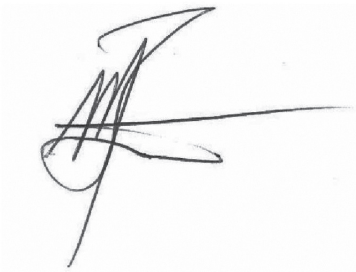
This was also the first financial year of the new Western Cape Liquor Authority. The business processes for the lodgement and consideration of liquor license applications from the National Liquor Act, 1989 to the Western Cape Liquor Act, 2008 as amended has changed substantially. These changes notably include:

- Zoning as an absolute requirement for the consideration of liquor license applications.
- Trading hours and days as determined by the municipality if that respective municipality's by-laws on trading hours and days have been implemented.
- A dual lodgement process whereby the liquor license application is lodged directly with the Western Cape Liquor Authority and the relevant Designated Liquor Officer.
- More provision for effective offences and enforcement.
- A dedicated fund for combatting the negative social consequences of the liquor trade.
- Greater public notification processes for new liquor license applications which will be the responsibility of the Western Cape Liquor Authority.
- The introduction of an Appeals Tribunal which may set aside any decision of the Liquor Licensing Tribunal.

Despite all of the challenges faced by the Board, we still managed to reach all our Annual Performance targets and managed to exceed most of these targets.

In closing I would like to express my gratitude to my fellow board members for their commitment to the Authority. I also want to thank the CEO: Mr Thys Giliomee and the rest of his team for their enthusiasm and commitment towards a successful first year.

In addition I would like to thank Minister Alan Winde as well as the Department of Economic Development and Tourism for their commitment and support during the first year of setting up the Authority.



Mervyn Burton

Chairman of the Board

Western Cape Liquor Authority

15 August 2013

7. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Being appointed as CEO on 01 August 2012 for the newly established Western Cape Liquor Authority, it gives me great pleasure to report on the 2012/2013 and first financial year for the Western Cape Liquor Authority.

The liquor industry is an extremely important economic driver and supplier of employment both nationally as well as for the local economy. The employment opportunities in the Western Cape provided by the wine and liquor industry are enormous. These opportunities are with manufacturing, controlling, bottling, storage, transportation, distribution, retail and management.

The liquor regulatory environment has seen profound changes over the past year.

The Western Cape Liquor Act 2008 as amended allows for the establishment of a fully functional and independent provincial public entity, the "Western Cape Liquor Authority". This entity was established and comprises of:

i. The Liquor Authority Governing Board;
ii. The Liquor Licensing Tribunal;
iii. The Liquor Appeal Tribunal; and
iv. An organisational structure which includes a Chief Executive Officer, with a staff complement that will execute the required functions such as licensing administration, enforcement and compliance and advocacy and stakeholder relations.

Over the past financial year, we managed to host two Liquor Conferences with Minister Alan Winde as guest speaker, as well as facilitate a workshop with liquor consultants that were attended by consultants as far as Gauteng. The Authority also engaged with liquor licence holders in an attempt to educate them about the new Western Cape Liquor Act (Act 4 of 2008) as amended.

The full management team (4 managers) of the entity were all employed by 01 December 2012. Despite the fact that the Authority was in the process of appointing staff, they still managed to send out all renewal notices by the end of October 2012 to all 8 834 licence holders, as well as achieving its Annual Performance targets as set out in the Annual Performance Plan. Most of these targets were over achieved.

The Authority also inherited a huge backlog of liquor applications estimated more than 5000, but managed to develop a plan to address this backlog and started executing this plan towards the last quarter of the year under review.

In conclusion, I would like to thank the Governing Board, Management and staff of the Authority, the Department of Economic Development and Tourism, as well as Minister Alan Winde for their continuous support and commitment during the establishing stages of the Authority.

Thys Giliomee

Chief Executive Officer

Western Cape Liquor Authority

15 August 2013

PART B: PERFORMANCE INFORMATION

1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of Responsibility for Performance Information for the year ended 31 March 2013

The Governing Board as Accounting Authority is responsible for the preparation of the public entity's performance information and for the judgements made in this information.

The Governing Board as Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In our opinion, the performance information fairly reflects the actual achievements against planned objectives, indictors and targets as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2013.

The Western Cape Liquor Authority performance information for the year ended 31 March 2013 has been examined by the external auditors and their report is presented on pages 33 to 34.

The performance information of the entity set out on page 11 to page 14 was approved by the Board.

Mervyn Burton

Chairperson of the Governing Board

15 August 2013

2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

Refer to page 34 of the Report of the Auditors Report, published as Part E: Financial Information.

3. OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

3.1. Service Delivery Environment / Situational Analysis

The Western Cape Liquor Act was enacted to provide for the licensing for 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 is a Provincial 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 Public Finance Management Act.

Challenges

Office accommodation and IT Infrastructure and connectivity

Adding to the plight of the Western Cape Liquor Authority is the fact that the Authority still faces two major challenges. These 2 challenges being office accommodation and IT Infrastructure and connectivity pose major threats to the productivity of the Authority. Every effort is being made to avoid a situation where the Authority reneges on attaining its set targets.

Backlog and system

The Western Cape Liquor Authority is saddled with the burden of a backlog of open old (section 19) applications. These applications date from as far back as 2001 and add up to more than 5000 in number. This number is not confirmed and an exercise to determine the exact magnitude in terms of numbers is in the process of being done.

Adding to this is the fact that the Western Cape Liquor Authority has inherited a liquor system called Clipper which is a DOS based system no longer suitable for the business requirements of the Authority and a document tracking system called CMaTS. These systems are used to record the progress of an application as well as the fees paid against that application. These 2 systems run parallel to each other but are not synchronised and do not contain the same information.

It is the intention of the Western Cape Liquor Authority to upgrade the CMaTS system and out phase the Clipper system. In order to do this a clean-up of the 2 systems will need to be executed. In order to affect this clean-up the Authority has employed interns as its current staffing capacity and workload does not allow for this.

As mentioned above an assessment in terms of the backlog needs to be done. It was estimated that the backlog is in the region of 5000 applications. An accurate indication of the number of backlog applications is pertinent to the finalisation of these applications. This will also allow the Authority to devise specific strategies on the way forward in dealing with the backlog.

Remedial actions

Every effort is being made to expedite the filling of vacant positions. In the meantime interns are utilised to fill the gap while maintaining a certain degree of productivity and ensuring that every effort is made to achieve set targets. The formalisation of standard operating procedures, operational frameworks, committees, policies and strategies within the various structures of the Western Cape Liquor Authority is well under way and will be finalised within due course.

Approval has been received by the Centre for E-Innovation for IT services to be provided for the 2013/2014 financial year while the Authority engages with SITA to assist them in completing specifications for their IT Infrastructure. Every effort is being made to address the office accommodation issue and meetings with key stakeholders have been set up to address it.

The Authority has in the 4th quarter appointed an independent internal auditor as well as an independent audit committee to assist the Authority in ensuring financial compliance and corporate governance for the 2013/2014 financial year.

As indicated the Authority has appointed interns to assist in addressing the backlog issue as well as the clean of the CMaTS and Clipper systems. This project is well under way and it is estimated that the backlog project will be completed within 3 years.

Conclusion

It is the aim of the Western Cape Liquor Authority to be the best run public entity in the world and the flagship of the Western Cape Government. The Western Cape Liquor Authority understands the importance of the economic growth factor that licenced premises add to our economy. We will thus endeavour to continually meet our targets and in all instances try to exceed them where possible.

3.2. Organisational environment

The Western Cape Liquor Authority was established as a public entity on the 1 April 2012. For majority of the 2012/2013 financial year the Authority received support from the Department of Economic Development and Tourism as well as from the Centre for E-Innovation.

The support from the Department included the utilisation of the Supply Chain Management processes and procedures. This support services has been extended to the 1st quarter of the 2013/2014 financial year. This will allow the Authority to adopt its own policies regarding Supply Chain and ensure that the effective rules that govern the Departments Supply Chain processes are maintained.

Built-in to this support role was the receiving of revenue (licence application fees and renewal fees etc.) on behalf of the Authority. Monies received were paid into the "Old Liquor Board' bank account. On the 1 October 2012 the Authority opened up its own bank account and the 'Old Liquor Board' bank account was officially closed on the 7th February 2013. Allocating monies received is a tedious process as applicants do not always utilise the correct reference numbers when making deposits. The staff of the Authority put in a lot of effort to ensure that the unallocated cash reflects as a minimum in their accounts.

The Liquor Licencing Tribunal (hereafter referred to as the LLT) of the Authority is an independent body tasked with the responsibility of adjudicating liquor license applications. The LLT have to study application files and apply their minds and make decisions in line of with the Western Cape Liquor Act (Act 4/2008) which governs the Western Cape Liquor Authority. The LLT consists of 6 members, those being the Presiding Officer, Deputy Presiding Officer, 2 public members, member of SAPS and a member of SALGA. A quorum for the LLT is 4. The LLT was in the unenviable position in that the Deputy Presiding Officer was placed under suspension for the 4th quarter. This placed a huge amount of pressure on the LLT to consider the various types of licence applications, attend hearings and deal with various other issues pertaining to licence applications. Adding to this is the fact that appointing the SALGA member has been quite challenging. The strain experienced by the LLT did however not thwart them in functioning effectively in considering the many applications brought before them.

