# Annual Report

# 2022/23

WESTERN CAPE
LIQUOR AUTHORITY

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## Annual Report

## 2022/23

Financial year

# Contents

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# Part A:

# General Information

# General Information

## 1. PUBLIC ENTITY'S GENERAL INFORMATION

PART A: GENERAL NFORMATION

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

# 2. LIST OF ABBREVIATIONS/ACRONYMS

| | |
|---|---|
| ACT | Western Cape Liquor Act (4 of 2008) as amended |
| AHRI | Alcohol Harms Reduction Initiatives |
| AGSA | Auditor General of South Africa |
| BBBEE | Broad Based Black Economic Empowerment |
| CE | Compliance and Enforcement |
| CEO | Chief Executive Officer |
| CES | Communication, Education and Stakeholder Relations |
| CFO | Chief Financial Officer |
| CPF | Community Police Forum |
| CS | Corporate Services |
| DLO | Designated Liquor Officer |
| DPO | Deputy Presiding Officer |
| FIN | Finance |
| GB | Governing Board |
| GRAP | Generally Recognised Accounting Principles |
| LLA | Liquor Licensing Administration |
| LLT | Liquor Licensing Tribunal |
| LMATS | License Management and Tracking System |
| MEC | Member of Executive Council |
| MTEF | Medium Term Expenditure Framework |
| PFMA | Public Finance Management Act |
| PO | Presiding Officer |
| PRF | Provincial Revenue Fund |
| PSP | Provincial Strategic Plan (2019-2024) |
| SALGA | South African Local Government Association |
| SCM | Supply Chain Management |
| SITA | State Information Technology Agency |
| SMME | Small Medium and Micro Enterprises |
| TR | Treasury Regulations |
| WCG | Western Cape Government |

## 3. FOREWORD BY THE CHAIRPERSON

I take pleasure in presenting this Annual report for the 2022/23 financial year. It serves as a mid-term review of the GB's oversight of the WCLA.

The Governance Framework applicable to entities is institutionally expressed by way of a Memorandum of Understanding concluded with the custodial department incorporating commitments and performance pertaining to the Strategic and Budget planning cycle.

On reflecting on the past year, we find ourselves appreciating the challenges manifested as a consequence of our endeavours towards increased relevance of the WCLA and effective regulation. The cost associated with the additional inspectorate capacity prioritised over the past two years has been included in the baseline budget of the WCLA. This is significant in that it enabled the implementation of a dormant provision of the Act. Provisions (Section 64; non automatic renewal) that remain critical for greater regulatory impact.

The increased capacity has brought considerable pressure to be bear on the administration of the WCLA occasioned by the volume of work generated and the demand for resources and, in particular, the need to optimise systems and processes.

The need for a functional structure that is optimised for the full implementation of all aspects of regulation cannot be escaped. The current Board is determined to ensure the sustainability and continued relevance of the WCLA by facilitating an enabling and functional structure which has not been available since inception. It is envisaged that a macro structure to be the platform for the future growth and impact trajectory of the WCLA will be finalised and implemented before the end of its tenure in March 2024.

A cornerstone of success lies in a commitment to building and nurturing stakeholder relations. These relations are deemed central to ensuring a methodology exists and is institutionalized which facilitates the most accurate determination of public interest by the LLT. Operational alignment and collaboration with legislated partners such as the SAPS (DLO's), Local Government and community representatives (CPF's and NHW's) now allows the WCLA and its partners to develop comprehensive initiatives to regulate liquor effectively.

The WCLA has succeeded to uphold high standards of compliance within the Western Cape, both in respect of governance and in relation to service delivery. It is pleasing to note that prudent financial management continued to sustain our operations while also facilitating initiatives such as the eLicence platform.

While the Board recognizes that the challenges are many, the WCLA is much better positioned as an agile and responsive institution that is closely aligned to the strategic goals and objectives as stated by the WCG. As the new Strategic Planning cycle approaches, the WCLA will, based on its past performance, readily align regulatory efforts for greater safety outcomes for the province. It is and will remain agile in executing its mandate.

On behalf of the Board, our gratitude is extended to all the staff of the Western Cape Liquor Authority for their contribution to effective regulation of liquor in the Western Cape.

Finally, the Board wishes to acknowledge the MEC Mr. Reagen Allen and the Head of Department, Adv. Pillay, whose support with that of the Department, was instrumental to the efforts of the WCLA.

**Ronald Kingwill**
**Chairperson of the Governing Board, Western Cape Liquor Authority**
**Date: 31 July 2023**

# 4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

The positioning of the WCLA over the recent past has allowed enhanced mandate execution and impact.

The WCLA is in a position to facilitate the regulation of Liquor within a geographical area using municipal boundaries in partnership and in collaboration with key stakeholders such as municipalities and the Designated Liquor Officers of the SAPS. This approach and methodology provides context for the determination of public interest for each and every application received and processed by the WCLA.

The thrust of the Communication, Stakeholder and Awareness initiatives of the WCLA have been to enhance regulatory impact by responding to the challenges and needs identified within defined areas. A shared understanding of the role of alcohol within a municipal area is enabled with all role players across spheres of government to mitigate alcohol related harms.

Communities are engaged in a manner that allows them to access regulatory bodies and institutions to champion safety outcomes for their respective areas. This enables an alignment and integration with systems and processes owned and facilitated by other extensions of government.

The relevance and continued sustainability of the WCLA has been advanced by subscribing to the budget principles captured in the Western Cape Fiscal Strategy, same being; protecting basic services outcomes; unlocking allocative efficiency; enhancing productive efficiency and enabling long term sustainability. It is argued that the WCLA extended its service delivery offering with the maturing of its Risk Management Methodology.

Revenue collection for the year under review continued to improve. The Liquor Authority remains on track to collect revenue matching the budget allocation it receives from Provincial Treasury. Self-sustainability and more particularly the need to fully recover all costs associated with regulating the retail sale and micro manufacturing of liquor in the Western Cape (as recommended by the AHR White Paper) remains an objective of the WCG and its institutions.

The economic growth and wellbeing of the Province necessitates reliance on a sector and substance that produces dependence and generates harms and social ills. This requires effective regulation that ensures growth of the sector does not see commensurate growth in harms and social ills. The need for regulation (appreciation) must thus be understood and embraced by all stakeholders.

The WCLA spent 93.48% of the original budget that was approved at the beginning of the financial year. The attached Annual Financial Statements compiled according to Generally Recognised Accounting Practice (GRAP) standards outlines the financial position and financial performance of the entity in detail for the 2022/23 financial year.

Supply chain management policies and Revenue Management systems were reviewed to ensure alignment with the updated National and Provincial Treasury Regulations and Instructions. Integration of financial and administrative systems and processes to manage revenue will receive priority going forward.

# General Information

Matters raised by the Auditor General in the 2021/22 financial year were responded to by the Authority. The Authority remains committed to clean governance and accountability by maintaining clean audit outcomes. Performance in this regard has enabled the introduction of a differentiated audit methodology and substantial savings in audit costs.

In conclusion I would like to express appreciation to the Governing Board of the Liquor Authority, the Liquor Licensing Tribunal, the Staff of the WCLA and the Department of Police Oversight and Community Safety and Minister of Police Oversight and Community Safety for their continued support.

**Simion George**
**Chief Executive Officer**
**Western Cape Liquor Authority**
**Date: 31 July 2023**

## 5. Statement of responsibility and confirmation of accuracy for the annual report

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

- All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the public entity.
- The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2023.

Yours faithfully

**Chief Executive Officer**
**Simion George**
**Date: 31 July 2023**

**Chairperson of the Board**
**Ronald Kingwill**
**Date: 31 July 2023**

# 6. STRATEGIC OVERVIEW

## 6.1. Vision

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



## 6.2. Mission

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

## 6.3. Values

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

| | |
|---|---|
| **Accountability** | We take responsibility. |
| **Caring** | To care for those, we serve and with whom we work. |
| **Competence** | The ability and capacity to do the job we were employed to do. |
| **Integrity** | To be honest and do the right thing. |
| **Innovation** | To be open to new ideas and develop creative solutions to problems in a resourceful way. |
| **Responsiveness** | To serve the needs of the residents of the Western Cape and employees. |

# 7. LEGISLATIVE AND OTHER MANDATES

## 7.1 Constitutional mandates

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

## 7.2 Legislative mandates

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

- Magistrate Court Act, 1944 (32 of 1944
- Supreme Court Act, 1959 (59 of 1959)
- Criminal Procedures Act, 1977 (51 of 1977)
- Liquor Act, 1989 (27 of 1989)
- Businesses Act, 1991 (Act 71 of 1991)
- Occupational Health and Safety Act, 1993 (85 of 1995)
- Labour Relations Act, 1995 (66 of 1995)
- South African Police Service Act, 1995 (68 of 1995)
- Basic Conditions of Employment Act, 1997 (75 of 1997)
- Employment Equity Act, 1998 (55 of 1998)
- Local Government: Municipal Structures Act, 1998 (117 of 1998)
- Public Finance Management Act, 1999 (1 of 1999)
- Promotion of Access to Information Act, 2000 (2 of 2000)
- Promotion of Administrative Justice Act, 2000 (3 of 2000)
- Local Government: Municipal Systems Act, 2000 (32 of 2000)
- Liquor Act, 2003 (59 of 2003)
- Western Cape Liquor Act, 2008 (4 of 2008)
- Western Cape Liquor Amendment Act, 2010 (10 of 2010)
- Western Cape Liquor Amendment Act, 2015 (3 of 2015)
- Public Finance Management Act, Act 1 of 1999 as amended by Act 29 of 1999
- Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)
- Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003)

## 7.3 Policy mandates

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

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

The purpose of the policy is to:

- provide interventions to contribute to the reduction of alcohol-related harms in the Western Cape.
- provide for ancillary matters to increase the efficiency and effectiveness of supplementary supporting structures that are related to alcohol-related harms reduction.

In response to the White Paper the current liquor legislation is being reviewed.

**The Provincial Strategic Plan (2019-2024)**

The Alcohol Harms reduction approach finds expression in the Western Cape Provincial Strategic Plan 2019-24. The WCLA's 5-Year Strategic Plan for the 2020-2025 period was guided by the Strategic Framework for the Provincial Strategic Plan, 2019-2024. It envisions a "safe Western Cape where everyone prospers" and an alignment to Vision Inspired Priority (VIP) 1, a safe and cohesive community.

**Western Cape Government Recovery Plan**

In response to the disruptive nature and impact of the COVID-19 pandemic, the WCG responded with a Recovery Plan. It outlined a problem statement that required an urgent, whole of society response to create jobs, foster safe communities and promote the wellbeing of all citizens within the Western Cape.

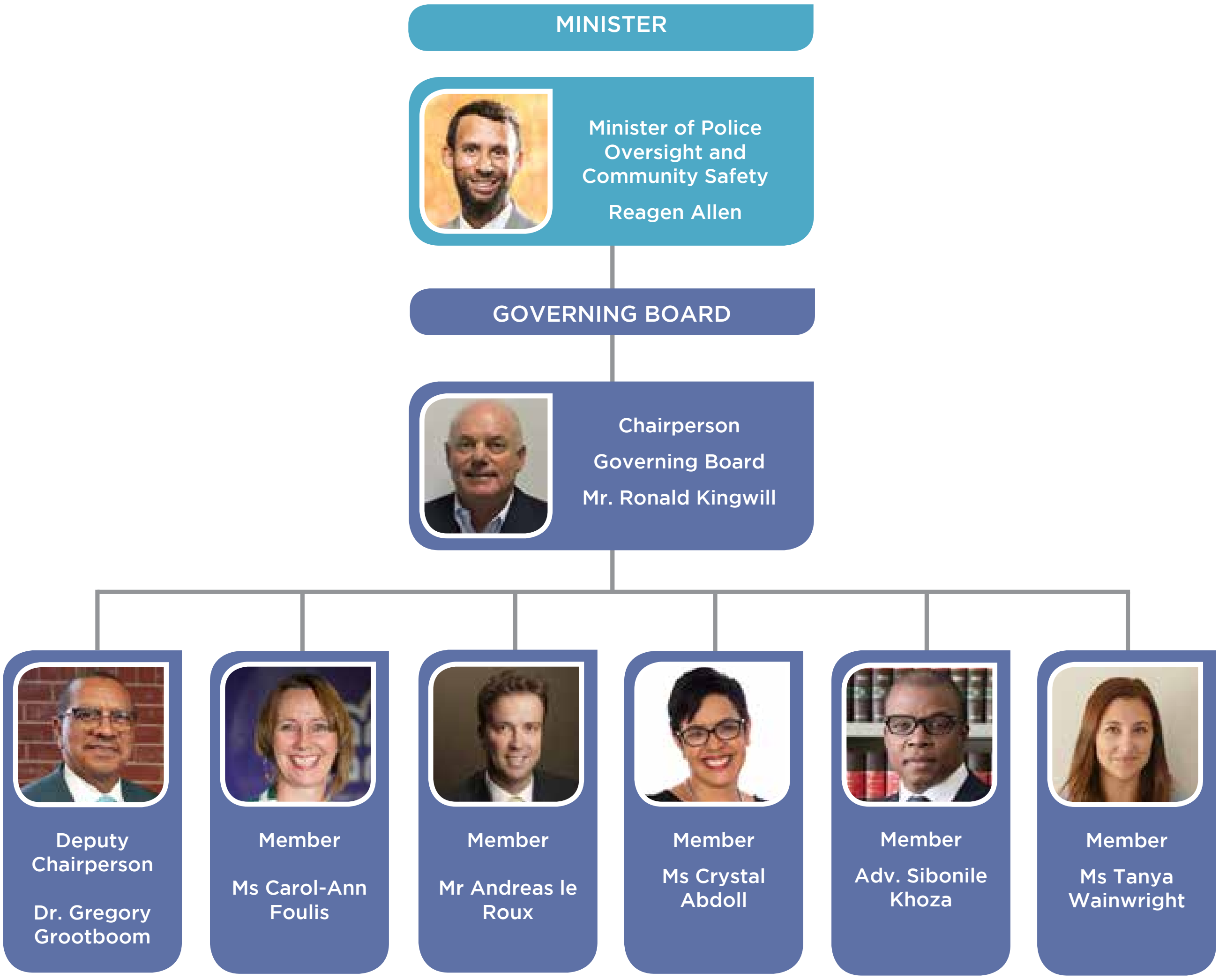
**The response of the Western Cape Liquor Authority to the above imperatives:**

Safety is closely intertwined with the need to experience growth for more jobs. The role of alcohol in trauma which is globally recognised necessitates an effective regulator. The legislative review process is aimed at enhancing the efficiency and effectiveness of the entity in championing regulatory methodologies for greater regulatory impact.

## 7.4 Planned policy initiatives

The Alcohol Harms Reduction approaches are reflected in the Western Cape Provincial Strategic Plan 2019-24. The alignment of the Western Cape Liquor Authority in relation to National and Provincial mandates will be limited to giving effect within the current legislative mandate. The review and revision process of the legislative mandate of the WCLA is intended to bring closer alignment with the alcohol harms reduction focus. Accordingly, over the current five-year period, the WCLA will primarily focus on public interest when considering matters and enforcement. In support of this objective the WCLA will embark on a strategy to enhance community participation in order to qualitatively enhance the articulation of public interest.

# 8. ORGANISATIONAL STRUCTURE



## SENIOR MANAGEMENT

Chief Executive Officer

Mr. Simion George

Senior Manager: Liquor Licensing Administration

Leatitia Petersen

Senior Manager: Compliance and Enforcement

Martell van Lill

Senior Manager: Communication, Education and Stakeholder Relations

Stephanie Sampson (Acting)

Senior Manager: Corporate Services

Marvin Jackson

Secretariat: Liquor Licensing Tribunal

Johan Dreyer

Acting Chief Financial Officer

Selwyn Adams

# Part B:

# Performance Information

# Performance Information

## 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

Refer to page 70 of the Auditors Report, published as Part F: Financial Information.

## 2. SITUATIONAL ANALYSIS

### 2.1. Service Delivery Environment

In 2018, the World Health Organisation (WHO) recorded and affirmed "alcohol is a psychoactive substance with toxic and dependence-producing properties. Although alcohol consumption varies considerably worldwide, the health burden caused by alcohol is enormous. The harmful use of alcohol is among the leading risk factors for disease burden in populations worldwide."

The link between alcohol, crime and violence is particularly pronounced. Alcohol is linked to 50% of murders in the Province[1]. Of the total number of alcohol-attributable deaths, 32.0% are from unintentional injuries, and 13.7% are from intentional injuries[2]. Cheap products target people trapped in poor socio-economic conditions, and risky drinking patterns directly correlate with low-income patterns[3].

In South Africa, the financial cost attributable to harmful alcohol consumption (tangible and intangible) is estimated to be between R245 billion and R280 billion annually. This includes the costs of health care, the criminal justice system, social welfare, alcohol treatment and prevention, road traffic accidents, premature mortality and morbidity, absenteeism and non-financial welfare costs[4].

In South Africa, the regulatory framework for alcohol finds its basis in the Constitution and legislative competencies across all three spheres of Government. At a national level, the Liquor Act, 2003 (Act 59 of 2003), governs micromanufacturing by large-scale manufacturers and the distribution of liquor. Micro-manufacturing and retail sales thereof are governed at a provincial level. Local government has the right to administer other matters related to the control of retail businesses. This is a global phenomenon.

No single approach, intervention or institution can solely reduce alcohol-related harms in South Africa. A range of interventions at multiple levels will make a major impact. The White Paper acknowledges this.

The WCLA is mandated by the Western Cape Liquor Act, 4 of 2008 as amended (the 'Act'), to administer liquor regulation in an area spanning over 129 462 km2 in the Western Cape and serving a population above 7 million people equaling 11,8% of the total South African population[5]. The Authority is expected to assess the "environment" of liquor production, distribution and consumption and interrogate its capacity to regulate effectively. Legislation and capacity needs' to be revised to further enable targeted interventions.

1 *Western Cape Government Department of Health (2018) Western Cape Injury Mortality profile for 2010 to 2016.*
2 *World Health Organisation (2007) Alcohol and injury in emergency departments: summary of the report from the WHO collaborative study on alcohol and injuries.*
3 *World Health Organisation (2014) Global status report on alcohol and health.*
4 *Western Cape Government (2017) White Paper Alcohol-Related Harms Reduction Policy.*
5 *Statistics South Africa mid-year population estimates, 2021.*

Licence holders must be encouraged to be responsible corporate citizens. They need to be reminded of the harms associated with alcohol by embracing regulation and appreciate an imposition of conditions to mitigate the harms that can be associated with liquor.

The Provincial Strategic Plan 2019 – 2024 (PSP) outlines the priorities of the Western Cape Government (WCG) in the form of five Vision Inspired Priorities (VIPs), namely: (1) Safe and Cohesive Communities; (2) Growth and Jobs; (3) Empowering People; (4) Mobility and Spatial Transformation; and (5) Innovation and Culture. The problem statements that frame the five VIPs have not changed.

The Liquor Industry has managed to withstand tough economic times It confirms the resilient nature of the alcohol industry in South Africa. The top five companies that dominate the South African Liquor Industry continue to report growth. The WCLA has continued to process new entrants to the industry despite prevailing economic conditions.

The Liquor Licensing Tribunal must be satisfied that the granting of a licence would serve the public interest.

Crime statistics and other data related to the impact of alcohol on women, youth and children (e.g., gender-based violence) and density of outlets in a specific area should be presented as part of the public interest considerations in licence applications. Existing licence holders found to be in contravention of their licence conditions will be pursued for appropriate sanctioning.

The review of the Act and regulations aims to enable the realisation of key recommendations and proposals of the White Paper. The first phase to improve the capacity and efficiency of the Western Cape Liquor Authority as the sole regulator of liquor in the Western Cape. The second phase aims to enable the development and introduction of public health-based alcohol harms reduction (AHR) strategies and interventions for societal benefit. The WCLA will support the custodial department in championing legislative changes.

The implementation of the Safety Plan focuses on increasing law enforcement presence where and when crime happens and strengthening resilience to crime. It is known that the Western Cape has high contact crime rates but also has the country's lowest police-to-population ratio at one officer for 509 people in 2018, having increased from one officer for every 385 people in 2016[6].

## 2.2 Organisational environment

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

The Chief Executive Officer (CEO) is the executive head official of the Administration and is responsible for the implementation of its strategic direction provided by the Board and day to day operations of the Authority. The CEO is delegated by the Governing Board to ensure compliance with governance principles and financial reporting standards including all related laws and regulations.

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

1. Liquor Licensing Administration
2. Liquor Licensing Tribunal
3. Communication, Education and Stakeholder Relations
4. Compliance and Enforcement
5. Finance
6. Corporate Services

6 *https://www.iol.co.za/weekend-argus/outcry-over-police-staffing-crisis-in-western-cape*

# Performance Information

As at 31 March 2023 the organizational structure of the Authority provided for 64 permanent positions. Thirty-one (31) contract positions existed on the establishment.

## Liquor Licensing Administration

The Liquor Licensing Administration is required to ensure that all required documents and information are placed before the Liquor Licensing Tribunal towards the determination of public interest.

**Online Platform**

The development of the WCLA's online platform aims to improve the relationship and interaction between the WCLA and its applicants and license holders. The WCLA aims to develop a responsive and relatable licensing system. The launch of the eLicence portal was a significant step in the digital transformation journey of the WCLA. The second phase of the platform, which went live as of 01 April 2023 provides for the submission of online applications.

As of end March 2023 the eLicence portal surpassed the 1700 user profile mark, with a total of 1737 user profiles having been created. Since its launch on 01 October 2022, the number of logins recorded stood at 6646. The number of renewed licences with eLicence profiles totalled 923 (out of a total of 8578 renewals paid).

**Section 64 implementation**

Section 64 of the Western Cape Liquor Act provides for a differentiation between compliant and non-compliant licence holders. Those who are compliant may renew their licence via the automatic renewal process, whereas errant licence holders are required to apply for the renewal of their liquor licence and demonstrate that it will serve the public interest. The aim of this process is to facilitate compliance and develop an appreciation for regulation. The WCLA aims for all licenses that exist to serve the public interest.

Of 8,988 valid licences, 116 were identified as not capable of automatic renewal for 2023. These 116 licence holders were required to apply in terms of section 64 of the Western Cape Liquor Act for the renewal of their licenses by 30 September 2022. A total of 109 section 64 renewal applications were received. Seven (7) licence holders elected not to renew/apply for their licences, thus lapsing on 01 January.

**Dedicated Renewals division**

The implementation of the Section 64 process demonstrated that administrative support was required in the component to administer the renewal functions.

It was accepted dedicated capacity towards annual and biennial renewals both automatic and non-automatic was required within the macro-structure of the WCLA. The paradigm that a licence once granted remains a concession necessitates an optimally functional business process that ensures not only the validity of existing licenses, but more importantly that the integrity of a licence issued remains above reproach.

**Performance Information**

The processing of applications within legislative timeframes has been a challenge. System inefficiencies have been identified and receives ongoing attention. These relate to the availability of reports and information to enable the determination of public interest. In this regard the development of problem statements for each municipality is being developed.

## Liquor Licensing Tribunal

The Liquor Licensing Tribunal (LLT) performs a quasi-judicial function in the consideration and adjudication of all applications related to liquor licences as provided for in the Act. The focus of the Tribunal has been aligned to three key focus areas namely, the finalization of applications within legislative timeframes, enforcement matters and public interest.

**Finalisation of applications within legislative time frames**

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

The Tribunal prioritized matters on a risk-based approach in relation to the potential impact a matter had on public interest. More focus was placed on substantive applications. Responsibility for the management of different application types were appropriately distributed.

**Public Interest**

The Tribunal must be satisfied that it would be in the public interest for a liquor licence to exist. Application types were identified in terms of complexity and impact on the public interest, and by implication directly supporting alcohol harms reduction objectives. Application types with a higher risk and impact on the public interest were prioritized.

When considering public interest in terms of the Act, the Tribunal is dependent on relevant and credible information placed before it. Appeal Tribunal findings indicate great reliance is placed on the input from important role players in the application process such as the Municipality, all the sub-divisions within the municipality, and the DLO.

A shared understanding of alcohol harms and what constitutes public interest be reached. The importance of key stakeholders providing all relevant information and data that would enable the determination of public interest and possible harms is therefore vital in the LLT's decision making process.

During the year under review the Authority embarked on a project to engage all municipalities and SAPS. These engagements are aimed at setting up operational collaboration. Area-based information will form part of municipal and DLO reports. Inspectors have been tasked to, in conjunction with municipalities and the DLO's, compile problem statements for each area within the province. The problem statement will formulate a cohesive and collectively understood picture of the role of liquor in that space. This will strengthen the LLT's ability to determine public interest and argue its decisions in the public interest before the Appeal Tribunal.

**Non-Automatic Renewals**

During the year under review the LLT for the first time considered non-automatic renewal applications. The Section 64 process forms an integral part of the regulation of licences in the public interest. Non-compliant licence holders must convince the Tribunal it would be in the public interest for these licences to continue to exist.

When considering an application for renewal, the LLT has the same duties and powers which it has when considering an application for a new licence, including the right to refuse or grant the application, subject to such conditions as it may deem appropriate.

During the year under review the Tribunal considered 110 non-automatic renewal applications. Below is a summary of the Section 64 application outcomes after consideration.

| OUTCOME | NUMBER OF APPLICATION |
|---|---|
| Applications granted | 98 |
| Applications granted subject to conditions | 9 |
| Applications refused | 3 |
| **Total** | **110** |

# Performance Information

Through the initial implementation of Section 64 during this reporting year valuable lessons were learnt, and experience obtained to prepare the LLT to focus on these applications in the new reporting year.

### Communication, Education and Stakeholder Relations

During the period under review CES functioned as support enabling the operational components (the Liquor Licensing Administration, Liquor Licensing Tribunal, and the Inspectorate) to execute the mandate of the Authority.



The following areas are noted:

Administration vis a vis Regulation: The WCLA is increasingly being acknowledged as the Regulator of the retail sale and micro manufacturing of liquor in the WC and not merely as administrator of liquor licences. The increased capacity of the Inspectorate and subsequent implementation of non-automatic renewals (s64) played a significant role in this regard.