Staffing

The Western Cape Liquor Authority has gone through a transition period faced with numerous challenges, which in many ways has hampered productivity. Of major concern was the lack of staff appointments. The CEO of the Authority Mr Thys Giliomee was appointed on the 1 August 2012 and up until the 1 December 2012 when his 4 Deputy Directors were appointed, was the only employee of the Authority. Since then the Authority has appointed the following staff members:

1. Liquor Licencing Administration
    - All the positions for this component except 1 clerk position has been advertised and filled.
    - The 1st March 2013 being the last date of appointment.
2. Compliance and Inspectorate
    - All the positions for this component has been advertised and filled.
    - The 1st February 2013 being the last date of appointment.
3. Advocacy and Stakeholder Relations
    - All the positions for this component except 1 Administrative Officer has been advertised and filled.

4. Business Support
   As at the 31 March 2013 all except:
   - 2 positions within the Supply Chain Unit of the Business Support Component have been filled.
   - The Registry Unit within the Business Support Component (4 posts) needs to be appointed.

Besides the fact that the Authority is new and staff vacancies were only filled recently the Authority managed to perform and attain performance goals far exceeding its targets. This was due to the fact that the employees of the Authority are motivated and well managed to make a success of the Authority and want to contribute to the Authority becoming the best run regional public entity in the world.

3.3. 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 the 1 April 2012. Form 5 of the Western Cape Liquor regulations (published 21 December 2011) was replaced in December 2012.

3.4. Strategic Outcome Oriented Goals

A regulatory environment that reflects high levels of participation by the public, a maximising of the benefits of the industry for the Province and its people and a minimising of its negative effects through increased awareness, reduced availability of liquor and better law enforcement.

In addressing the strategic outcomes the Authority has embarked on the following:

- advertisements in local newspapers in respect of all new applications, removals and transfers.
- obtain input from SAPS and local government in respect of all new applications, removals and transfers.
- simplification of the application processes.
- numerous interventions that included 2 liquor conferences.
- stakeholder engagements that included liquor consultants and liquor licence holders.
- regular circulars.
- increase in the number of inspections and blitzes.

4. PERFORMANCE INFORMATION BY PROGRAMME

4.1. Western Cape Liquor Authority (previously a sub programme under the Department of Economic Development and Tourism [Sub Programme 4.3])

The Western Cape Liquor Authority as part of their operational and mandated activities in terms of the Western Cape Liquor Act 4 of 2008 include the provision for the licensing for the retail sale and the micro-manufacture of liquor in the Western Cape Province and to provide for incidental matters.

The WCLA's strategic objective as per their Annual Performance Plan encompasses a regulatory environment that reflects high levels of participation by the public, a maximising of the benefits of the industry for the Province and its people and a minimising of its negative effects through increased awareness, reduced availability of liquor and better law enforcement.

The objective of the Authority is to facilitate community participation in respect of all applications for liquor licences. Ensure that all licensed premises are inspected at least once a year. Reduce the negative socio-economic impact of the industry by raising public awareness of liquor-related harms through initiatives that reach at least 70% people through mass media messages, and contribute to the transformation of the liquor industry by reducing the ratio of unlicensed to licensed premises from 3:1 to 2:1.

Strategic objectives

Liquor Regulation (Sub Programme 4.3)					
Strategic objectives	**Actual Achieve-ment 2011/12**	**Planned Target 2012/13**	**Actual Achieve-ment 2012/13**	**Deviation from planned target to Actual Achievement for 2012/13**	**Comment on deviations**
Percentage of liquor outlets licensed.	30% (baseline: 28 000)	32.6% (baseline: 26 000)	30.23% (baseline: 26 000)	2.70%	The Authority does not have any control over licence holders renewing the licences annually.

Performance indicators

Liquor Regulation (Sub Programme 4.3)					
Performance Indicator	**Actual Achieve-ment 2011/12**	**Planned Target 2012/13**	**Actual Achieve-ment 2012/13**	**Deviation from planned target to Actual Achievement for 2012/13**	**Comment on deviations**
Number of applications received (new licences and secondary applications).	2 456	1 500	3 364	1 864	This target was based on the assumption that the number of applications received would increase substantially due to applicants from informal sector lodging applications before the implementation of the new Act.
Number of licences issued.	1 172	500	916	416	The increase in the number of licences issued can be attributed to increased Board sittings.
Number of awareness interventions conducted.	103	100	123	23	The Advocacy and Awareness unit continued its campaign to educate all stakeholders, particularly existing licence holders, SAPS and the general public on the implications of the newly implemented Western Cape Liquor Act 4 of 2008.
Number of people reached through awareness programme interventions.	1 695	800	1 212	412	The Advocacy and Awareness unit continued its campaign to educate all stakeholders, particularly existing licence holders, SAPS and the general public on the implications of the newly implemented Western Cape Liquor Act 4 of 2008.
Number of inspections conducted.	2 306	2 000	2 404	404	A work programme of all inspections to be conducted was completed in advance and strictly adhered to which ensured that inspections and blitz sessions were conducted.
Number of social responsibility programme conducted.					This indicator is a National indicator. The Act was implemented from 1 April 2012 and Section 31 of the Act allows for a Social and Education Fund to be established. The Authority is setting up this Fund in the current financial year and targets for this indicator will be added to the APP for 2014/15.

5. SUMMARY OF FINANCIAL INFORMATION

5.1. Revenue Collection

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 application fees, licence renewal fees and licence issuing fees is paid over to the Provincial Revenue Fund via the Department of Economic Development and Tourism. The Western Cape Liquor Authority was set a target amount of R13 million as per the MoA between the Department and the WCLA. This amount was exceeded by R12, 831 million and the WCLA has transferred R25, 831 million to the Department for payment to the Provincial Revenue Fund. The Authority received funding from the Department to the value of R24, 762 million.

5.2. Programme Expenditure

The Western Cape Liquor Authority (hereinafter referred to as the WCLA) was established as Provincial Entity on 1 April 2012. The WCLA was established in terms of the Western Cape Liquor Act, 2008 (Act 4/2008) as amended. The WCLA is listed as a Provincial Public Entity in Schedule 3 C of the Public Finance Management Act.

The Governing Board of the WCLA approved a budget vote. Section 26(6) of the Act provides that the Chief Executive Officer of the WCLA may enter into such financial transactions as may be required for the operation of a public entity, including but not limited to, entering into partnerships with other organs of state and engaging the services of contractors and service providers.

A sum of R25 634 169.50 (Twenty Five Million Six Hundred and Thirty Four Thousand and One Hundred and Sixty Nine Rand and fifty cents) for operations was budgeted to the Western Cape Liquor Authority.

As a newly created entity and with its unique requirements the expenditure forecasted for the financial year (2012/2013) will have to be rolled over. These rolled over funds have already been allocated to projects that will not be completed within the current financial year.

5.3 Capital investment, maintenance and asset management plan

The Western Cape Liquor Authority (hereinafter referred to as the WCLA) was established as Provincial Entity on 1 April 2012. The WCLA was established in terms of the Western Cape Liquor Act (4/2008) as amended. The WCLA is listed as a Provincial Public Entity in Schedule 3 C of the Public Finance Management Act.

For the 2012/2013 financial year the WCLA was permitted to utilise the assets of the Department of Economic Development and Tourism by agreement. This agreement concluded that although the Authority made use of the assets they would not account for them in the 2012/2013 financial year. Accounting for these assets would remain the responsibility of the Department. The agreement between the Department and the Authority also made provision for the assets to be transferred to the Authority's name once the Authority secured its own insurance.

During the 2012/2013 financial year the Authority procured desktops and laptops which have been accounted for in the 2012/2013 financial year as well as on the Authority's asset register. These desktops and laptops amounted to R222 802.74.

In terms of infrastructure projects the Authority is in the process of developing an ICT plan and will procure in accordance with the plan. The Authority has been allowed to participate in utilising the services of the Centre for E-Innovation and this service has been extended to the 2013/2014 financial year.

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, 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 Reports on Corporate Governance.

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

2. PORTFOLIO COMMITTEES

The Governing Board of the Authority has established 4 sub committees. These sub committees are identified as follows:

i) Operations Committee

ii) Human Resources Committee

iii) Finance and IT Committee

iv) Social Committee

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

Due to the fact that the Authority is a newly established entity these committees have met more frequently so as to ensure the success of the entity and to address the immediate challenges.

3. EXECUTIVE AUTHORITY

The Chairperson of the Governing Board and the CEO of the Authority has an arrangement with the Executive Authority to have quarterly meetings where feedback is provided on pertinent issues as well as the general well-being 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 liquor industry in the Western Cape.