Appreciation for the Regulatory function: The WCLA has developed a greater collective understanding of its significance as a regulator. Those associated with the WCLA must know what the WCLA is all about and what it can and must be held to account for. This extends to all strategic partners (legislated partners) such as SAPS (DLO's), community structures and municipalities.

Shifts in public opinion/perception: the WCLA has adjusted its messaging to facilitate an appreciation for regulation by all including liquor licence holders. Public interest is not an unreasonable ask and is peremptory in terms of legislation. Guiding principles communicated are 1) any licence granted must serve the public interest and 2) all existing licences continue to exist provided they respect public interest.

Call Centre Repositioning: The Call Centre as an interim measure was repositioned within the LLA component for alignment with the Client Service Centre project and to ensure appropriate and timeous responses. Applicants and the public now have direct access to the component within the authority tasked with the process applicable. This previously presented as a challenge.

Facilitating strategic partners for greater efficiency and impact: Key to regulation and determining public interest is appreciating the essential role local government and the SAPS plays. We are compelled to positioning ourselves to interact more meaningfully. The WCLA has embarked on strategic engagements respecting the mandates of partners. This focused on aligning resources enabling the determination of public interest and addressing alcohol related harms within each respective municipal area.

Advances in communication technology: The past few years have seen significant changes in the way people communicate, with the rise of social media and other digital platforms. The WCLA is adapting its communication strategies to take advantage of these new technologies and engage with stakeholders in new ways. It is possible to procure communication services. This may prove preferable to maintaining an inflexible internal capacity to respond to communication needs.

### Compliance and Enforcement

The Compliance and Enforcement component monitors and enforces compliance with the provisions of the Act and other applicable legislation by:

- conducting pre-licensing inspections and submission of reports in respect of new, secondary and minor applications,
- routine compliance inspections,
- the investigation of complaints against non-compliant liquor licensed premises,

- the issuing of compliance notices,
- integrated enforcement operations,
- the prosecution of non-compliant license holders before the Tribunal and the referral of criminal matters to the criminal justice system, and
- the issuing of administrative notices to unlicensed outlets.

Over the past two years the entity experienced extensive growth in capacity within the inspectorate component. A total of 24 inspectors were appointed on fixed term contracts embarking on two projects aimed at reducing the number of long outstanding inspections across the province as well as focussing on 16 high crime policing precincts. The increased capacity allowed the inspectorate to reach all licenced outlets in the province during a financial year. Such achievement further saw the fair, just and equitable implementation of the non-automatic renewal process. Licensees found to be non-compliant over the course of twelve months were required to apply for the renewal of their licenses in a process which involved public participation.

The Area Based Teams (ABT) Project aimed at high priority policing precincts has shown much promise. The project required a total of approximately 850 licenses within such areas to be inspected at least four times during the financial year. Collaborated efforts with enforcement agencies such as SAPS and Law Enforcement resulted in a total of 305 operations being conducted during the reporting cycle. Focussed intervention in the ABT areas allowed inspectors to gather evidence-based information related to the illegal distribution of liquor and saw fines of up to R300 000 being imposed upon licensees.

The inspectorate has improved in terms of assisting the LLT in facilitating public interest not only with the consideration of licenses, but also determining whether existing licenses still serve the public interest. Constant interrogation of LLT and Appeal Tribunal outcomes enables the inspectorate to ensure that relevant information is placed before such quasi-judicial bodies allowing them to make properly informed decisions. Other agencies have reached out to the inspectorate for training in terms of the Western Cape Liquor Act, empowering newly appointed Designated Liquor Officer's as well as Law Enforcement Officers to optimise the available resources aimed at addressing alcohol related harms.

The WCLA received confirmation that the funds for the additional inspectorate capacity will enter the baseline budget of the WCLA.

### Finance

The WCLA's strategic plan and the outcome-oriented goals provide a roadmap for what the organisation seeks to achieve, based on determined outcomes and outputs. The Finance Component provided support in a manner that ensures the sustainability of the WCLA. The objective is to ensure the WCLA collects and pays over more resources to the Provincial Revenue Fund than it receives in allocations from the fiscus.

The WCLA has seen an increase in its revenue of 24%, to fund key initiatives towards effective regulation. This increase was secured through the sourcing of additional funding and a projected increase of fines over the short term of R4m directly linked to increased operational activity. Fine revenue is likely to decrease towards the end of the MTEF period as licence-holders become more compliant due to the increased visibility of WCLA activity in these areas.

Applications for events and temporary licences as well as new licenses increased post COVID-19. Revenue generated from events and temporary licences has since increased by R2,5m showing that recovery was swift. The WCLA projects further increases in own revenue of at least R1m or 6% over the MTEF period linked to increased economic activity.

A comprehensive analysis of the expenditure budget was undertaken and projected savings to the total value of R2,7 million identified. The legislative amendments would lapse advertising costs relating to new licence applications. The costs are currently funded from surplus roll-overs from the previous year. The budget of the WCLA remains lean and savings are reprioritised to areas of strategic relevance and in line with the core mandate of the entity. There is little to no room for cuts as 64% of the expenditure budget goes towards compensation of employees and a significant part of the remaining expenditure budget is for goods and services.

The Authority aims to ensure the budget breaks even and that the funding it receives from the fiscus are geared towards service delivery in line with its mandate.

### Corporate Services

**Fit for Purpose Structure**

The Authority procured a service provider to assist with the development of a functional structure at a macro level to platform the organizational growth of the WCLA in a manner that enables the full execution of its regulatory function as prescribed by the Act.

Taking the many initiatives and projects into account and the funds the WCLA was able to access the management of the Authority deemed it appropriate to pursue securing critical positions within the Authority, provided these positions and the functions attached thereto are aligned to and advances the strategy and organizational goals of the WCLA. In this regard the WCLA has successfully baselined the funding of the additional inspectorate capacity.

**Information and Communication Technology**

The WCLA has embraced ICT as a strategic enabler to pursue its mandate and objectives. The Governing Board approved the creation of a Senior Manager: Information and Communication Technology to champion ICT as an enabler of the WCLA mandate.

A 5 Year ICT Plan was developed and considered by WCLA management. The ICT Plan provides the Authority with a list of priority IT projects (per component). The Authority understands the need to leverage IT as an enabler for more efficient and effective ways of doing business. The development of this plan was internalised by the entire management team and individual component needs and requirements have been accommodated.

The Authority has successfully launched its online eLicence Portal. Although the benefits being realised by the Authority's clientele is forthcoming it also brings with it the potential of exposing the Authority to cyber security risks. In this regard a cyber security strategy framework and implementation plan has been developed and the implementation thereof will be prioritised for the new financial year.

## 2.3. Key policy developments and legislative changes

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

## 2.4. Progress towards Achievement of Institutional Impacts and Outcomes

| Outcome | Outcome Indicator | Five-year target | Progress in terms of five-year target |
|---|---|---|---|
| 1. Applications processed by the Liquor Licensing Administration within prescribed timeframes | 1. Timeous processing of permanent and secondary applications to be referred to the Liquor Licensing Tribunal | 100% of permanent and secondary applications processed by the Liquor Licensing Administration within prescribed timeframes | The applications processed within the prescribed timeframes achieved an overall average of over 73% for the reporting period. The availability of DLO reports before any application can proceed remains a challenge, however the Administration aims to ensure that no application is enrolled without a DLO or Inspectorate report. In ensuring this, delays in the submission of these reports are still experienced during the processing timeline. An analysis of all contributing factors will however be conducted to record and isolate those that compromises adherence to the timeframes. |
| 2. Matters considered by the Liquor Licensing Tribunal within prescribed timeframes | 2. Timeous consideration of permanent and secondary applications and enforcement matters referred to the Liquor Licensing Tribunal | 100% of permanent and secondary applications and enforcement matters considered by the Liquor Licensing Tribunal within the prescribed timeframes | Ongoing system enhancements and the ongoing optimization of processes and procedures followed before enrolment and during the consideration stage contributed to most applications being dealt with within legislative timeframes. Section 64 non-automatic process was implemented during the 2022/2023 reporting year. In both the performance indicators the target was exceeded. |
| 3. Community participation in the application and complaints processes | 3. Year on year increase in community participation during the application and complaints processes | Increased community participation in the application and complaints processes | The number of complaints received has increased over the past two years, which reflects how communities are getting more involved in the protection of public interest. It further suggests increased levels of trust in the ability of the entity to regulate the retail sale of liquor efficiently and effectively. |
| 4. Compliance with the Act and license conditions by license holders | 4. Focus on compliance with the Act and license conditions by license holders | Year-on-year increase in compliance levels | Due to numerous factors, it was difficult to determine base lines since the introduction of the current strategic plan. Besides the National State of Disaster which severely impacted the normal operations of licensed establishments, the benefits of the three-fold increase in inspectorate capacity was only experienced for a full reporting cycle during 2022/2023. The operations in the ABT areas have however proven to show increases in compliance levels based on repeat inspections. |

| Outcome | Outcome Indicator | Five-year target | Progress in terms of five-year target |
|---|---|---|---|
| 5. Compliance with relevant legislation and National and Provincial Treasury Instructions | 5. Focus on compliance with relevant legislation and National and Provincial Treasury Instructions | Audit opinion from Auditor-General of South Africa | The regularity audit for the WCLA was finalised by the Auditor-General on 31 July 2023, who thereafter issued a final unqualified audit opinion with no findings (Clean Audit). The clean audit means that the WCLA complied with all the relevant laws and regulations governing its financial and performance affairs and that throughout the year under review, proper internal controls to manage performance and financial information were implemented. The WCLA has now achieved clean audits for two successive years, and this is the WCLA's 6th clean audit having previously obtained clean audits for the 2012/13, 2014/15, 2016/17, 2017/18 and 2019/20 financial years.<br><br>The clean audit affirms the commitment of the leadership of the WCLA to good governance and ethical administration. Taking into account the critical mandate to effectively regulate the retail sale and micro-manufacture of liquor in the Western Cape, the WCLA is leading by example. |
| 6. Alignment with the provincial government's strategic priorities, within a prescribed strategic framework | 6. Manage the performance monitoring and reporting processes for the WCLA | Publication of an audited Annual Report | The Governing Board as constituted is the Accounting Authority for the WCLA which accounts to the Minister of Community Safety as the Executive Authority. This results in the Department of Community Safety being the custodial department for the WCLA. The department effectively thus is the vehicle utilized by the Minister to exercise executive authority responsibility in respect of the WCLA.<br><br>All budget and planning processes applicable to the WCLA as an entity of Government will be facilitated via the Department of Community Safety more specifically Programme 1. The parties acknowledge the respective roles, responsibilities and obligations attached and assigned to each institution. |

# 3. PERFORMANCE INFORMATION BY COMPONENT

## 3.1 Component 1: Liquor Licensing Administration

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

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

| Outcome | Output | Output Indicator | Audited Actual Perfor-mance 2020/21 | Audited Actual Perfor-mance 2021/22 | Planned Annual Target 2022/23 | Actual Achieve-ment 2022/23 | Deviation from planned target to Actual Achieve-ment 2022/23 | Reason for deviations |
|---|---|---|---|---|---|---|---|---|
| Applications processed by the Liquor Licensing Administration within prescribed timeframes | Legislative compliance | 1.1 Percentage of permanent and secondary licence applications received by the Liquor Licensing Admini-stration processed within prescribed timeframes. | NEW | 84.93% | 100% | 73.14% | 26.86% | Incomplete applications form the basis of most delays in the processing of applications within legislated timeframes. The absence of information required to support an application makes progress impossible. The DLO report is an integral part of the process, and the absence thereof makes the determination of public interest impossible. Copies of an application must be served on all SAPS service centres applicable for the attention of the DLO. The DLO ensures the residents in the area are made aware and consulted on the application. |

# Performance Information



## ANALYSIS OF PERFORMANCE INFORMATION

A new indicator was introduced for this financial year, namely a report on applications processed in terms of section 64. The indicator target in respect of this new indicator was met.

In respect of the existing APP indicator for applications processed, the under-performance is mainly attributed to delays in obtaining outstanding information before the application can be enrolled with the Tribunal. The Tribunal needs to be placed in the position to make an informed decision regarding the application, and certain pertinent information, if outstanding, prevents this. Delays in the submission of such information, such as DLO reports, ultimately results in a delay in the processing of the application. The Administration aims to ensure that no application is enrolled without a DLO or Inspectorate report, however in ensuring these delays in the submission of these reports are still experienced during the processing timeline.

## WOMEN, YOUTH AND PERSONS WITH DISABILITIES

Not applicable

## STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Proposed legislative amendments include a provision aimed at ensuring the lodgement of complete applications by way of revised administrative processes.

Further initiatives by the WCLA as part of a holistic approach in facilitating joint operational processes between the Authority and its strategic partners (SAPS and Municipalities in particular) is another area in which steady progress can be made towards ensuring the timeous submission of reports enabling a swift and appropriate determination of public interest is reached by the LLT. Operational alignment and collaboration with such key partners at national and local level aimed at developing institutional arrangements will allow for the interrogation of all processes necessitating collaboration. With respective roles and responsibilities clearly outlined, this will facilitate the timeous finalization of reports.

A review of the standard operating procedures will also ensure focus remains on adherence to the prescribed timelines. Incomplete applications for reasons other than Municipal and DLO reports will be clearly distinguished from the latter, which requires an interrogation of our systems and processes for greater efficiency. In those instances where applicants request additional time to supplement outstanding documents and which may result in delays in the processing timeframes, clear protocols will be developed for a uniform approach to apply.

## CHANGES TO PLANNED TARGETS

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

## LINKING PERFORMANCE WITH BUDGET

| Component/activity/ objective | 2022/23 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | Budget | Actual Expenditure | (Over)/ Under Expenditure | Budget | Actual Expenditure | (Over)/ Under Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Liquor Licensing Administration | 14 241 | 14 027 | 214 | 18 314 | 16 194 | 2 120 |
| **Total** | **14 241** | **14 027** | **214** | **18 314** | **16 194** | **2 120** |

## 3.2 Component 2: Liquor Licensing Tribunal

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

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

| Outcome | Output | Output Indicator | Audited Actual Perfor-mance 2020/21 | Audited Actual Perfor-mance 2021/22 | Planned Annual Target 2022/23 | Actual Achieve-ment 2022/23 | Deviation from planned target to Actual Achieve-ment 2022/23 | Reason for deviations |
|---|---|---|---|---|---|---|---|---|
| Matters considered by the Liquor Licensing Tribunal within prescribed timeframes | Legislative compliance | 2.1 Percentage of permanent and secondary license applications considered by the Liquor Licensing Tribunal within the prescribed timeframes. | 56.44% | 85.96% | 100% | 97.53% | 2.47% | The Tribunal is to consider all applications within the legislative timeframes. Due to the complexity of some applications, considerations and deliberations take longer than the average times spent on applications. This may result in some matters considered outside of the required timeframes. |
| | | 2.2 Percentage of all enforcement matters finalized by the Liquor Licensing Tribunal within 60 days of referral. | NEW | 84.25% | 100% | 90.72% | 9.28% | Due to the nature of enforcement matters and possible consequences should a licence holder be found guilty of transgressions it is important that licence holders are afforded ample opportunity to make representations on allegations. This in some instances will lead to matters being postponed for further representations which may result in the matter being finalized outside of the required timeframes. |
| | | 2.3 Report on non-compliance with Tribunal orders. | NEW | 4 | 4 | 4 | 0 | |

| Outcome | Output | Output Indicator | Audited Actual Perfor-mance 2020/21 | Audited Actual Perfor-mance 2021/22 | Planned Annual Target 2022/23 | Actual Achieve-ment 2022/23 | Deviation from planned target to Actual Achieve-ment 2022/23 | Reason for deviations |
|---|---|---|---|---|---|---|---|---|
| | | 2.4 Percentage of licensees that meet the criterion in section 64(1) of the Act that are subjected to the non-automatic renewal process. | NEW | NEW | 90% | 95.74% | (5.74%) | When setting the target provision was made for matters referred to the Tribunal in terms of Section 73 such as abandonments that does not constitute a contravention or offence. The initial selection process did not distinguish with such detail. |
| | | 2.5 Percentage of section 64 non-automatic renewal matters finalised by the Liquor Licensing Tribunal by the 31 December 2022. | NEW | NEW | 95% | 98.16% | (3.16%) | Those Section 64 applications submitted within the prescribed period were dealt with by the Tribunal. The Tribunal finalised 98% of all applications by 31 December 2022. Applications submitted outside of the prescribed timeframe but within the condonation period were attended to and finalised in January 2023. |

## ANALYSIS OF PERFORMANCE INFORMATION

APP targets for applications are ambitious yet close to actual. Meeting this target improved considerably over the year under review compared to the previous year. Most licence applications are considered within the prescribed timeframes. Due to the complexity of some applications considerations and deliberations take longer. This may result in some matters moving outside of the prescribed timeframe.

The finalisation of enforcement matters within the required timeframe also increased during the year under review. The Tribunal will continue to consider these matters as soon as possible after enrolment and to proactively manage the timeframes for representations to be submitted.

Indicator targets in respect of the Section 64 process were exceeded.

## WOMEN, YOUTH AND PERSONS WITH DISABILITIES

Under-age drinking are prevalent in communities impacting negatively on the community. The Tribunal follow a zero-tolerance approach towards license holders contravening the Act in selling liquor to Minors. If found guilty of such an offence hefty sanction will be imposed.

## STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Ongoing management of the application case roll will continue.
Video conferencing technology was installed in the Tribunal hearing room. Going forward this facility will enable the Tribunal to clarify issues in enforcement matters via an oral hearing which will assist in reducing the consideration times of these matters.

Legislative amendments currently being considered include the amendment of the powers of the Section 24 Committee to include enforcement cases as well. That will provide the opportunity to create a dedicated enforcement arm within the Tribunal that could full time focus on enforcement matters. This will free up capacity within the Tribunal to fully focus on license applications.

## CHANGES TO PLANNED TARGETS

Indicators 2.4 and 2.5 were in-year changes tabled.

## LINKING PERFORMANCE WITH BUDGET

| Component/activity/ objective | 2022/23 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | Budget | Actual Expenditure | (Over)/ Under Expenditure | Budget | Actual Expenditure | (Over)/ Under Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Liquor Licensing Tribunal | 5 744 | 5 741 | 3 | 4 565 | 4 812 | (247) |
| **Total** | **5 744** | **5 741** | **3** | **4 565** | **4 812** | **(247)** |

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

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

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

| Outcome | Output | Output Indicator | Audited Actual Perfor-mance 2020/21 | Audited Actual Perfor-mance 2021/22 | Planned Annual Target 2022/23 | Actual Achieve-ment 2022/23 | Deviation from planned target to Actual Achieve-ment 2022/23 | Reason for deviations |
|---|---|---|---|---|---|---|---|---|
| Community participation in the application and complaints processes | Increased public participation | 3.1 Number of engagements with local authorities. | 26 | 27 | 27 | 37 | (10) | The WCLA continued its efforts to engage key stakeholders such as municipalities to enable greater operational alignment to reduce the impact of alcohol harms and ensuring all licenses serve the public interest. |
| | | 3.2 Number of public participation interventions attended with Stakeholders. | 36 | 37 | 36 | 38 | (2) | Additional invitations were received to attend and engage stakeholders. |
| | | 3.3 Number of awareness sessions with licence holders about the impact of alcohol on priority groupings of women, youth and children. | 4 | 4 | 14 | 16 | (2) | Additional requests were received to engage at forums. |
| | | 3.4 Report on public participation in the applications and enforcement processes. | 4 | 4 | 4 | 4 | 0 | |
| | | 3.5 Report on Alcohol-related Harms Reduction (AHR) education and awareness activities. | NEW | NEW | 4 | 4 | 0 | |

## ANALYSIS OF PERFORMANCE INFORMATION

The WCLA developed a greater appreciation for the legislated mandate and is committed to enabling a common and shared understanding of the role and impact of alcohol (both in respect of access and availability) in our communities. In this regard the WCLA embraces the responsibility it has as the sole regulator of the retail sale and micro-manufacture of liquor in the Western Cape. This reality dictates that the WCLA establishes itself more and more as a regulator as opposed to an administrator of liquor licences. the WCLA as regulator has adjusted its messaging to facilitate an appreciation for regulation by all including liquor licence holders. A citizen-centric is now demonstrated in the execution of our mandate to ensure the broader public is central to the determination of public interest. The efforts made during the financial year enabled the WCLA to reach its legislated strategic partners which contributed to public interest being served through visibility, public participation, education, training and awareness initiatives.

## WOMEN, YOUTH AND PERSONS WITH DISABILITIES

Concerted efforts and collaboration with key stakeholders and partners enabled the WCLA to enhance its relevance and provide greater access to its services. Key initiatives embarked upon included the provision of education and awareness activities open to the public. Licence holders were also targeted to ensure they understood the benefits of trading in a compliant manner respecting public interest. The operations of the WCLA remained focussed on a reduction of harms associated with alcohol especially the vulnerable groups.

## STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Not applicable

## CHANGES TO PLANNED TARGETS

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

## LINKING PERFORMANCE WITH BUDGET

| Component/activity/ objective | 2022/23 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | Budget | Actual Expenditure | (Over)/ Under Expenditure | Budget | Actual Expenditure | (Over)/ Under Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Communication, Education and Stakeholder Relations | 5 048 | 4 362 | 686 | 5 430 | 3 783 | 1 647 |
| **Total** | **5 048** | **4 362** | **686** | **5 430** | **3 783** | **1 647** |

## 3.4 Component 4: Compliance and Enforcement

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

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

| Outcome | Output | Output Indicator | Audited Actual Performance 2020/21 | Audited Actual Performance 2021/22 | Planned Annual Target 2022/23 | Actual Achievement 2022/23 | Deviation from planned target to Actual Achievement 2022/23 | Reason for deviations |
|---|---|---|---|---|---|---|---|---|
| Compliance with the Act and licence conditions by license holders | Proactive measures to ensure compliance | 4.1 Percentage of licences issued in the previous financial year inspected in the current financial year. | 60.89% | 70.25% | 90% | 99.39% | (9.39%) | With the additional capacity within the Inspectorate component, this year, the focus was to reach all licenced outlets which is aimed at ensuring a fair, just and equitable implementation of the non-automatic renewal process which subsequently resulted in the over achievement of the indicator. |
| | | 4.2 Number of enforcement operation with other agencies conducted. | 94 | 261 | 270 | 305 | (35) | The additional capacity to the component had a direct impact in the increased numbers of operations. |
| | | 4.3 Percentage of complaints received attended to within 14 days. | 100% | 97.02% | 95% | 89.42% | 5.58% | Some complaints could not be contacted due to them opting to remain anonymous.<br>Every attempt is made to contact the complainants where details are available. |

| Outcome | Output | Output Indicator | Audited Actual Perfor-mance 2020/21 | Audited Actual Perfor-mance 2021/22 | Planned Annual Target 2022/23 | Actual Achieve-ment 2022/23 | Deviation from planned target to Actual Achieve-ment 2022/23 | Reason for deviations |
|---|---|---|---|---|---|---|---|---|
| | | 4.4 Number of inspections conducted focussed on under-age drinking and access to restricted areas. | 324 | 5 991 | 2 400 | 5 656 | (3 256) | With the additional capacity in the Inspectorate Component and the focus to reach all licenced outlets, more inspections were conducted which led to the over-achievement of this indicator. |
| | | 4.5 Percentage of licenses waiting to be inspected, as at the end of the previous financial year, inspected within the current financial year. | NEW | NEW | 100% | 100% | 0 | |
| | | 4.6 Number of inspections conducted per licenced outlet within the ABT areas. | NEW | NEW | 4 | 4 | 0 | |
| | | 4.7 Percentage of all licenced outlets plotted in all ABT areas. | NEW | NEW | 95% | 100% | (5%) | All licenses were plotted within the ABT areas since the implementation of focussed and repeat interventions in the ABT areas. |
| | | 4.8 Percentage of valid licences at the beginning of the financial year (1 April) that are inspected by the end of that financial year (31 March). | NEW | NEW | 100% | 100% | 0 | |

# Performance Information



## ANALYSIS OF PERFORMANCE INFORMATION

Performance indicators were developed to include targets for the specific projects, referred to above. Indicators were therefore introduced which ensured that all licenses are inspected on an annual basis as well as repeat inspections are conducted at licensed outlets within the ABT areas. It was further intended that relationships with licensees remains continuous once a license is issued and ensure that licensees assume responsibility to operate in the interest of the public. Inspections were therefore required to be conducted at least within 12 months after licenses were issued.

Indicators which relate to operations, complaints investigated, and inspections focussed on under-age drinking are similar to previous years. Such interventions are essential in terms of collaborated efforts, building relations with the public and protecting the interest of children. The projected targets were mainly adjusted to be aligned to the additional capacity.

## WOMEN, YOUTH AND PERSONS WITH DISABILITIES

One of the indicators above measures the "Number of inspections conducted focussed on under-age drinking and access to restricted areas". The target was over-achieved by a large margin due to increased capacity and the general checking of offences related to children during routine inspections. Although such cases are generally difficult to prove, six matter were successfully prosecuted and sanctioned by the LLT.

## STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

In terms of the number of complaints attended to within 14 days, the target was not met. However, in many instances it is difficult to contact complainant due to them opting to remain anonymous. Such complaints would still receive the required attention. The Technical Indicator Description was however amended for the 2023/2024 reporting cycle linking the actual output to the investigation of the complaint itself rather than the contact with the complainant. Investigations are now required to be finalised within 2 months after receipt of the complaint.

## CHANGES TO PLANNED TARGETS

Indicator 4.8 was an in-year change tabled.

## LINKING PERFORMANCE WITH BUDGET

| Component/activity/ objective | 2022/23 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | Budget | Actual Expenditure | (Over)/ Under Expenditure | Budget | Actual Expenditure | (Over)/ Under Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Compliance and Enforcement | 19 076 | 18 880 | 196 | 23 053 | 15 495 | 7 558 |
| **Total** | **19 076** | **18 880** | **196** | **23 053** | **15 495** | **7 558** |

## 3.5 Component 5: Finance

This component aims to enhance performance oriented financial management.