The Governing Board of the Western Cape Liquor 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, macro management, control, proper accountability, probity and openness in respect of all aspects and the conduct of the business of the Western Cape Liquor Authority 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:

(i) has the powers and functions conferred or imposed on it by this Act;

(ii) must manage the business of the Authority;

(iii) 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

(iii) may appoint committees consisting of members of the Board.

Board Charter

The Western Cape Liquor Authority is a new entity that came into existence on the 1 April 2012. As the Authority is new, a Board Charter needed to be adopted. A draft charter has been formulated and the Authority's Board is in the process of reviewing it and making comments and amendments. The Board members are applying their minds so as to adopt a charter reflective of the composition of the Board and one which clearly outlines roles and responsibilities of the said Board. Overall the Board has discharged its legislative mandate efficiently and effectively.

Composition of the Board

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifi-cations	Area of Expertise	Board Directorships (List the entities)	Other Commit-tees (e.g: Audit commit-tee)	No. of Meet-ings attended
Mervyn Burton	Chairperson	15/3/2012	N/A	CA(SA)	Finance; General Manage-ment	N/A	Fin Com and HR Comm	11
Mveleli Ncula	Deputy Chairperson	15/3/2012	N/A	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	Finance, OPS and HR commit-tee	10
Derrick Block	Member	15/3/2012	N/A	B.Iuris,LLB,H Dip Tax, Admitted Advocate	Compliance and Govern-ance	Board Member of MINTEK, CSOS, Audit Committee member at ND Transport, Free State Agriculture & DETEA and Northern Cape Treasury and Education Department	OPS Com	11
John Klassen	Member	15/3/2012	N/A	B.Comm (Hons)	Social Fund	N/A	Soc Com and OPS Com	11
Siphiwo Mavu-meng-wana	Member	15/3/2012	N/A	MDP, ND Marketing, Cert. Banking Finance	Business consultant, Corporate governance and due diligence	Biz Afrika (Pty) Ltd., Con Bin Cleaning, Mavuso Consulting Inc.	Fin Com, OPS Com and Soc Com	11
Brian Beck	Member	15/3/2012	N/A	Dip. Theology	Governance	N/A	HR and Social Fund Commit-tee	4
Ina du Bruyn	Member	15/3/2012	N/A	Professional Business coaching	Governance; HR; Finance	Cape Nature	HR Com; Finance Com; Audit Com	11

Committees

Committee	No. of meetings held	No. of members	Name of members
OPS Committee	4	4	Derrick Block, Siphiwo Mavumengwana, Mveleli Ncula and John Klassen
Finance Committee	3	3	Mervyn Burton, Siphiwo Mavumengwana, Ina du Bruyn
HR Committee	7	4	Ina du Bruyn, Mervyn Burton, Brian Beck and Mveleli Ncula
Social Fund Committee	3	3	John Klassen, Brian Beck and Siphiwo Mavumengwana

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	R2 892	R362
Vice-chairperson	R2 038	R255
Member	R1 768	R221

Name	Remuneration	Other allowance	Other re-imbursements	Total
Mervyn Burton	R82 460.30	R21 450.00	R138.00	R104 048.30
Mveleli Ncula	R23 069.50	R9 034.46	R0.00	R32 103.96
Derrick Block	R45 669.65	R4 142.28	R915.00	R50 726.93
Siphiwo Mavumengwana	R51 746.70	R30 939.01	R703.50	R83 389.21
John Klassen	R27 164.58	R10 823.49	R416.00	R38 404.07
Brian Beck	R14 807.00	R3 379.11	R22.00	R18 208.11
Ina du Bruyn	R48 730.50	R13 308.22	R1 328.00	R63 366.72

5. RISK MANAGEMENT

The Authority is a newly established entity for the year under review. The risk management function rests with the management of the Authority. Management decided that to better assess the current risk profile of the entity and identify areas where stricter internal control measure could be put in place, we appoint an external service provider to assist us with enterprise risk management process as per the National Treasury guidelines. The Western Cape Liquor Authority has appointed Moore Stephens Risk Services as the Authority's internal audit team for the 2013/2014 financial year.

6. INTERNAL CONTROL UNIT

The Western Cape Liquor Authority became an independent entity on the 1 April 2012. Prior to this the Liquor Board as it was known then, was a programme under the Department of Economic Development and Tourism. Internal control was a function performed by the Department and since it was agreed that the Department would provide certain key services to the Authority in its initial establishment phase the Authority was covered by the Departmental internal control services.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

The Governing Board of the Western Cape Liquor Authority was appointed on the 12th March 2012. The Western Cape Liquor Authority Act came into full operation on the 1st April 2012. At the time there were no employees appointed. All transactions on behalf of the Authority were performed by the Department of Economic Development and Tourism.

The Chief Executive Officer took office on the 1st August 2012. At the time he was the only official and the Authority was not fully operational. The Liquor Board that was a programme under the Department had to be converted to a fully operational entity. The priorities at the time were therefore the continuance of the project, namely the implementation plan as provided to the Board by the Department (DEDAT). The top priority was to ensure that the Western Cape Liquor Authority was operational as soon as possible. The focus was on developing policies, charters and the appointment of staff.

The filling of vacant posts remained a pivotal challenge for the WCLA with certain DEDAT seconded staff being transferred out of the WCLA. Vacant posts were advertised and filled incrementally. Apart from the CEO the Human Resource manager was appointed on the 1st November 2012. Subsequent to her appointment the Deputy Directors for the 4 components (i.e. Business Support, Advocacy and Stakeholder Relations, Liquor Licencing Administration and Compliance and Enforcement) were appointed. One of the first tasks assigned to the Deputy Director: Business Support was the procurement of the services of a service provider to perform the internal control function for the Authority.

All transactions up to the end of October 2012 were transacted by the Department on behalf of the Authority. The Supply Chain Management function was and still is outsourced to the Department (and it was agreed that this service will continue to the end of September 2013). The Authority relied on the internal controls in place at the Department and the office of the Premiers oversight over the Department in terms of the IT services, legal and certain HR functions to the Authority was. IT support is currently outsourced to the department of the Premier's Centre for E-Innovation. This will remain in place until the end of the 2013/2014 financial year. Registry services are currently outsourced to the Department with its own internal controls in place.

The bank account of the Authority was approved and opened by the middle October 2012. The first transfer from the Department to the Authority took place on the 30th October 2012.

We unfortunately were non-compliant with the PFMA regarding the appointment of Internal Auditors purely as a result of timing and capacity. However, although non-compliant in respect of the year under review the risk to the Authority was deemed low as for the major part of the year we were going through an implementation phase and that most of the internal controls were still based within the Department (besides operational controls) as may be gleaned from above. The risk was limited to operational issues and these were managed by the administration of the Authority and frequent reporting to the Governing Board. In addition one achieves much more value from Internal Audit after the implementation phase as this gives us the opportunity to have our processes when fully implemented, audited.

Interim measures relating to the Audit Committee were that for the 2012/2013 financial year the Authority would form part of the Economic Cluster Audit Committee that was responsible for the Department of Economic Development and Tourism. The Authority's own fully functional Audit Committee was appointed on the 1st April 2013. The Authority appointed Moore Stephens as its Internal Auditors effective as of 1 April 2013.

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Judy Gunther	CIA AGA Masters in Cost Accounting BCompt	External	N/A	01 January 2013	N/A	1
Zakariya Hoosain	Chartered Accountant (SA)	External	N/A	01 January 2008	30 November 2012	6
Francois Barnard	M. Com (Masters) degree (Tax) Qualified Chartered Accountant Post graduate diploma in auditing CTA (Certificate in the theory of accounting) B. Compt (Honours) degree (commerce) B Proc degree (law) Matric	External	N/A	01 January 2013	N/A	1
Ronnie Kingwill	B Comm Certificate in Theory of Accountancy Advanced Management Program	External	N/A	01 January 2010	N/A	6
Kerry Larkin	ND FIS BCompt CIA CCSA	External	N/A	01 January 2010	N/A	6
Burton van Staaden	Chartered Accountant (SA) Assessor (SAICA)	External	N/A	01 January 2012	N/A	7

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 governs 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 Moore Stephens Risk Services have been appointed to perform in the new financial year (2013/2014).

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 Authority also subscribes 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

As far as possible the Authority adheres to the Health and Safety Act. Training will be provided on a continuous basis so as to keep the Authority's staff updated with the latest developments within the health and safety environment. The Authority is in the process of appointing its health and safety representatives.

13. COMPANY /BOARD SECRETARY (IF APPLICABLE)

N/A

14. SOCIAL RESPONSIBILITY

As part of its strategic objectives the Western Cape Liquor Authority endeavours to educate the public around the social evils of alcohol abuse. This responsibility that the Authority has taken on is an ongoing process of educating communities and learners on the negative effects of liquor abuse.

15. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2013.

Audit Committee Members and Attendance

In terms of Section 51(1) of the PFMA, the Western Cape Liquor Authority (Authority) had to appoint an Audit Committee and due to this financial year being a transitional period, it was requested that the Authority be served by the Economic Cluster Audit Committee. The Audit Committee consisted of the members listed below. The Audit Committee must meet at least 4 times per annum as per its approved terms of reference. During the financial year under review, 7 meetings were held.