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

| Outcome | Output | Output Indicator | Audited Actual Perfor-mance 2020/21 | Audited Actual Perfor-mance 2021/22 | Planned Annual Target 2022/23 | Actual Achieve-ment 2022/23 | Deviation from planned target to Actual Achieve-ment 2022/23 | Reason for deviations |
|---|---|---|---|---|---|---|---|---|
| Compliance with relevant legislation and National and Provincial Treasury Instructions | Legislative compliance | 5.1 Percentage expenditure in relation to the allocated budget. | 96.50% | 128.50% | 98% | 93.48% | 4.52% | Underspending on the budget relates to a capital project that could not be finalised during the financial year. |
| | | 5.2 Percentage of invoices paid within 30 days after receipt of invoice. | 96% | 99% | 100% | 94.34% | 5.66% | Invoices that were queried led to payments happening after 30 days.<br>Weekly review of expenditure lists and the introduction of PO system for speedy follow ups on queried invoices are in place. |
| | | 5.3 Audit opinion from Auditor General of South Africa. | NEW | Unqualified Audit Opinion | Unqualified Audit Opinion | Unqualified Audit Opinion | 0 | |

# Performance Information



## ANALYSIS OF PERFORMANCE INFORMATION

There were no instances of significant under-achievements of targets on the finance component's performance indicators in the current year.

The underachievement in budget relates to roll-over funding from the 2021/22 year earmarked for the construction of a client service centre. Due to the change in ownership of the building the WCLA could not move forward with the project.

Valid queries against invoices renders them unpayable until the query is resolved and therefore in such instances payments will exceed 30 days if resolutions are not achieved in time.

## WOMEN, YOUTH AND PERSONS WITH DISABILITIES

Not applicable.

## STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The WCLA has upgraded its procurement and payment module, and this will increase the efficiencies surrounding the monitoring of invoices under dispute.

## CHANGES TO PLANNED TARGETS

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

## LINKING PERFORMANCE WITH BUDGET

| Component/activity/ objective | 2022/23 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | Budget | Actual Expenditure | (Over)/ Under Expenditure | Budget | Actual Expenditure | (Over)/ Under Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Finance | 16 167 | 16 102 | 65 | 15 863 | 13 410 | 2 453 |
| **Total** | **16 167** | **16 102** | **65** | **15 863** | **13 410** | **2 453** |

## 3.6 Component 6: Corporate Services

The Corporate Services Component provides strategic and administrative support to the Components of the WCLA to monitor and report on the achievements of the WCLA's performance targets.

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

| Outcome | Output | Output Indicator | Audited Actual Perfor-mance 2020/21 | Audited Actual Perfor-mance 2021/22 | Planned Annual Target 2022/23 | Actual Achieve-ment 2022/23 | Deviation from planned target to Actual Achieve-ment 2022/23 | Reason for deviations |
|---|---|---|---|---|---|---|---|---|
| Alignment with the provincial government's strategic priorities, within a prescribed strategic framework | Legislative compliance | 6.1 Number of Annual Performance Plans (APP) published. | 1 | 1 | 1 | 1 | 0 | |
| | | 6.2 Number of quarterly performance reports submitted to DotP. | 4 | 4 | 4 | 4 | 0 | |
| | | 6.3 Number of quarterly reports submitted to Parent department. | 4 | 4 | 4 | 4 | 0 | |

# Performance Information

## ANALYSIS OF PERFORMANCE INFORMATION

The Corporate Services component achieved all the planned targets for the year. There was no significant achievement of targets on the component's performance indicators.

## WOMEN, YOUTH AND PERSONS WITH DISABILITIES

The activities of this Component during the financial year especially when it came to its recruitment and selection process were focussed on the promotion of equal employment opportunities for all employees and applicants to achieve a diverse, inclusive workplace, foster a productive work environment and provide guidance and training to components and employees on EE compliance.

## STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Not applicable.

## CHANGES TO PLANNED TARGETS

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

## LINKING PERFORMANCE WITH BUDGET

| Component/activity/ objective | 2022/23 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | Budget | Actual Expenditure | (Over)/ Under Expenditure | Budget | Actual Expenditure | (Over)/ Under Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Corporate Services | 24 557 | 20 464 | 4 093 | 18 747 | 12 629 | 6 118 |
| **Total** | **24 557** | **20 464** | **4 093** | **18 747** | **12 629** | **6 118** |

# 4. REVENUE COLLECTION

| Sources of revenue | 2022/23 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | Estimate | Actual Amount Collected | (Over)/ Under Collection | Estimate | Actual Amount Collected | (Over)/ Under Collection |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Granting fees | 5 150 | 4 755 | 395 | 3 636 | 3 700 | (64) |
| Application fees | 2 162 | 2 790 | (628) | 1 903 | 2 077 | (174) |
| Other income | 78 | 84 | (6) | 46 | 75 | (29) |
| Interest received | 1 287 | 1 381 | (94) | 746 | 708 | 38 |
| Auto renewal | 47 267 | 46 400 | 867 | 42 970 | 45 451 | (2 481) |
| Fines | 9 265 | 9 618 | (353) | 4 536 | 4 268 | 268 |
| **Total** | **65 209** | **65 028** | **181** | **53 837** | **56 279** | **(2 442)** |

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

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

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

The Authority recorded an over-collection of own revenue due to granting fees being higher than originally budgeted, the improved economy and easing of the lockdown restrictions which allowed increased number of events and gatherings. A further increase in application fees was approved by the Minister. Interest received reflects poor growth than originally budgeted due to a reduction of the repo rate by the reserve bank even after economic conditions are showing improvement.

Collection on own revenue were as follows:

- Granting fees – R0.157 million over-collection
- Application fees – R0.090 million over-collection
- Other income – R0.008 million over-collection
- Interest – R0.094 million over-collection
- Fines – R0.047 million under-collection

## 4.1. Capital Investment

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

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

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

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

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

| Infrastructure projects | 2022/23 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | Budget | Actual Expenditure | (Over)/ Under Expenditure | Budget | Actual Expenditure | (Over)/ Under Expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| LMaTS | 0 | 0 | 0 | 1 684 | 1 684 | 0 |
| IT equipment | 1 425 | 887 | 538 | 1 966 | 419 | 1 547 |
| Cloud infrastructure | 1 587 | 806 | 781 | 0 | 0 | 0 |
| Online platform | 2 226 | 2 226 | 0 | 4 164 | 0 | 4 164 |
| Pastel | 0 | 0 | 0 | 267 | 144 | 123 |
| Client Services Centre | 4 951 | 0 | 4 951 | 0 | 0 | 0 |
| **Total** | **10 189** | **3 919** | **6 270** | **8 081** | **2 247** | **5 834** |

# Part C:

# Governance

# Governance

## 1. INTRODUCTION

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

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

## 2. PORTFOLIO COMMITTEES

In respect of the year under review the WCLA participated in all engagements called and responded to questions directed to the WCLA by the Portfolio Committee facilitated by the Department of Police Oversight and Community Safety.

## 3. EXECUTIVE AUTHORITY

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

## 4. THE ACCOUNTING AUTHORITY / GOVERNING BOARD

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

The Governing Board of the Authority oversee the implementation of the Western Cape Liquor Act and management of the business of the Authority. The Governing Board is responsible for policy, control, strategy direction, leadership, proper accountability, probity and transparency in all respects.

The fiduciary responsibilities of the Board are as follows:

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

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

## Composition of the Governing Board

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

Table 1

| Name | Designation (in terms of the Public Entity Board structure) | Date appointed | Date resigned | Qualifications | Area of Expertise | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | No. of Meetings attended |
|---|---|---|---|---|---|---|---|---|
| Ronald Kingwill | Chairperson | 12/03/2021 | N/A | CA(SA), CTC, B Comm | Governance, Finance and Risk | N/A | Operations Committee; Finance, HR, IT & Ethics Committee; Differentiated Pricing Model Committee | 22 |
| Gregory Grootboom | Deputy Chairperson | 12/03/2021 | N/A | PhD Educational Psychology, B Ed (Psych), Med (Psychology) | Communication and Leadership | N/A | Communications and Stakeholder Relations Committee; Finance, HR, IT & Ethics Committee; Differentiated Pricing Model Committee | 16 |
| Carol-Ann Foulis | Member | 12/03/2021 | N/A | BA (English and Psychology), Post Dip (HRM), MBA (Development Studies) | Communication, Research | N/A | Communications and Stakeholder Relations Committee; OPS Committee; Differentiated Pricing Model Committee | 15 |
| Andreas le Roux | Member | 12/03/2021 | N/A | MBA (Business Admin), Bsc Engineering (Mechatronics) | Governance, Planning, Strategy | N/A | Finance, HR, IT & Ethics Committee; OPS Committee; Communications & Stakeholder Relations; Differentiated Pricing Model Committee | 18 |
| Sibonile Khoza | Member | 15/11/2021 | N/A | LLM, Post-Graduate Diploma in Development Policy and Practice, LL.B. | Governance, Planning, Strategy | N/A | Finance, HR, IT & Ethics Committee; OPS Committee; Differentiated Pricing Model Committee | 8 |

| Name | Designation (in terms of the Public Entity Board structure) | Date appointed | Date resigned | Qualifications | Area of Expertise | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | No. of Meetings attended |
|---|---|---|---|---|---|---|---|---|
| Tanya Wainwright | Member | 15/11/2021 | N/A | LL.B. | Governance, Planning, Strategy | N/A | Communications and Stakeholder Relations Committee, OPS Committee; Differentiated Pricing Model Committee | 16 |
| Crystal Abdoll | Member | 01/03/2022 | N/A | Chartered Accountant, Post Grad Diploma in Internal Auditing, BCompt Hons | Governance, Finance and Risk | N/A | Finance, HR, IT & Ethics Committee; Audit & Risk Committee; Differentiated Pricing Model | 16 |

## Governing Board and Committee meetings

| Governing Board/ Committee | No. of meetings held | No. of members | Name of members |
|---|---|---|---|
| Governing Board | 5 | 7 | Ronald Kingwill, Gregory Grootboom, Carol-Ann Foulis, Andreas le Roux, Sibonile Khoza, Tanya Wainwright, Crystal Abdoll |
| OPS Committee | 4 | 5 | Ronald Kingwill, Carol-Ann Foulis, Andreas le Roux, Tanya Wainwright, Sibonile Khoza |
| Finance, HR, IT and Ethics Committee | 4 | 5 | Ronald Kingwill, Andreas le Roux, Sibonile Khoza, Gregory Grootboom, Crystal Abdoll |
| Communications and Stakeholder Relations Committee | 4 | 4 | Gregory Grootboom, Carol-Ann Foulis, Andreas le Roux, Tanya Wainwright |
| Audit & Risk Committee | 7 | 1 | Crystal Abdoll |
| Differentiated Pricing Model Committee | 2 | 7 | Ronald Kingwill, Gregory Grootboom, Carol-Ann Foulis, Andreas le Roux, Sibonile Khoza, Tanya Wainwright, Crystal Abdoll |

*Note: Board members are required to attend other meetings, for example, stakeholder sessions, meetings with the Minister, participation on interview panels and any other engagements. These meetings are not provided for in the above table.*

## Remuneration of board members

The Governing Board was categorised at a B2 level. Payments per hour and day rate as follows:

| Sub-category B2 | R.p.d | R.p.h |
|---|---|---|
| Chairperson | 4 005 | 501 |
| Deputy Chairperson | 2 820 | 353 |
| Member | 2 454 | 307 |

| Name | Remuneration | Other allowance | Other re-imbursements | Total |
|---|---|---|---|---|
| Ronald Kingwill | 70 | 5 | 4 | 79 |
| Gregory Grootboom | 31 | 4 | 17 | 52 |
| Carol-Ann Foulis | 26 | 5 | 1 | 32 |
| Andreas le Roux | 31 | 3 | 0 | 34 |
| Sibonile Khoza | 9 | 1 | 0 | 10 |
| Tanya Wainwright | 26 | 5 | 1 | 32 |
| Crystal Abdoll | 22 | 4 | 1 | 27 |

## 5. RISK MANAGEMENT

Risk Management is essential to the effective functioning of the Authority's operation. During the period under review, the Authority has dedicated its resources to mature its risk management processes.

The Management of the Authority has embraced an effective risk - intelligent culture where its decision-making processes are informed by a well – thought out approach to a risk management process which is agile, dynamic and supports the achievement of the Authority's strategic mandate.

The Authority is conscious that risk management is central to its ability to deliver on its mandate and its sustainability. The fourth King Report on Corporate Governance for South Africa, 2016 (King IV) expects the Governing Board to manage risk within the Authority. Principle 11 of King IV states that 'the governing body should govern risk in a way that supports the organization in setting and achieving its strategic objectives'. The Board, ultimately, is responsible for ensuring that all risks are effectively managed. The Board has delegated oversight of the risk management function to the Audit and Risk Committee (ARC).



## 6. INTERNAL CONTROL UNIT

During the year under review a Compliance and Internal Control function was created at the Western Cape Liquor Authority and reports to the Chief Financial Officer. The function is still in its infancy and is mandated to ensure that the Authority's system of internal control is adequate and effective.

The Manager: Compliance and Internal Control is a permanent invitee of the Audit and Risk Committee where matters concerning loss control and risk management activities are reported on.

In the year under review, the Authority updated the Risk Management Policies, Risk Management Plan, Fraud Prevention and Response Plan and other policies and procedures that on approval by the Audit and Risk Committee and the Governing Board will ensure that the system of risk management and internal control within the Authority is embedded, and the fraud prevention and loss control strategies are in place and institutionalized.

## 7. INTERNAL AUDIT AND AUDIT COMMITTEES

The Authority does not have the capacity to insource its own internal audit function. This service is provided by an external service provider. In the year under review the internal audit contract of SNG Grant Thornton came to an end, and Nexia SAB & T were appointed as the Internal Auditors for a period of three (3) years.
In terms of the risk-based Internal Audit Plan, the Internal Audit function performed all the planned engagements for the 2022/23 financial year as per the audit plan approved by the Audit and Risk Committee.

The Audit and Risk Committee met once a quarter to review the internal audit reports and to benchmark the activities of the internal audits against the internal audit plan.

The table below discloses relevant information on the Audit and Risk committee members:

| Name | Qualifications | Internal or external | If internal, position in the public entity | Date appointed | Date Resigned | No. of Meetings attended |
|---|---|---|---|---|---|---|
| Francois Barnard | CA(SA); M Com (Tax) | External | - | 1 June 2020 | - | 7 |
| Terence Arendse | CA(SA) | External | - | 1 May 2019 | - | 7 |
| Crystal Abdoll | Chartered Accountant, Post Grad Diploma in Internal Auditing, BCompt Hons | Internal | Board member | 1 March 2022 | - | 7 |

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

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

## 9. FRAUD AND CORRUPTION

The Authority echoes the stance of the province in terms of fraud and corruption. Every effort is made to minimise the occurrence of potentially fraudulent activities. Fraud and corruption prevention forms an integral focus area of the risk assessment.
The Authority has adopted and implemented its own fraud policy. Management and staff are responsible for the detection and prevention of fraud, misappropriations, and other irregularities.

## 10. MINIMISING CONFLICT OF INTEREST

On an annual basis and at all meetings, all staff and Board members are required to complete the Declaration of Interest forms.
For the 2022/22 financial year, there was no conflict of interest identified.

## 11. CODE OF CONDUCT

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

## 12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

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

N/A

## 14. SOCIAL RESPONSIBILITY

While the Authority itself did not have any social responsibility programmes for the year, the Authority does impose conditions on license holders to ensure that they trade in liquor responsibly.

The Communication, Education and Stakeholder Relations component of the Authority also focuses on educating license holders regarding responsible trading and raising awareness amongst relevant stakeholders of the harms caused by alcohol abuse.

# 15. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2023

## Audit and Risk Committee Responsibility

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

## Audit Committee Members and Attendance

As required by its Charter, the Audit and Risk Committee has to meet at least four (4) times per annum, although additional meetings may be scheduled as the need arises. Seven (7) meetings were held during the 2022/23 financial year.

| MEETINGS ATTENDED | |
|---|---|
| Mrs, C. Abdoll | 7 |
| Mr T. Arendse | 7 |
| Mr F. Barnard- term expired 31 May 2023 | 7 |

## The Effectiveness of Internal Control

The Committee has considered the reports received from Internal Audit on the Authority's system of internal controls. Management action plans in response to the areas of improvement identified have been assessed and the Committee continues to monitor progress with the implementation of these action plans.

## In-Year Management and Monthly/Quarterly Report

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

## Governance of Risk

The Committee is responsible for the oversight of the risk management process. The Committee considered the risk management plan and the fraud plan and have reviewed the related registers and the updates thereto on a quarterly basis.

## Auditor-General's Report

The Committee has:

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

Corrective actions on the detailed findings raised by the AGSA are monitored by the Audit Committee on a quarterly basis. The Committee concurs and accepts the AGSA's opinion regarding the Annual Financial Statements and proposes that these Audited Annual Financial Statements be accepted and read together with their report.

# Governance

The Audit Committee commends the entity for achieving an unqualified audit opinion with no findings.

## Evaluation of Financial Statements

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

## Appreciation

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

**Terence Arendse**
**Chairperson of the Audit Committee**
**Western Cape Liquor Authority**
**Date: 31 July 2023**

# 16. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as amended by the Department of Trade and Industry.

| Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following | | |
|---|---|---|
| **Criteria** | **Response Yes/ No** | **Discussion (include a discussion on your response and indicate what measures have been taken to comply)** |
| Determining qualification criteria for the issuing of licenses, concessions or other authorisations in respect of economic activity in terms of any law? | No | The WCLA does not engage in the economic activity. |
| Developing and implementing a preferential procurement policy? | Yes | The SCM policy (S1.4) of the WCLA makes provision for the implementation of preferential procurement. |
| Determining qualification criteria for the sale of state-owned enterprises? | No | The WCLA does not engage in the economic activity. |
| Developing criteria for entering into partnerships with the private sector? | No | The WCLA does not engage in the economic activity. |
| Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment? | No | The WCLA does not engage in the economic activity. |

# Part D:

# Human Resource Management

# Human Resource Management

## 1. INTRODUCTION

The year under review was characterised by the WCLA demonstrating its relevance with the additional capacity and resources it has been allocated in supporting the strategic objectives. The growth of the WCLA as a sustainable entity will be assured considering its risk methodology to respond to a dynamic and agile environment that the Authority choose to operate within.

The WCLA embarked on a process procuring a service provider to facilitate a functional and responsive organisational design.

We are committed to creating a positive and responsive regulatory environment in which staff are enabled to perform their best and are healthy and resilient at work. In this regard the revision of the HR Policy and Remuneration Policy is key to enable staff.

The 2022/23 financial year has seen a significant growth trajectory towards greater impact and a commitment to regulate in the public interest. This includes:

- Increased Staff capacity
- Collaborative approaches ensuring the development and implementation of responsive and enabling policies
- Established Internship Program
- Commitment to diversity and Inclusion: Invested in initiatives and partnerships designed to increase awareness of our opportunities and generate interest in available career opportunities, example, the partnership with the University of the Western Cape participating in the career expo's and presence on the universities career portal (UWC Career Xplora Job Board).

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

**Personnel Cost by component**

| Programme/activity/objective | Total expenditure for the entity (R'000) | Personnel expenditure (R'000) | Personnel exp. as a % of total exp. (R'000) | No. of employees | Average personnel cost per employee (R'000) |
|---|---|---|---|---|---|
| Liquor Licensing Administration | 41 667 | 10 111 | 24.27 % | 18 | 562 |
| Communication, Education and Stakeholder Relations | 41 667 | 3 347 | 8.03 % | 4 | 837 |
| Compliance and Enforcement | 41 667 | 15 775 | 36.86 % | 36 | 438 |
| Finance | 41 667 | 6 201 | 14.88 % | 9 | 689 |
| Corporate Services | 41 667 | 6 232 | 14.96 % | 14 | 445 |

**Personnel Cost by salary band**

| Level | Personnel Expenditure (R'000) | % of personnel exp. to total personnel cost (R'000) | No. of employees | Average personnel cost per employee (R'000) |
|---|---|---|---|---|
| Top Management | 1 733 | 4.16 % | 1 | 1 733 |
| Senior Management | 5 617 | 13.48 % | 3 | 1 872 |
| Professional qualified | 10 404 | 24.97 % | 18 | 578 |
| Skilled | 10 871 | 26.09 % | 24 | 453 |
| Semi-skilled | 11 672 | 28.01 % | 31 | 377 |
| Unskilled | 1 370 | 3.20 % | 4 | 343 |
| **TOTAL** | **41 667** | **100%** | **81** | **514** |

**Performance Rewards**

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

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

**Training Costs**

| Programme/activity/objective | Personnel Expenditure (R'000) | Training Expenditure (R'000) | Training Expenditure as a % of Personnel Cost | No. of employees trained | Avg training cost per employee |
|---|---|---|---|---|---|
| Liquor Licensing Administration | 10 111 | 44 | 0.43 % | 18 | 2.44 |
| Communication, Education and Stakeholder Relations | 3 347 | 9 | 0.27 % | 4 | 2.25 |
| Compliance and Enforcement | 15 775 | 89 | 0.56 % | 36 | 2.47 |
| Finance | 6 201 | 22 | 0.35 % | 9 | 2.44 |
| Corporate Services | 6 232 | 34 | 0.55 % | 14 | 2.43 |

**Employment and vacancies**

| Programme/activity/objective | 2021/22 No. of Employees | 2022/23 Approved Posts | 2022/23 No. of Employees | 2022/23 Vacancies | % of vacancies |
|---|---|---|---|---|---|
| Liquor Licensing Administration | 16 | 23 | 18 | 5 | 21.74% |
| Communication, Education and Stakeholder Relations | 6 | 7 | 4 | 3 | 42.86% |
| Compliance and Enforcement | 39 | 40 | 36 | 4 | 10.00% |
| Finance | 10 | 12 | 9 | 3 | 25.00% |
| Corporate Services | 17 | 15 | 14 | 1 | 6.67% |

| Programme/activity/objective | 2021/22 No. of Employees | 2022/23 Approved Posts | 2022/23 No. of Employees | 2022/23 Vacancies | % of vacancies |
|---|---|---|---|---|---|
| Top Management | 1 | 1 | 1 | 0 | 0 |
| Senior Management | 5 | 6 | 3 | 3 | 50.00% |
| Professional qualified | 18 | 22 | 18 | 4 | 9.10% |
| Skilled | 24 | 27 | 24 | 3 | 11.11% |
| Semi-skilled | 29 | 37 | 31 | 6 | 16.22% |
| Unskilled | 6 | 4 | 4 | 0 | 0 |
| **TOTAL** | **83** | **97** | **81** | **16** | **16.49%** |

**Employment changes**

| Salary Band | Employment at beginning of period | Appointments | Terminations | Employment at end of the period |
|---|---|---|---|---|
| Top Management | 1 | 0 | 0 | 1 |
| Senior Management | 5 | 0 | 2 | 3 |
| Professional qualified | 18 | 1 | 1 | 18 |
| Skilled | 24 | 3 | 3 | 24 |
| Semi-skilled | 29 | 5 | 3 | 31 |
| Unskilled | 6 | 0 | 2 | 4 |
| **TOTAL** | **83** | **9** | **11** | **81** |

**Reasons for staff leaving**

| Reason | Number | % of total no. of staff leaving |
|---|---|---|
| Death | - | - |
| Resignation | 4 | 4.94% (81) |
| Dismissal | - | - |
| Retirement | - | - |
| Ill health | - | - |
| Expiry of contract | - | - |
| Other | 1* | 1.23% (81) |
| **TOTAL** | **5** | **6.17% (81)** |

**Note**: *Exit interviews are conducted with all staff on termination of service. A formal recruitment process commences once a position becomes vacant. Temporary positions are filled dependent on budget availability and capacity needs (Approvals sought from relevant parties).*

** The WCLAs internal disciplinary process resulted in a dismissal sanction. The employee appealed the sanction at the CCMA where the outcome resulted in termination by mutual agreement.*

**Labour Relations: Misconduct and disciplinary action**

| Nature of disciplinary Action | Number |
|---|---|
| Verbal Warning | - |
| Written Warning | - |
| Final Written warning | - |
| Dismissal | - |
| Suspension without pay | - |

**Note**: *Progressive discipline sessions/Counselling are conducted to address instances that does not warrant a verbal or written warning.*

**Equity Target and Employment Equity Status**

| Levels | MALE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 0 | 1 | 1 | 1 | 0 | 0 | 1 | 1 |
| Professional qualified | 2 | 5 | 5 | 5 | 0 | 0 | 2 | 2 |
| Skilled | 4 | 6 | 6 | 6 | 0 | 0 | 0 | 2 |
| Semi-skilled | 1 | 8 | 18 | 8 | 0 | 0 | 2 | 3 |
| Unskilled | 0 | 1 | 2 | 1 | 0 | 0 | 0 | 0 |
| **TOTAL** | **7** | **21** | **33** | **21** | **0** | **0** | **5** | **8** |

| Levels | FEMALE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 0 | 1 | 1 | 1 | 0 | 0 | 0 | 1 |
| Professional qualified | 3 | 4 | 6 | 5 | 0 | 0 | 0 | 2 |
| Skilled | 2 | 5 | 9 | 6 | 0 | 0 | 3 | 2 |
| Semi-skilled | 3 | 6 | 7 | 7 | 0 | 0 | 0 | 3 |
| Unskilled | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| **TOTAL** | 9 | 17 | 24 | 20 | 0 | 0 | 3 | 8 |

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

**Note:** *The WCLA has an approved Employment Equity Plan and attempts appointing the preferred equity targets once a position becomes vacant. The WCLA has included standard wording on the vacancy adverts indicating that preference in appointments will be given to employment equity targets groups.*

# Human Resource Management

# Part E:

# PFMA Compliance Report

# PFMA Compliance Report

## 1. Information on Irregular, Fruitless and Wasteful Expenditure and Material Losses

### Irregular Expenditure

**a) Reconciliation of irregular expenditure**

| Description | 2022/23 R'000 | 2021/22 R'000 |
|---|---|---|
| Opening balance | 9 546 | 30 507 |
| Add: Irregular expenditure confirmed | 91 | 0 |
| Less: Irregular expenditure condoned | 0 | (20 961) |
| Less: Irregular expenditure not condoned and removed | 0 | 0 |
| Less: Irregular expenditure recoverable | 0 | 0 |
| Less: Irregular expenditure not recovered and written off | 0 | 0 |
| **Closing balance** | **9 637** | **9 546** |