Name of Member	Number of Meetings Attended
Ms J Gunther (Appointed as Chairperson from 01 January 2013)	1
Mr Z Hoosain (Chairperson until 30 November 2012)	6
Mr F Barnard (Appointed from 01 January 2013)	1
Mr R Kingwill	6
Mr K Larkin	6
Mr B van Staaden	7

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51(a) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

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 the matters reflected in the AGSA's audit and management reports, no material deficiencies in the system of internal control were noted.

The Authority has taken full responsibility and ownership for the implementation of the Enterprise-wide Risk Management (ERM) methodology and function. The challenge remains to institutionalise ERM throughout the Organisation.

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

During the transitional period, the Authority's reports were incorporated with that of the Department of Economic Development and Tourism.

The committee is satisfied with the content of the in-year management and quarterly performance reports submitted in terms of the PFMA prepared and issued by the Accounting Authority of the Western Cape Liquor Authority during the last quarter of the financial year.

We have fulfilled our mandate with regards to the annual financial statements as mentioned below.

Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the Authority.

The Audit Committee has:

- reviewed and discussed the audited 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 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.

The Audit Committee concurs and accepts the AGSA's conclusions on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the AGSA.

Internal Audit

The Western Cape Liquor Authority was operating in a period of transition during the 2012/2013 financial year. The Authority was in the process of procuring the services of an outside service provider to perform internal audit services. This process was finalised during the period, but the service delivery only started formally in the 2013/2014 financial year.

Auditor General's Report

The Audit Committee has met with the AGSA to ensure that there are no unresolved issues that emanated from the regulatory audit. Corrective actions on the detailed findings emanating from the current regulatory audit will be monitored by the Audit Committee on a quarterly basis.

Appreciation

The Audit Committee wishes to express its appreciation to the Management of the Authority and the AGSA for the co-operation and information they have provided to enable us to compile this report. The Audit Committee would like to congratulate the Authority with the clean audit report.

Ms J Gunther

Chairperson of the Economic Cluster Audit Committee

August 2013

PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

The Western Cape Liquor Authority was established on 1 April 2012, and at that time the WCLA did not have its own staff or a recruitment and selection policy. The functions of the WCLA were performed by 14 seconded staff members (they were seconded from the Department of Economic Development and Tourism), a couple of fixed term employees (employed by the Department of Economic Development and Tourism) and a number of interns.

The 2012/13 financial year saw the appointment of a Chief Executive Officer for the Western Cape Liquor Authority, the adoption of the Human Resource policies, including a Recruitment and Selection policy and the filling of most of the posts on the organogram of the Western Cape Liquor Authority.

The tasks performed by the Western Cape Liquor Authority are very specific and the newly appointed staff will require training in this regard. A number of training and educational interventions in respect of staff is envisaged for the 2013/14 financial year. In some instances the Western Cape Liquor Authority will partner with other stakeholders like the City of Cape Town. Due to the specific tasks performed by the Western Cape Liquor Authority, a lot of cross training, both horizontal and vertical is envisaged.

The Western Cape Liquor Authority did not adopt an Employment Equity Plan. Such a plan needs to be negotiated and these are to be held in abeyance for the appointment of the staff. Negotiations in respect of the Employment Equity plan will be conducted during the 2013/14 financial year.

In order to ensure maximum performance by each of the components, it is required that all the available, budgeted posts are filled. It is important that the Human Resource section, with line management, implement the recruitment and selection policy to ensure competent and adequate human resources.

The retention of knowledge and therefore staff is important to the Western Cape Liquor Authority and the turnover of staff will be monitored. A high staff turnover is regarded as negative.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel expenditure as a % of total expenditure	Number of Employees	Average personnel cost per employee (R'000)
4.3	R19 451 789	R9 018 076	46.36%	34	R265 238

The Western Cape Liquor Authority is an independent entity. The Authority no longer forms part of the programme structure of the Department of Economic Development and Tourism. The number of employees includes interns that are employed by the Authority on a renewable 3 month contract basis.

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to total personnel cost	Number of Employees	Average personnel cost per employee (R'000)
Top Management (SL13)	R719 613	7.33%	1	R719 613
Senior Management (SL11)	R1 859 676	18.95%	4	R464 919
Professional qualified (SL9)	R3 888 576	39.63%	12	R324 048
Skilled (SL8)	R2 453 355	25.00%	9	R272 595
Skilled (SL7)	R219 506	2.24%	1	R219 506
Unskilled				
Interns	R24 850	0.25%	7	R3 550
Total	**R9 813 672**	**100%**	**36**	**R2 328 279**

The amount as per the financial statements differs from the amount indicated in this table in terms of the total personnel expenditure as this total personnel expenditure does not take into account the resignation and contract ending of employees.

Performance Rewards

Programme	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to total personnel cost (R'000)
Top Management	N/A	N/A	N/A
Senior Management	N/A	N/A	N/A
Professional qualified	N/A	N/A	N/A
Skilled	N/A	N/A	N/A
Semi-skilled	N/A	N/A	N/A
Unskilled	N/A	N/A	N/A
Total			

Training Costs

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of personnel cost	Number of employees trained	Average Training Cost per employee
nil	nil	nil	nil	nil	nil

Employment and vacancies

Programme	2012/2013 No. of Employees	2013/2014 Approved Posts	2013/2013 No. of Employees	2013/2014 Vacancies	% of Vacancies
Top Management (SL13)	1	1	1	0	0
Senior Management (SL11)	4	4	4	0	0
Professional qualified (SL9)	12	13	12	1	7.69%
Skilled (SL8)	9	13	9	4	30.77%
Skilled (SL7)	1	6	1	5	83.33%
Skilled (SL5)	0	2	0	2	100%
Unskilled					
Interns	7	8	7	1	12.5%
Fixed Terms	2	3	2	1	33.33%
Total	**36**	**50**	**36**	**14**	**28%**

Every effort was made by the HR team of the Authority to fill the vacant positions. The Authority received over 1000 applications per vacant post and with only 1 HR staff member employed this task was considerably lengthened. The Authority has since employed an intern to assist the HR unit to address the vacancy issue. The Authority is also in the process of staff team buildings and have arranged team building sessions to keep the morale of the staff members up and also to motivate the current permanent staff compliment.

Employment changes

Provide information on changes in employment over the financial year. Turnover rates provide an indication of trends in employment profile of the public entity.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management (SL13)	0	1	0	1
Senior Management (SL11)	0	4	0	4
Professional qualified (SL9)	0	12	1	11
Skilled (SL8)	0	9	0	9
Skilled (SL7)	0	1	0	1
Skilled (SL5)	0	0	0	0
Unskilled				
Interns	0	7	2	5
Fixed Terms	0	2	1	1

In terms of staff turnover the Authority lost 1 staff member due to promotional post, 2 interns contract expired and 1 fixed term contract got a permanent position within the Authority.

Reasons for staff leaving

Reason	Number	% of Total No. of staff leaving
Death		
Resignation	1	2,77%
Dismissal		
Retirement		
Ill health		
Expiry of contract		
Other		
Total	**1**	**2,77%**

The 1 resignation within the Authority was a staff member leaving for a promotional position. The staff member's position has been advertised and is in the process of being filled.

Labour Relations: Misconduct and disciplinary action

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

Equity Target and Employment Equity Status

Male								
Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management (SL13)	0	0	0	0	0	0	1	1
Senior Management (SL11)	0	0	3	2	0	0	0	0
Professional qualified (SL9)	2	2	2	2	0	0	2	1
Skilled (SL8)	3	3	1	6	0	0	0	2
Skilled (SL7)	0	0	0	0	0	0	0	0
Skilled (SL5)	0	0	0	0	0	0	0	0
Unskilled								
Total	**5**	**5**	**6**	**10**	**0**	**0**	**3**	**4**

Female								
Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management (SL13)	0	0	0	0	0	0	0	0
Senior Management (SL11)	0	0	1	1	0	0	0	
Professional qualified (SL9)	1	2	4	4	0	0	0	2
Skilled (SL8)	3	3	2	5	0	0	0	2
Skilled (SL7)	0	0	1	1	0	0	0	0
Skilled (SL5)	0	0	0	0	0	0	0	0
Unskilled								
Total	**4**	**5**	**8**	**11**	**0**	**0**	**0**	**4**

Disabled Staff				
Levels	Male		Female	
	Current	Target	Current	Target
Top Management (SL13)				
Senior Management (SL11)				
Professional qualified (SL9)				
Skilled (SL8)				
Skilled (SL7)				
Skilled (SL5)				
Unskilled				
Total	**0**	**0**	**0**	**0**

PART E: FINANCIAL INFORMATION

1. STATEMENT OF RESPONSIBILITY

Statement of Responsibility for the Annual Financial Statements for the year ended 31 March 2013

The Accounting Authority is responsible for the preparation of the public entity's annual financial statements and for the judgements made in this information.

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

In my opinion, the financial statements fairly reflect the operations of the public entity for the financial year ended 31 March 2013.

The external auditors are engaged to express an independent opinion on the AFS of the public entity.

The Western Cape Liquor Authority annual financial statements for the year ended 31 March 2013 have been audited by the external auditors and their report is presented on pages 33 to 34.

The Annual Financial Statements of the public entity set out on page 36 to page 78 have been approved.

Thys Giliomee

Chief Executive Officer

Western Cape Liquor Authority

15 August 2013

Mervyn Burton

Chairperson of the Board

Western Cape Liquor Authority

15 August 2013

2. REPORT OF THE CHIEF EXECUTIVE OFFICER

The bringing into operation of the Western Cape Liquor Act 2008, as amended, allowed for the establishment of a fully functional provincial entity, the "Western Cape Liquor Authority".

The Western Cape Liquor Authority (WCLA) was established to regulate the retail sale and micro-manufacturing of liquor in the Western Cape Province. It also facilitates transformation of the liquor industry in the Province by promoting the entry of new licence holders and aim to ensure the responsible use of liquor. This is achieved by enforcing a regulatory environment that reflects a high level of participation by the public, maximising the benefits of the industry for the Province and its people, and minimising negative effects of alcohol through increased awareness, and stricter law enforcement. The regulatory powers of the WCLA are limited to licensed outlets.

Financial Affairs

As this was the first year of operation for the WCLA, no historical data is available. The original budget was drafted on best estimates and assumptions as determined by Department of Economic Development and Tourism.

When actual data became available during the year, the original budget was amended to take into consideration actual trends during the year. Due to various reasons the WCLA was unable to spend its entire amended budget. A request for the approval for the roll-over of funds amounting to R6, 124 million was forwarded to the Provincial Treasury. These amounts are allocated to specific projects, one being the relocation of offices and office modernisation.

As for revenue generation, an amount of R13 million was set as per the MoA between the Department of Economic Development and Tourism and the WCLA. This amount was exceeded by R12, 831 million and the WCLA has transferred the R25, 831 million to the Department for payment to the Provincial Revenue Fund. The Authority received funding from the Department to the value of R24, 762 million.

Supply Chain Matters

The WCLA has since its establishment been utilising the services of the Department of Economic Development and Tourism SCM staff for the procurement of goods and services. This is a specialised service and the management of the Authority deemed it appropriate to utilise DEDAT's SCM services. This allowed to WCLA to rely on the Department's effective and efficient procurement of goods and services while the WCLA set up its own SCM unit. All DEDAT supply chain processes are thus conformed to by the Authority.

Staffing Capacity

The Western Cape Liquor Authority has in a short period of time exceeded many of its objectives. In terms of staffing capacity all positions have been advertised and filled with the exception of the Business Support component. The adverts for these positions have however been advertised and the interviews will be held in due course.

Operations

The Western Cape had a total number of 8 834 licenced premises at the end of 2013. Each day more applications are being considered and approved. The WCLA is well aware of the importance of the liquor trade for the economy of the Province. The process flows are under constant scrutiny and every effort is made to reduce red tape and make entry easier.

The WCLA is also very aware of its responsibility towards minimising liquor abuse. The Compliance and Inspectorate Unit exceeded their targets and did a lot to stop the operations of illegal liquor traders.

Acknowledgements

I would like to take this opportunity to thank all, but especially the Governing Board, the Liquor Licencing Tribunal and the staff of the WCLA, involved in making the first year of operation of the Western Cape Liquor Authority a successful one. Being a new entity there were many challenges to face but we managed to continue with providing a much needed service to the people of the Western Cape Province and in so doing also added to the economic growth of our Province and the country.

Thank you

Thys Giliomee

Chief Executive Officer

Western Cape Liquor Authority

15 August 2013

3. 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 36 to 78, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Accepted Practices (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and section 29 of 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 the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and 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 2013 and its financial performance, cash flows and the comparison of budget and actual amounts for the year then ended in accordance with SA Standards of GRAP, the requirements of the PFMA and the Western Cape Liquor Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report, as set out on page 14 of the annual report.

9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability for the programme selected for auditing. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

   The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

10. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

11. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.

12. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations, as set out in the general notice issued in terms of the PAA.

Internal control

13. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with laws and regulations.

14. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

Auditor - General

Cape Town

31 July 2013

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNUAL FINANCIAL STATEMENTS

GENERAL INFORMATION

Country of incorporation and domicile:	South Africa
Nature of business and principal activities:	
Registered office:	80 Saint George's Mall
	6th Floor
	NBS Waldorf Building
	Cape Town
	8001
Bankers:	Nedbank Corporate
Auditors:	Office of Auditor General
	South Africa
Chief Executive Officer:	MG Giliomee
Chairperson of the Governing Board:	MR Burton
Attorneys:	State Attorney
Audit Committee:	Economic Cluster Audit Committee

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GOVERNING BOARD MEMBERS' RESPONSIBILITIES AND APPROVAL

The governing board members are required by section 40 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.

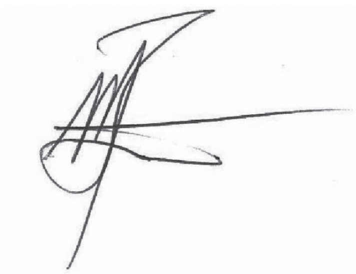
The governing board members acknowledge that they are ultimately responsible for the system of internal financial control established by the Authority and place considerable importance on maintaining a strong control environment. To enable the governing board members to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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 all known forms of 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 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 2014 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 36 to 78, which have been prepared on the going concern basis, were approved by the board and were signed on its behalf by:



Mr Mervyn Burton

Chairperson of the Governing Board

Western Cape Liquor Authority

15 August 2013

GOVERNING BOARD'S REPORT

1 Main business and operations

The bringing into operation of the Western Cape Liquor Act 2008, as amended, allows for the establishment of a fully functional provincial public entity, the "Western Cape Liquor Authority".

The Western Cape Liquor Authority (WCLA) is an entity that is established to regulate the retail sale and micro-manufacturing of liquor in the province. It also facilitates transformation of the liquor industry in the Western Cape by promoting the entry of new licence holders and aim to ensure the responsible use of liquor. This is achieved by enforcing a regulatory environment that reflects a high level of participation by the public, maximising the benefits of the industry for the Province and its people, and minimising negative effects of alcohol through increased awareness, and better law enforcement. The Western Cape Liquor Authority only has a regulatory power with respect to licenced outlets.

2 General review of the state of financial affairs

As this is the first year of operation for the Authority, no historical data is available. Accordingly the original budget was drafted on best estimates and assumptions as determined by management. When actual data became available during the year, the adjustment budget was amended to take into consideration actual trends during the year. Therefore, there are material variances in the original and adjustment budget as set out in the Statement of Comparison of Budget and Actual Amounts due to preliminary estimates used.

Furthermore, both the original and amended budget were drafted on the cash basis. Accordingly, there are reconciling items in the Statement of comparison of budget and actual amounts in order to make the budgeted and actual figures comparable. The Authority is planning to draft the amended budget for 2013/14 on the accrual basis in order to be in line with the annual financial statements.

The Statement of Comparison of Budget and Actual Amounts are set out on page 44 to 48 of the annual financial statements. For each Statement, reasons for the variances between the amended budget and reconciled actual amounts are discussed below.

Statement of Financial Position

The capital budget was underspent by R5.9 million. Reasons for the budget being underspent are as follow.

(1) IT system (budget R1.8 million) not implemented. The Authority is waiting for SETA to develop an ICT plan for specifications to go out on tender.

(2) Office modernisation (budget R3.75 million) was postponed until the new organogram is finalised and alternative office space is identified.

(3) Computer Equipment (budget R380 000) purchased in April 2013 due to staff only employed at the end of the current financial year.

The non-implementation of the above-mentioned as well as items mentioned under the "Statement of Financial Performance" heading translated into a cash surplus of R7.3 million at year-end.

Statement of Financial Performance

R1 million more revenue was collected than what was budgeted for. This was basically due to Fines and Other Income collected which could not be budgeted for due to uncertainty at the time. An additional R40 000 interest was also received on call accounts due to monies not utilised for capital expenditure.

Employee Related Costs' budget was overspent by R2.3 million. The reason for this is that the Authority had both own staff and seconded staff employed at the same time in order for skills to be transferred.

Remuneration of Governing Board Members' budget was also overspent by R120 000. This was due to the Authority being newly established and more meetings had to be held than expected as new policies and procedures needed consideration.

General Expenses' budget was underspent by almost R2.9 million. Reasons include the following:

(1) Consulting Fees (R650 000) for IT implementation postponed.

(2) Legal Services savings of R380 000 due to legal matters being postponed or not enrolled.

(3) C-Mats (R650 000) rolled over to the new book year due to specification delays.

(4) R800 000 savings on advertising fees due to the format of advertisements taking less advertising space.

Taking all of the above into account, the total operating net surplus for the year was R1.5 million more than budgeted for.