**Reconciling notes**

| Description | 2022/23 R'000 | 2021/22 R'000 |
|---|---|---|
| Irregular expenditure that was under assessment in 2021/22 | 0 | 0 |
| Irregular expenditure that relates to 2021/22 and identified in 2022/23 | 91 | 0 |
| Irregular expenditure for the current year | 0 | 0 |
| **Total** | **91** | **0** |

**b) Details of current and previous year irregular expenditure (under assessment, determination and investigation)**

| Description | 2022/23 R'000 | 2021/22 R'000 |
|---|---|---|
| Irregular expenditure under assessment | 0 | 0 |
| Irregular expenditure under determination | 9 551 | 0 |
| Irregular expenditure under investigation | 0 | 0 |
| **Total** | **9 551** | **0** |

**c) Details of current and previous year irregular expenditure condoned**

| Description | 2022/23 R'000 | 2021/22 R'000 |
|---|---|---|
| Irregular expenditure condoned | 0 | (20 961) |
| **Total** | **0** | **(20 961)** |

d) Details of current and previous year irregular expenditure removed – (not condoned)

| Description | 2022/23 | 2021/22 |
|---|---|---|
| | R'000 | R'000 |
| Irregular expenditure NOT condoned and removed | 0 | 0 |
| **Total** | **0** | **0** |

e) Details of current and previous year irregular expenditure recovered

| Description | 2022/23 | 2021/22 |
|---|---|---|
| | R'000 | R'000 |
| Irregular expenditure recovered | 0 | 0 |
| **Total** | **0** | **0** |

f) Details of current and previous year irregular expenditure written off (irrecoverable)

| Description | 2022/23 | 2021/22 |
|---|---|---|
| | R'000 | R'000 |
| Irregular expenditure written off | 0 | 0 |
| **Total** | **0** | **0** |

## Additional disclosure relating to Inter-Institutional Arrangements

g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

| Description |
|---|
| N/A |
| **Total** |

h) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)

| Description | 2022/23 | 2021/22 |
|---|---|---|
| | R'000 | R'000 |
| NA | | |
| **Total** | | |

i) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure)

| Disciplinary steps taken |
|---|
| N/A |

## Fruitless and wasteful expenditure

**a) Reconciliation of fruitless and wasteful expenditure**

| Description | 2022/23 | 2021/22 |
|---|---|---|
| | R'000 | R'000 |
| Opening balance | 9 | 9 |
| Add: Fruitless and wasteful expenditure confirmed | 0 | 0 |
| Less: Fruitless and wasteful expenditure written off | 0 | 0 |
| Less: Fruitless and wasteful expenditure recoverable | 0 | 0 |
| **Closing balance** | **9** | **9** |

**Reconciling notes**

| Description | 2022/23 | 2021/22 |
|---|---|---|
| | R'000 | R'000 |
| Fruitless and wasteful expenditure that was under assessment in 2021/22 | 0 | 0 |
| Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23 | 0 | 0 |
| Fruitless and wasteful expenditure for the current year | 0 | 0 |
| **Total** | **0** | **0** |

**b) Details of current and previous year fruitless and wasteful expenditure (under assessment, determination and investigation)**

| Description | 2022/23 | 2021/22 |
|---|---|---|
| | R'000 | R'000 |
| Fruitless and wasteful expenditure under assessment | 0 | 0 |
| Fruitless and wasteful expenditure under determination | 0 | 0 |
| Fruitless and wasteful expenditure under investigation | 9 | 9 |
| **Total** | **9** | **9** |

**c) Details of current and previous year fruitless and wasteful expenditure recovered**

| Description | 2022/23 | 2021/22 |
|---|---|---|
| | R'000 | R'000 |
| Fruitless and wasteful expenditure recovered | 0 | 0 |
| **Total** | **0** | **0** |

**d) Details of current and previous year fruitless and wasteful expenditure not recovered and written off**

| Description | 2022/23 | 2021/22 |
|---|---|---|
| | R'000 | R'000 |
| Fruitless and wasteful expenditure written off | 0 | 0 |
| **Total** | **0** | **0** |

e) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

| Disciplinary steps taken |
| --- |
| N/A |

## Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) & (ii)

a) Details of current and previous year material losses through criminal conduct

| Description | 2022/23 | 2021/22 |
| --- | --- | --- |
| | R'000 | R'000 |
| Theft | 0 | 0 |
| Other material losses | 0 | 0 |
| Less: Recovered | 0 | 0 |
| Less: Not recovered and written off | 0 | 0 |
| **Closing balance** | **0** | **0** |

b) Details of other material losses

| Nature of other material losses | 2022/23 | 2021/22 |
| --- | --- | --- |
| | R'000 | R'000 |
| N/A | | |
| **Total** | | |

c) Other material losses recovered

| Nature of losses | 2022/23 | 2021/22 |
| --- | --- | --- |
| | R'000 | R'000 |
| N/A | | |
| **Total** | | |

d) Other material losses written off

| Nature of losses | 2022/23 | 2021/22 |
| --- | --- | --- |
| | R'000 | R'000 |
| N/A | | |
| **Total** | | |

## 2. Information on late and/ or non-payment of suppliers

| Description | 2022/23 | 2021/22 |
|---|---|---|
| | R'000 | R'000 |
| Valid invoices received | 548 | 27 290 |
| Invoices paid **within** 30 days or agreed period | 517 | 26 034 |
| Invoices paid **after** 30 days or agreed period | 31 | 1 256 |
| Invoices older than 30 days or agreed period (**unpaid and without dispute**) | 0 | 0 |
| Invoices older than 30 days or agreed period (**unpaid and in dispute**) | 3 | 130 |

## 3. Information on Supply Chain Management

### Procurement by other means

| Project Description | Name of supplier | Type of procurement by other means | Contract number | 2022/23 |
|---|---|---|---|---|
| | | | | R'000 |
| Online Client Services Platform | Blue Gheko | Limitted bidding | LB 008-2022/23 | 2 227 |
| **Total** | | | | **2 227** |

### Contract variations and expansions

| Project Description | Name of supplier | Contract modification type (Expansion or Variation) | Contract number | Original contract value | Value of previous contract expansion/s or variation/s (if applicable) | Value of current contract expansion or variation |
|---|---|---|---|---|---|---|
| | | | | R'000 | R'000 | R'000 |
| N/A | | | | | | |
| **Total** | | | | | | |

During the year under review, the Authority did not vary or extend any of the contracts it entered into with its service providers that are above the prescribed threshhold.

# Part F:

# Financial Information

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

## Report on the review of the financial statements

1. I have reviewed the financial statements of the Western Cape Liquor Authority set out on pages 79 to 130, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

## Conclusion

2. Based on my review, nothing has come to my attention that causes me to believe that the financial statements do not present fairly, in all material respects, the financial position of the Western Cape Liquor Authority as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

## Emphasis of matter

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

### Restatement of corresponding figures

4. As disclosed in note 20, 27 and 37 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 31 March 2023.

## Other matter

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

### National Treasury Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework

6. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 33 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of the Western Cape Liquor Authority. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the entity. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

## Responsibilities of the accounting authority for the financial statements

7. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

## Responsibilities of the auditor-general for the review of the financial statements

9. My responsibility is to express a conclusion on the accompanying financial statements. I conducted my review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to review historical financial statements. The standard requires me to conclude on whether anything has come to my attention that causes me to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires me to comply with relevant ethical requirements.

10. A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. I am required to perform procedures, primarily consisting of making inquiries of management and others within the auditee, as appropriate, and applying analytical procedures, and evaluating the evidence obtained.

11. The procedures performed in a review engagement are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, I do not express an audit opinion on these financial statements.

## Report on the annual performance report

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

13. I selected the following material performance indicators related to component 2 – liquor licensing tribunal presented in the annual performance report for the year ended 31 March 2023. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.
    - Indicator 2.1 - Percentage of permanent and secondary license Application considered by the Liquor Licensing Tribunal within the prescribed timeframes.
    - Indicator 2.2 - Percentage of all enforcement matters finalised by Liquor Licensing Tribunal within 60 days of referral

14. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

15. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
    - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
    - the targets linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
    - the reported performance information is presented in the annual performance report in the prescribed manner
    - there are adequate supporting evidence for the achievements reported and for the reasons provided for any over/under achievement of targets.
16. I performed the procedures for the purpose of reporting material findings only.
17. I did not identify any material findings on the reported performance information for the selected material performance indicators.

## Other matter

18. I draw attention to the matter below.

### Achievement of planned targets

19. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievements.

## Report on compliance with legislation

20. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
21. I performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
22. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
23. I did not identify any material non-compliance with the selected legislative requirements.

## Internal control deficiencies

24. I considered internal control relevant to my engagement on the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

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

## Professional ethics and quality control

26. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my engagements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

27. In accordance with the International Standard on Quality Management 1, the AGSA maintains a comprehensive system of quality management that includes documented policies and procedures on compliance with ethical requirements and professional standards.

Auditor-General

**Cape Town**
**31 July 2023**

AUDITOR-GENERAL
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure to the auditor's report

### Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

| Legislation | Sections or regulations |
|---|---|
| Public Finance Management Act No.1 of 1999 (PFMA) | Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii)<br>Section 53(4)<br>Section 55(1)(a); 55(1)(b); 55(1)(c)(i)<br>Section 56(1); 56(2)<br>Section 57(b);<br>66(3)(a) and 66(5) |
| Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR) | Regulation 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(e ); 16A 6.4; 16A 6.5; 16A 6.6; 16A 8.3; 16A 8.4; 16A9.1(b)(ii); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2(a)(ii)<br>Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1<br>Regulation 31.1.2(c); 31.2.5; 31.2.7(a)<br>Regulation 33.1.1; 33.1.3 |
| Prevention and Combating of Corrupt Activities Act (PRECCA) | Section 29; 34(1) |
| Construction Industry Development Board Act (CIDB) | Section 18(1) |
| Construction Industry Development Board (CIDB) Regulations | CIDB regulation 17; 25(1); 25 (5) & 25(7A) |
| Preferential Procurement Policy Framework Act (PPPFA) | Section 1(i); 2.1(a); 2.1(b); 2.1(f) |
| Preferential Procurement Regulations (PPR) 2017 | Paragraph 4.1; 4.2<br>Paragraph 5.1; 5.3; 5.6; 5.7<br>Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8<br>Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8<br>Paragraph 8.2; 8.5<br>Paragraph 9.1; 9.2<br>Paragraph 10.1; 10.2<br>Paragraph 11.1; 11.2<br>Paragraph 12.1 and 12.2 |
| Preferential Procurement Regulations (PPR) 2022 | Paragraph 3.1<br>Paragraph 4.1; 4.2; 4.3; 4.4<br>Paragraph 5.1; 5.2; 5.3; 5.4 |
| Public Finance Management Act Supply Chain Management Instruction no. 09 of 2022/2023 | Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6 |
| National Treasury Instruction No.1 of 2015/16 | Paragraph 3.1; 4.1; 4.2 |

| Legislation | Sections or regulations |
|---|---|
| National Treasury Supply Chain Management Instruction Note 03 2021/22 | Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4(c); 4.4(d); 4.6<br>Paragraph 5.4<br>Paragraph 7.2; 7.6 |
| National Treasury Supply Chain Management Instruction Note 4A of 2016/17 | Paragraph 6 |
| National Treasury Supply Chain Management Instruction Note 03 2019/20 | Paragraph 5.5.1(vi); 5.5.1(x) |
| National Treasury Supply Chain Management Instruction Note 11 2020/21 | Paragraph 3.1;<br>Paragraph 3.4(a); 3.4(b)<br>Paragraph 3.9<br>Paragraph 6.1; 6.2; 6.7 |
| National Treasury Supply Chain Management Instruction Note 2 of 2021/22 | Paragraph 3.2.1; 3.2.2; 3.2.4(a); 3.2.4(b); 3.3.1;<br>Paragraph 4.1 |
| Public Finance Management Act Supply Chain Management Instruction 04 of 2022/23 | Paragraph 4(1)<br>Paragraph 4(2)<br>Paragraph 4(4) |
| Practice Note 5 of 2009/10 | Paragraph 3.3 |
| Public Finance Management Act Supply Chain Management Instruction 08 of 2022/23 | Paragraph 3.2<br>Paragraph 4.3.2; 4.3.3 |
| Competition Act | Section 4(1)(b)(ii) |
| National Treasury Instruction note 4 of 2015/16 | Paragraph 3.4 |
| National Treasury Instruction 3 of 2019/20 - Annexure A | Section 5.5.1 (iv) and (x) |
| Second amendment of National Treasury Instruction 05 of 2020/21 | Paragraph 4.8; 4.9 ; 5.1 ; 5.3 |
| Erratum National Treasury Instruction 5 of 202/21 | Paragraph 1 |
| Erratum National Treasury Instruction 5 of 202/21 | Paragraph 2 |
| Practice note 7 of 2009/10 | Paragraph 4.1.2 |
| Practice note 11 of 2008/9 | Paragraph 3.1<br>Paragraph 3.1 (b) |
| National Treasury Instruction note 1 of 2021/22 | Paragraph 4.1 |
| Public Service Act | Section 30 (1)<br>Public service regulation 13(c);18; 18 (1) and (2); |

## General informnation



| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Nature of business and principal activities** | Regulation of the liquor industry in the Western Cape |
| **Members of the Governing Board** | Mr R Kingwill (Chairperson)<br>Dr G Grootboom (Deputy Chairperson)<br>Mr A Le Roux<br>Ms C Foulis<br>Adv S. Khoza<br>Ms T. Wainwright<br>Ms C. Abdoll |
| **Registered office** | 3rd Floor<br>Sunbel Building<br>3 Old Paarl Road<br>Bellville<br>7530 |
| **Postal address** | Private Bag X6<br>Sanlamhof<br>Bellville<br>7532 |
| **Bankers** | Nedbank Limited |
| **Auditors** | Office of the Auditor General of South Africa<br>Chartered Accountants (S.A.)<br>Registered Auditors |
| **Secretary** | Ms C Symes |
| **Attorneys** | State Attorney |
| **Chief Executive Officer** | Mr S George |
| **Audit Committee Members** | Mr F Barnard (Chairperson) (Term ended 31 May 2023)<br>Mr T Arendse<br>Ms C Abdoll |

## Index

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



**Abbreviations used:**

| | |
|---|---|
| DoCS | Western Cape Department of Policy Oversight and Community Safety |
| GRAP | Generally Recognised Accounting Practice |
| PFMA | Public Finance Management Act |
| SETA | Sector Education and Training Authority |
| WCLA | Western Cape Liquor Authority |
| DEDAT | Western Cape Department of Economic Development and Tourism |

# Governing Board Members' Responsibilities and Approval

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

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

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

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

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

The members have reviewed the entity's cash flow forecast for the year ending 31 March 2024 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements.