Although Employee Related Costs and Remuneration of Governing Board Members were overspent, the total operating expenditure was within the amended budget. Therefore, no unauthorised expenditure was incurred.

Almost R3.8 million of additional funds were derived from operating activities. This was due to the R1 million additional revenue received as well as an overall saving of R400 000 on expenditure. In addition to this, R1.9 million is still owed to the Provincial Revenue Fund at year end. These monies were paid to the Provincial Revenue Fund after year-end.

3 Activities conducted in current year

Since operations commenced in the current year, the majority of resources was spent in the appointment of staff for the Authority and also the procurement of computer equipment to enable the Authority to perform its function.

Two liquor conferences were held between the Authority, the public and licence holders in order to educate them about the new Western Cape Liquor Act. This was also an opportunity for the licensees and public to have a question and answer session.

4 Future activities and prospects

The Authority inherited a backlog of section 19 (Liquor Licence Applications under the old Act). The Authority aims to clear this backlog (being more than 5 000 applications) within the next 3 years.

The Authority is in the process of upgrading its C-Mats system and phasing out the liquor licencing system known as Clipper.

The old Liquor Board was housed on the 6th floor of the NBS Waldorf Building. The Authority inherited the said office space from the Liquor Board. Under the Department of Economic Development and Tourism, the Liquor Board was a programme and the office space was sufficient. With the establishment of the Authority, the current office space has to accommodate an entire organisation and not just a programme. It is our intention to relocate. Department of Public Works is in the process of identifying new accommodation that satisfy the business requirements. Once new office space has been identified, this office space will need to be furnished.

The Authority is also in the process of procurement of IT infrastructure to enable the Authority to be self sufficient regarding its IT requirements. This project will commence after the relocation of offices.

The Authority also plans to host an annual conference in order to educate the public and licensees about the new Western Cape Liquor Act.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2013

	Notes	2013 R	2012 R
NET ASSETS AND LIABILITIES			
Net Assets		**7 248 873**	**-**
Social and Education Fund Reserve	2	460 000	-
Accumulated Surplus		6 788 873	-
Current Liabilities		**2 719 098**	**-**
Current Employee Benefits	3	156 475	-
Payables from Exchange Transactions	4	2 562 623	-
Total Net Assets and Liabilities		**9 967 971**	**-**
ASSETS			
Non-Current Assets		**276 855**	**-**
Property, Plant and Equipment	5	276 855	-
Current Assets		**9 691 116**	**-**
Receivables from Exchange Transactions	6	46 664	-
Cash and Cash Equivalents	7	9 644 452	-
Total Assets		**9 967 971**	**-**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 R	2012 R
REVENUE			
Revenue from Non-exchange Transactions		**25 522 738**	**-**
Government Grants and Subsidies	8	24 761 500	-
Penalties and Fines	9	761 238	-
Revenue from Exchange Transactions		**1 181 298**	**-**
Application Fees	10	865 293	-
Interest Earned - External Investments		282 830	-
Other Income	11	33 175	-
Total Revenue		**26 704 036**	**-**
EXPENDITURE			
Employee Related Costs	12	9 021 449	-
Remuneration of Governing Board Members	13	293 648	-
Depreciation	14	16 056	-
General Expenses	15	10 124 010	-
Total Expenditure		**19 455 163**	**-**
NET SURPLUS FOR THE YEAR		**7 248 873**	**-**

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2013

	Social and Education Fund Reserve	Accumulated Surplus R	Total R
Balance at 1 April 2012	-	-	-
Net Surplus for the year	-	7 248 873	7 248 873
Transfer to Social and Education Fund Reserve	460 000	(460 000)	-
Balance at 31 March 2013	**460 000**	**6 788 873**	**7 248 873**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 R	2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Other Receipts		1 659 706	-
Government		24 761 500	-
Interest		236 166	-
Payments			
Suppliers and employees		(16 720 009)	-
Cash generated by operations	16	**9 937 363**	**-**
Net Cash from Operating Activities		**9 937 363**	**-**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(292 911)	-
Net Cash from Investing Activities		**(292 911)**	**-**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**9 644 452**	**-**
Cash and Cash Equivalents at the beginning of the year		-	-
Cash and Cash Equivalents at the end of the year	17	9 644 452	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**9 644 452**	**-**

STATEMENT OF COMPARISION OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2013

STATEMENT OF FINANCIAL POSITION	Original Budget R	Adjust-ments R	Final Budget R	Reconciled Actual R	Actual vs Final Budget R
NET ASSETS AND LIABILITIES					
Net Assets					
Social and Education Fund Reserve	-	-	-	-	-
Accumulated Surplus	-	6 156 000	6 156 000	7 622 983	1 466 983
Total Net Assets	**-**	**6 156 000**	**6 156 000**	**7 622 983**	**1 466 983**
Current Liabilities					
Current Employee Benefits	-	-	-	-	-
Payables from Exchange Transactions	-	-	-	-	-
Total Current Liabilities	**-**	**-**	**-**	**-**	**-**
Total Net Assets and Liabilities	**-**	**6 156 000**	**6 156 000**	**7 622 983**	**1 466 983**
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	-	6 156 000	6 156 000	292 911	(5 863 089)
Current Assets					
Receivables from Exchange Transactions	-	-	-	-	-
Cash and Cash Equivalents	-	-	-	7 330 072	7 330 072
Total Current Assets	**-**	**-**	**-**	**7 330 072**	**7 330 072**
Total Assets	**-**	**6 156 000**	**6 156 000**	**7 622 983**	**1 466 983**

	As per Statement R	Adjustments R	Reconciled Actual R
RECONCILIATION BETWEEN CASH AND ACCRUAL BASIS			
NET ASSETS AND LIABILITIES			
Social and Education Fund Reserve	(460 000)	460 000	-
Accumulated Surplus	(6 788 873)	(834 110)	(7 622 983)
Current Employee Benefits	(156 475)	156 475	-
Payables from Exchange Transactions	(2 562 623)	2 562 623	-
ASSETS			
Property, Plant and Equipment	276 855	16 056	292 911
Receivables from Exchange Transactions	46 664	(46 664)	-
Cash and Cash Equivalents	9 644 452	(2 314 380)	7 330 072
	-	-	-

ADJUSTMENTS CONSIST OUT OF THE FOLLOWING

Social and Education Fund reserves: Expenditure not incurred - note 2	460 000
Accumulated Surplus - Effect of net reserves movement	(460 000)
Accumulated Surplus - Statement of comparison of budget and actual (Statement of Financial Performance)	(374 110)
Current Employee Benefits (Provision for Staff Leave) - note 3	156 475
Payables from Exchange Transactions - note 4	2 562 623
Property, Plant and Equipment (Depreciation Charge) - note 5	16 056
Receivables from Exchange Transactions - note 6	(46 664)
Effect on Cash and Cash Equivalents due to Payables and Receivables - notes 4 and 6	(2 314 380)
	-

Explanations for variances between the original budget and final budget, as well as the final budget and reconciled actual amounts are set out in section 2 of the Governing Board's Report (pages 38-39).

STATEMENT OF COMPARISION OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2013

STATEMENT OF FINANCIAL PERFORMANCE	Original Budget R	Adjust- ments R	Final Budget R	Reconciled Actual R	Actual vs Final Budget R
REVENUE					
Government Grants and Subsidies	15 023 400	9 738 100	24 761 500	24 761 500	-
Penalties and Fines	-	-	-	761 238	761 238
Application Fees	(626 165)	1 298 835	672 670	865 293	192 624
Interest Earned - External Investments	-	200 000	200 000	240 912	40 912
Other Income	-	-	-	33 175	33 175
Total Revenue	**14 397 235**	**11 236 935**	**25 634 170**	**26 662 118**	**1 027 949**
EXPENDITURE					
Employee Related Costs	6 166 239	253 761	6 420 000	8 730 043	2 310 043
Remuneration of Governing Board Members	-	120 000	120 000	239 239	119 239
Depreciation	-	-	-	-	-
General Expenses	8 230 996	4 707 174	12 938 170	10 069 853	(2 868 317)
Total Expenditure	**14 397 235**	**5 080 935**	**19 478 170**	**19 039 135**	**(439 035)**
NET SURPLUS FOR THE YEAR	**-**	**6 156 000**	**6 156 000**	**7 622 983**	**1 466 983**

	As per Statement R	Adjustments R	Reconciled Actual R
RECONCILIATION BETWEEN CASH AND ACCRUAL BASIS			
REVENUE			
Government Grants and Subsidies	24 761 500	-	24 761 500
Penalties and Fines	761 238	-	761 238
Application Fees	865 293	-	865 293
Interest Earned - External Investments	282 830	(41 918)	240 912
Other Income	33 175	-	33 175
EXPENDITURE			
Employee Related Costs	(9 021 449)	291 406	(8 730 043)
Remuneration of Governing Board Members	(293 648)	54 409	(239 239)
Depreciation	(16 056)	16 056	-
General Expenses	(10 124 010)	54 157	(10 069 853)
	7 248 873	**374 110**	**7 622 983**

ADJUSTMENTS CONSIST OUT OF THE FOLLOWING	
Provision for Leave Contribution - note 3	156 475
Unpaid accruals at year-end - note 4	243 497
Depreciation - note 5	16 056
Accrued interest on fixed deposits - note 6	(41 918)
	374 110

Explanations for variances between the original budget and final budget, as well as the final budget and reconciled actual amounts are set out in section 2 of the Governing Board's Report (pages 38-39).

STATEMENT OF COMPARISION OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2013

CASH FLOW STATEMENT	Original Budget R	Adjust-ments R	Final Budget R	Actual R	Actual vs Final Budget R
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Other	(626 165)	1 298 835	672 670	1 659 706	987 037
Government	15 023 400	9 738 100	24 761 500	24 761 500	-
Interest	-	200 000	200 000	236 166	36 166
Payments					
Suppliers and Employees	(14 397 235)	(5 080 935)	(19 478 170)	(16 720 009)	2 758 161
Net Cash from Operating Activities	**-**	**6 156 000**	**6 156 000**	**9 937 363**	**3 781 363**
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of Property, Plant and Equipment	-	(6 156 000)	(6 156 000)	(292 911)	5 863 089
Net Cash from Investing Activities	**-**	**(6 156 000)**	**(6 156 000)**	**(292 911)**	**5 863 089**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**-**	**-**	**-**	**9 644 452**	**9 644 452**

Explanations for variances between the original budget and final budget, as well as the final budget and actual amounts are set out in section 2 of the Governing Board's Report (pages 38-39).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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 90(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.

The Authority resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

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 entity is applying the Standards of GRAP for the first time in the current financial year.

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. No foreign exchange transactions are included in the statements.

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

No comparative information is provided, as the entity only started its operations in the current legal structure on 1 April 2012.

1.5 PRESENTATION OF BUDGET INFORMATION

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

Budget information is based on the same period as the actual amounts, i.e. 1 April 2012 to 31 March 2013. The budget information is based on the cash basis and is therefore not on a comparable basis to the actual amounts. 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 Governing Board's Report.

Explanations for material differences between the final budget amounts and actual amounts are included the Governing Board's Report.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.6 MATERIALITY

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

1.7 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
GRAP 6 (Revised – Nov 2010)	**Consolidated and Separate Financial Statements** The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Authority does not have any entities at this stage to be consolidated.	Unknown
GRAP 7 (Revised – Mar 2012)	**Investments in Associate** This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets. No significant impact is expected as the Authority does have any interest in associates.	1 April 2013
GRAP 8 (Revised – Nov 2010)	**Interest in Joint Ventures** The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Authority is not involved in any joint ventures.	Unknown
GRAP 18 (Original – Feb 2011)	**Segment Reporting** The objective of this Standard is to establish principles for reporting financial information by segments. The Authority does not have any major segments so therefore this standard will have a minimal impact.	Unknown
GRAP 20 (Original – June 2011)	**Related Party Disclosure** 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. The Authority resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	Unknown
GRAP 105 (Original – Nov 2010)	**Transfer of Functions Between Entities Under Common Control** 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. No such transactions or events are expected in the foreseeable future.	Unknown

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.	Unknown
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.	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

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

1.8 RESERVES

1.8.1 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).

1.9 LEASES

1.9.1 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.

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.

1.9.2 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.

1.10 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.

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.

1.11 EMPLOYEE BENEFITS

1.11.1 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.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.12 PROPERTY, PLANT AND EQUIPMENT

1.12.1 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.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). It 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.

1.12.2 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.

1.12.3 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:

Other Assets	Years
Computer Equipment	5 - 10
Furniture and Fittings	15 - 30
Office Equipment	10

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.

1.12.4 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.

1.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

1.13.1 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.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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.

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.

1.13.2 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.
- 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.

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

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

1.14 FINANCIAL INSTRUMENTS

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

1.14.1 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.

1.14.2 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.

1.14.2.1 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.

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.

1.14.2.2 Payables

Financial liabilities consist of payables and annuity loans. 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.

1.14.2.3 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.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.14.3 De-recognition of Financial Instruments

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

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

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

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

1.14.3.2 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.

1.14.4 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

1.15 REVENUE

1.15.1 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 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. As this funding is an unconditional grant, the grant is recognised as revenue when the asset is 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. Fines are imposed by the Liquor Licensing Tribunal for non-compliance by the licensee. Revenue is recognised when payment is received.

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.

Revenue from the recovery of unauthorised, irregular, 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.

1.15.2 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.

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.

1.16 RELATED PARTIES

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

A related party is a person or an entity:

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

The following are regarded as related parties of the Authority:

(a) A person or a close member of that person's family is related to the Authority if that person:

- has control or joint control over the Authority.
- has significant influence over the Authority. Significant influence is the power to participate in the financial and operating policy decisions of the Authority.
- is a member of the management of the Authority or its controlling entity.

(b) An entity is related to the Authority if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Authority or an entity related to the Authority. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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") includes 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 senior management team of the Authority, including the chief executive officer or permanent head of the Authority, unless already included in (a).

Management personnel include:

(a) All directors or 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 an all other Deputy Directors reporting directly to the Chief Executive Offices or as designated by the Chief Executive Officer.

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

1.17 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Authority or organ of state and expenditure in a form of a grant that is not permitted in terms of the Public Finance Management Act (Act No. 1 of 1999). Unauthorised expenditure is accounted for as an expense (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.

1.18 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 excludes unauthorised expenditure. 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.

1.19 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.

1.20 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 measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.21 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:

1.21.1 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 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.
- Industry guides was used to assist with the deemed cost and useful life of infrastructure assets.

1.21.2 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.

1.21.3 Revenue Recognition

Accounting Policy 1.15.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.15.2 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.

1.21.4 Provision for Staff leave

Staff leave is accrued to employees according to collective 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 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.

1.23 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 (non-adjusting events after the reporting date).

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

	2013 R	2012 R

2 NET ASSET RESERVES

Social and Education Fund Reserve	460 000	-
Total Net Asset Reserves	**460 000**	**-**

No expenditure was incurred for the current financial year relating to the Social and Education Fund.

At year-end the Authority has not as yet opened a dedicated bank account as required per the Western Cape Liquor Act. The funds to cash back the reserve is included in the Call Investment Deposits as disclosed in note 7. A dedicated account has subsequently been opened in April 2013 and the funds were transferred to this account.

3 CURRENT EMPLOYEE BENEFITS

Provision for Staff Leave	156 475	-
Total Current Employee Benefits	**156 475**	**-**

The movement in current employee benefits is reconciled as follows:

Provision for Staff Leave

Balance at beginning of year	-	-
Contribution to current portion	159 601	-
Expenditure incurred	(3 126)	-
Balance at end of year	**156 475**	**-**

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.

	2013 R	2012 R

4 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	243 497	-
Provincial Revenue Fund	1 856 930	-
Unknown Receipts	432 006	-
Sundry Payables	30 190	-
Total Payables from Exchange Transactions	**2 562 623**	**-**

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.

Sundry Payables consist of salary suspense accounts for deduction from employee's salaries which need to be paid over to third parties. Payments are made within the first week of every month.

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

Total amount collected on behalf of the Provincial Revenue Fund	26 682 773	-
Total amount of collections paid to the Provincial Revenue Fund	(24 825 843)	-
Outstanding balance as at year-end	**1 856 930**	**-**

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.

	Cost				Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Impairment	Disposals	Closing Balance	
5 PROPERTY, PLANT AND EQUIPMENT										
Reconciliation of Carrying Value										
31 MARCH 2013										
Other Assets										
Computer Equipment	-	271 430	-	271 430	-	(15 188)	-	-	(15 188)	256 242
Office Equipment	-	3 373	-	3 373	-	(203)	-	-	(203)	3 170
Furniture and Fittings	-	18 108	-	18 108	-	(665)	-	-	(665)	17 443
	-	**292 911**	**-**	**292 911**	**-**	**(16 056)**	**-**	**-**	**(16 056)**	**276 855**

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. No assets were pledged as security.

	2013 R	2012 R
6 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Accrued Interest on Investment Accounts	41 918	-
Department of Economic Development and Tourism	4 746	-
Total Receivables from Exchange Transactions	**46 664**	**-**

Ageing of Receivables from Exchange Transactions

Accrued Interest on Investment Accounts:		
Current (0 - 30 days)	41 918	-
Total	**41 918**	**-**

Department of Economic Development and Tourism:		
Current (0 - 30 days)	4 746	-
Total	**4 746**	**-**

	2013 R	2012 R

7 CASH AND CASH EQUIVALENTS

Call Investment Deposits	9 217 910	-
Primary Bank Accounts	426 542	-
Total Cash and Cash Equivalents	**9 644 452**	**-**

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:

Current Accounts

Nedbank - account no 1452069883 (income account)	373 285	-
Nedbank - account no 1452069905 (expense account)	53 257	-
	426 542	**-**

Nedbank - account no 1452069883 (income account)

Cash book balance at beginning of year	-	-
Cash book balance at end of year	373 285	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	373 285	-

Nedbank - account no 1452069905 (expense account)

Cash book balance at beginning of year	-	-
Cash book balance at end of year	53 257	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	56 908	-

Call Investment Deposits

Call investment deposits consist out of the following account:

Nedbank - acc no 037881100168	9 217 910	-

		2013 R	2012 R
8	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Western Cape Department of Economic Development and Tourism	**24 761 500**	**-**

8.1	**WESTERN CAPE DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM**		
	Opening balance	-	-
	Grants received	24 761 500	-
	Conditions met - Operating	(24 761 500)	-
	Conditions still to be met	**-**	**-**

9	**PENALTIES AND FINES**		
	Penalties on late payments of licence renewals	744 400	
	Fines imposed by the Liquor Licencing Tribunal	16 838	-
	Total Penalties and Fines	**761 238**	**-**

10	**APPLICATION FEES**		
	New licences	610 275	-
	Change of premises on existing licences	23 625	-
	Granting fees	8 400	-
	Licensee for transfer of licence to new owner	86 163	-
	Alterations of premises on existing licences	33 400	-
	Amendment of conditions on existing licences	30 750	-
	Interim or pending licence fee	58 750	-
	Transfer of financial interest on existing licences	9 250	-
	Change of trading hours on existing licences	3 750	-
	Store of liquor at premises	750	-
	Request reason for rejected decision	180	-
	Total Application Fees	**865 293**	**-**

11	**OTHER INCOME**		
	Copy of licences	32 675	-
	Sundry Income	500	-
	Total Other Income	**33 175**	**-**

	2013 R	2012 R
12 EMPLOYEE RELATED COSTS		
Salaries and Wages	8 850 343	-
Contribution to Leave Provision	159 601	-
Contributions for UIF	10 605	-
Workmens Compensation	900	-
Total Employee Related Costs	**9 021 449**	**-**

REMUNERATION OF MANAGEMENT PERSONEL

Chief Executive Officer - Thys Giliomee (appointed 1 Aug 2012)		
Basic Salary	484 577	-
Contributions for UIF	1 166	-
Total	**485 743**	**-**

Deputy Director: Liquor Licencing Administration - Leatitia Petersen (appointed 1 Dec 2012)		
Basic Salary	156 330	-
Contributions for UIF	449	-
Total	**156 779**	**-**

Deputy Director: Compliance/Inspectorate - Shawn Willemse (appointed 23 Nov 2012)		
Basic Salary	167 498	-
Contributions for UIF	449	-
Total	**167 947**	**-**

Deputy Director: Advocacy and Stakeholder relations - Philip Prinsloo (appointed 1 Nov 2012)		
Basic Salary	196 114	-
Contributions for UIF	624	-
Total	**196 738**	**-**

Deputy Director: Business Support - Marvin Jackson (appointed 1 Dec 2012)		
Basic Salary	156 342	-
Contributions for UIF	449	-
Total	**156 791**	**-**

	2013 R	2012 R
13 REMUNERATION OF GOVERNING BOARD MEMBERS		
Sitting Allowances	293 648	-
Total Remuneration of Governing Board Members	**293 648**	**-**
Detail of sitting allowances per Governing Board Member		
Mervyn Burton (Chairperson)	82 460	-
Mveleli Ncula	23 070	-
Siphiwo Mavumengwana	51 747	-
John Klassen	27 165	-
Ina du Bruyn	48 731	-
Brian Beck	14 807	-
Derick Block	45 670	-
	293 648	**-**
14 DEPRECIATION		
Property, Plant and Equipment - note 5	16 056	-
Total Depreciation and Amortisation	**16 056**	**-**

	2013 R	2012 R

15 GENERAL EXPENSES

	2013 R	2012 R
Audit Fees	73 644	-
Advertising Fees	6 912 693	-
Bank Charges	12 441	-
Consulting and Professional Fees	623 794	-
Conferences and Seminars	174 294	-
Entertainment and Catering	19 908	-
Operating Leases	88 072	-
Legal Fees	70 445	-
Licence Fees	155 586	-
Postage	31 366	-
Printing and Stationary	174 582	-
Telephone	1 067 784	-
Training	5 500	-
Travel and Subsistence	702 422	-
Other	11 479	-
Total General Expenses	**10 124 010**	**-**

At the Statement of Financial Position date, where the Authority acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

	2013 R	2012 R
Up to 1 Year	80 732	-
1 to 5 Years	-	-
More than 5 Years	-	-
Total Operating Lease Arrangements	**80 732**	**-**

The lease consist out of one agreement entered into with Konica Minolta South Africa. The Authority leases a printer/fax/copier. The agreement was entered into by the Western Cape Department of Economic Development and Tourism on 1 March 2011 and expires on 28 February 2014. Subsequently on 1 April 2012, the Authority took over the lease from the Department until the lease expires on 28 February 2014. The monthly premiums are R7 333.29 and there is no escalation.

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

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

	2013 R	2012 R
16 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Surplus for the year	7 248 873	-
Adjustments for:		
Depreciation	16 056	-
Contribution to employee benefits - current	159 601	-
Contribution from/to employee benefits - current expenditure incurred	(3 126)	-
Operating Surplus before changes in working capital	7 421 404	-
Changes in working capital	2 515 959	-
Increase in Payables from Exchange Transactions	2 562 623	-
Increase in Receivables from Exchange Transactions	(46 664)	-
Cash generated by operations	**9 937 363**	**-**
17 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investment Deposits - note 7	9 217 910	-
Primary Bank Accounts - note 7	426 542	-
Total Cash and Cash Equivalents	**9 644 452**	**-**
18 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - note 7	9 644 452	-
Less: Social and Education Fund Reserve	(460 000)	-
Less: Provincial Revenue Fund	(1 856 930)	-
Net cash resources available for internal distribution	**7 327 522**	**-**

	2013 R	2012 R

19 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

19.1 UNAUTHORISED EXPENDITURE

No unauthorised expenditure was incurred in the current reporting period.

19.2 FRUITLESS AND WASTEFUL EXPENDITURE

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

19.3 IRREGULAR EXPENDITURE

No irregular expenditure was incurred in the current reporting period.

20 DEVIATIONS - SUPPLY CHAIN MANAGEMENT

Deviations with the Supply Chain Management Regulations were identified and categorised as follow:

	2013 R	2012 R
Annual Performance Plan printing and binding	11 456	-
Pastel licence purchases	87 390	-
Hiring of computers for backlog project	32 023	-
Purchasing of PO Box	350	-
Total Operating Lease Arrangements	**131 218**	**-**

All deviations were approved by the Board.

21 CAPITAL COMMITMENTS

Capital commitments approved but not yet contracted for:

	2013 R	2012 R
Office relocation and modernization	3 750 000	-
IT Infrastructure	1 800 000	-
CMaTS Upgrade	350 000	-
Recording Equipment	35 000	-
Cameras	20 000	-
Video cameras	5 000	-
Mobile projector screen	8 000	-
Projector	2 000	-
	5 970 000	**-**

	2013 R	2012 R

22 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:

	2013	2012
0.5% Increase in interest rates	48 222	-
0.5% Decrease in interest rates	(48 222)	-

(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.

	2013 R	2012 R

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	46 664	-
Cash and Cash Equivalents	9 644 452	-
	9 691 116	**-**

(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.

Other Assets	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
2013				
Payables from Exchange Transactions	2 562 623	-	-	2 562 623

	2013 R	2012 R

23 FINANCIAL INSTRUMENTS

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

23.1 FINANCIAL ASSETS

Financial instruments at amortised cost		
Receivables from exchange transactions	46 664	-
Cash and Cash Equivalents	9 644 452	-
Total carrying amount of financial assets	**9 691 116**	**-**

	2013 R	2012 R

23.2 FINANCIAL LIABILITY

Financial instruments at amortised cost

Payables from Exchange Transactions	2 562 623	-

24 EVENTS AFTER THE REPORTING DATE

The Authority has no events after reporting date that has a financial implication and requires disclosure.

25 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 utilises the Economic Cluster Audit Committee services which is provided by the Department of Economic Development and Tourism free of charge.

The Authority also utilised other assets (including computer equipment, furniture and fittings and office equipment) and vehicles belonging to the Department of Economic Development and Tourism. No rent or fees was levied by this Department for the right of use granted to the Authority.

The Authority utilised the user code of the Department of Economic Development and Tourism to gain access to GMT vehicles on an ad hoc basis. The Authority did not have a user code for the year under review. All expenses incurred by the Department on behalf of the Authority were reimbursed in full by the Authority.

26 PRIVATE PUBLIC PARTNERSHIPS

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

27 CONTINGENT LIABILITY

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

28 RELATED PARTIES

28.1 RELATED PARTY TRANSACTIONS

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.

28.2 COMPENSATION OF MANAGEMENT PERSONNEL

The compensation of management personnel and governing board members' sitting allowances are set out in notes 12 and 13 to the financial statements.

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Western Cape Government

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