The annual financial statements set out on pages 79 to 130, which have been prepared on the going concern basis, were approved by the board on 31 May 2023 and were signed on its behalf by:

**R Kingwill**
**Chairperson of the Governing Board**

## Statement of Financial Position as at 31 March 2023

| Figures in Rand | Note(s) | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | | | |
| Cash and cash equivalents | 2 | 21 524 453 | 28 764 241 |
| Receivables from exchange transactions | 3 | 483 356 | 1 251 527 |
| Receivables from non-exchange transactions | 4 | 4 014 146 | 2 729 083 |
| | | **26 021 955** | **32 744 851** |
| Non-Current Assets | | | |
| Intangible assets | 5 | 9 682 822 | 5 808 560 |
| Property, plant and equipment | 6 | 10 967 972 | 9 609 364 |
| | | **20 650 794** | **15 417 924** |
| **Total Assets** | | **46 672 749** | **48 162 775** |
| **Liabilities** | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 7 | 12 243 952 | 7 932 565 |
| Operating lease liability | 8 | 553 878 | 362 222 |
| Unspent conditional grants and funds to be surrendered | 9 | 5 546 101 | 19 106 000 |
| Unallocated deposits | 10 | 1 002 778 | 936 436 |
| Finance lease obligation | 11 | 668 543 | 386 471 |
| Employee benefit obligation | 12 | 3 014 994 | 3 142 657 |
| | | **23 030 246** | **31 866 351** |
| Non-Current Liabilities | | | |
| Operating lease liability | 11 | - | 191 656 |
| Finance lease obligation | 8 | 2 761 382 | 1 777 396 |
| Employee benefit obligation | 12 | 483 959 | 585 132 |
| Provisions | 13 | 1 519 205 | 1 416 507 |
| | | **4 764 546** | **3 970 691** |
| **Total Liabilities** | | **27 794 792** | **35 837 042** |
| **Net Assets** | | **18 877 957** | **12 325 733** |
| Reserves | | | |
| Social and education fund reserve | | 221 530 | 221 530 |
| Accumulated surplus | | 18 656 427 | 12 104 203 |
| **Total Net Assets** | | **18 877 957** | **12 325 733** |

Statement of Financial Performance

| Figures in Rand | Note(s) | 2023 | 2022 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Application fees | 14 | 2 790 235 | 2 071 995 |
| Granting fees | 15 | 4 755 213 | 3 705 819 |
| Interest earned | 16 | 1 380 701 | 708 227 |
| Other income | 17 | 84 259 | 75 281 |
| **Total Revenue from exchange transactions** | | **9 010 408** | **6 561 322** |
| **Revenue from non-exchange transactions** | | | |
| **Transfer revenue** | | | |
| Fines, penalties and forfeits | 18 | 9 617 596 | 4 267 856 |
| Government grants and subsidies | 19 | 61 345 019 | 56 080 625 |
| **Total Revenue from non-exchange transactions** | | **70 962 615** | **60 348 481** |
| **Total Revenue** | | **79 973 023** | **66 909 803** |
| **Expenditure** | | | |
| Employee related costs | 20 | (41 471 332) | (38 278 572) |
| Remuneration of governing board members | 21 | (213 876) | (212 989) |
| Debt (Impairment)/reversal | 22 | (1 642 178) | 146 605 |
| Depreciation and amortisation | 23 | (3 698 248) | (2 984 208) |
| Finance costs | 24 | (1 059 396) | (1 001 428) |
| General expenses | 25 | (25 335 767) | (22 165 037) |
| **Total expenditure** | | **(73 420 797)** | **(64 495 629)** |
| **Surplus for the year** | | **6 552 226** | **2 414 174** |

## Statement of Changes in Net Assets

| Figures in Rand | Social Education Fund | Accumulated surplus | Total net assets |
|---|---|---|---|
| **Balance at 01 April 2021** | **24 582** | **9 886 977** | **9 911 559** |
| Changes in net assets | | | |
| Surplus for the year | - | 2 414 174 | 2 414 174 |
| Transfer of unspent funds to social education fund | 196 948 | (196 948) | - |
| Total changes | 196 948 | 2 217 226 | 2 414 174 |
| Opening balance as previously reported | 221 530 | 11 225 209 | 11 446 739 |
| Adjustments | | | |
| Prior year adjustments note 31 | - | 878 992 | 878 992 |
| **Balance at 01 April 2022 as restated*** | **221 530** | **12 104 201** | **12 325 731** |
| Changes in net assets | | | |
| Surplus for the year | - | 6 552 226 | 6 552 226 |
| Total changes | - | 6 552 226 | 6 552 226 |
| **Balance at 31 March 2023** | **221 530** | **18 656 427** | **18 877 957** |

Cash Flow Statement

| Figures in Rand | Note(s) | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Total amount collected on behalf of provincial revenue fund | | 46 399 874 | 45 569 755 |
| Government Grants | | 47 914 697 | 59 882 623 |
| Interest received | | 1 233 925 | 708 227 |
| Other Receipts | | 14 536 603 | 10 133 938 |
| | | 110 085 099 | 116 294 543 |
| **Payments** | | | |
| Suppliers and employees | | (62 838 195) | (61 306 041) |
| Total amount of provincial revenue fund collections paid to DoCS | | (47 477 947) | (44 033 831) |
| Interest paid | | (928 629) | (913 848) |
| | | (111 244 771) | (106 253 720) |
| **Net cash flows from operating activities** | 26 | **(1 159 672)** | **10 040 823** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 6 | (936 604) | (450 638) |
| Purchase of other intangible assets | 5 | (4 474 969) | (3 340 672) |
| **Net cash flows from investing activities** | | **(5 411 573)** | **(3 791 310)** |
| **Cash flows from financing activities** | | | |
| Finance Lease Capital Redemption | | (668 543) | (390 007) |
| **Net increase/(decrease) in cash and cash equivalents** | | **(7 239 788)** | **5 859 506** |
| Cash and cash equivalents at the beginning of the year | | 28 764 241 | 22 904 735 |
| **Cash and cash equivalents at the end of the year** | **2** | **21 524 453** | **28 764 241** |

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | % |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| **Non-tax revenue** | | | | | | |
| Sale of goods other than capital assets | 8 412 000 | (1 022 000) | **7 390 000** | 7 629 707 | **239 707** | 3 |
| Entity revenue other than sales | 9 537 000 | 1 015 000 | **10 552 000** | 8 140 821 | **(2 411 179)** | -23 |
| | **17 949 000** | **(7 000)** | **17 942 000** | **15 770 528** | **(2 171 472)** | |
| **Transfer revenue of which:** | | | | | | |
| Departmental transfers | 67 021 000 | (129 000) | **66 892 000** | 47 914 697 | **(18 977 303)** | -28 |
| **Total revenue** | **84 970 000** | **(136 000)** | **84 834 000** | **63 685 225** | **(21 148 775)** | |
| **Expenditure** | | | | | | |
| Compensation of employees | (42 596 000) | 449 000 | **(42 147 000)** | (41 193 655) | **953 345** | 2 |
| Goods and services | (26 378 000) | (1 496 000) | **(27 874 000)** | (22 573 169) | **5 300 831** | 19 |
| Payments for capital assets | (15 996 000) | 1 183 000 | **(14 813 000)** | (6 080 115) | **8 732 885** | 59 |
| **Total expenditure** | **(84 970 000)** | **136 000** | **(84 834 000)** | **(69 846 939)** | **14 987 061** | |
| | **-** | **-** | **-** | **(6 161 714)** | **(6 161 714)** | |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **-** | **-** | **-** | **(6 161 714)** | **(6 161 714)** | |

The variances between the budget and actual amounts are explained in Note 37 of the financial statements.

PART F: FINANCIAL INFORMATION

# 1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.

## 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

## 1.2 Going concern assumption

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

## 1.3 Materiality

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

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

When the final accounts have been closed, any transaction that occurs in respect of a prior period is considered by management individually and collectively for materiality, and the annual financial statements are amended with transactions that are material in amount or by nature.

## 1.4 Comparative figures

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

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

## 1.5 Significant judgements and sources of estimation uncertainty

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

### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell.                                                         .

### Provisions

Provisions were raised and management determined an estimate based on the information available.

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

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

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

Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

### Useful lives of non current assets

The entity's management determines the estimated useful lives and related depreciation or amortisation charges for non-current assets. This estimate is based on industry norms. Management also considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. Reference was made to non-current assets used within the entity and other public entities to determine the useful life of the assets.

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

### Employee benefits obligation

### Defined contribution plan

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

PART F: FINANCIAL INFORMATION

**Effective interest rate**

The entity used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

**Accounting by principals and agent**

The entity makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follows:

The fees referred to in sections 46(2), 48(1) and (4), 63(2) and 65(16) must be paid into the Provincial Revenue Fund in terms of Section 30 of the Western Cape Liquor Act. The WCLA therefore acts as an agent in this relationship.

Additional information is disclosed in Note 7.

**Impairment of statutory receivables**

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures an impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Additional information is disclosed in Note 4.

## 1.6 Standards, amendments to standards and interpretations issued but not yet effective

In the current year the entity has adopted all new and revised standards and interpretations issued by the ASB that are relevant to its operations and are effective. The following GRAP standards have been issued, but are not yet effective during the current reporting period and the entity did not early adopt these GRAP standards.

| Reference | Topic | Effective date |
|---|---|---|
| GRAP 1 | Presentation of Financial Statements | 01 April 2023 |
| GRAP 25 | Employee benefits | 01 April 2023 |
| GRAP 21 | The Past Effect of Decisions on Materiality | 01 April 2023 |
| GRAP 104 | Financial Instruments (Revised) | 01 April 2025 |

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

## 1.7 Budget information

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

The approved budget covers the fiscal period from 2022/04/01 to 2023/03/31.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 37.

A difference of 10% or more, and if the amount exceeds R200 000, between budgeted and actual amounts is regarded as material. Comparative information is not required.

## 1.8 Financial instruments

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

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

A financial asset is:

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non derivative financial assets or non derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|---|
| Cash and cash equivalents | Financial asset measured at amortised cost |
| Receivables from exchange transactions (excluding prepaid expenditure) | Financial asset measured at amortised cost |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|---|
| Finance lease liability | Financial liability measured at amortised cost |
| Payables from exchange transactions | Financial liability measured at amortised cost |

### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

### Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

### Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

### 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 entity categorises cash and cash equivalents as financial assets carried at amortised cost.

### Derecognition
### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

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

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

### Financial liabilities

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

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

### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

## 1.9 Property, plant and equipment

Property, plant and equipment are tangible non current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Furniture and fixtures | Straight-line | 5 - 30 years |
| Motor vehicles (Leased assets) | Straight-line | 7 years |
| Office equipment | Straight-line | 3 - 30 years |
| Computer equipment | Straight-line | 5 - 10 years |
| Leasehold improvements | Straight-line | 15 years |
| Capital restoration costs | Straight-line | 15 years |
| Safety and security equipment | Straight-line | 10 years |
| Office equipment (leased assets) | Straight-line | 2 - 5 years |

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 6).

The entity discloses relevant information relating to assets under a finance lease, in the notes to the financial statements (see note 11).

## 1.10 Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model as follows:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

## 1.11 Intangible assets

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

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

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

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

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.

- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

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

Intangible assets are derecognised:

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

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

## 1.12 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.



### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy and 1.18.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and

- an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

## 1.13 Leases

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

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

**Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rent is expensed in the period in which they are incurred.

**Operating leases - lessee**

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

## 1.14 Statutory receivables

**Identification**

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The WCLA recognises statutory receivables when it obtains the right to receive fines, application fees, issuing fees, etc, in terms of Section 30 of the Western Cape Liquor Act.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

### Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from Exchange Transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from Non-exchange Transactions (taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

### Initial measurement

The entity initially measures statutory receivables at their transaction amount.

### Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

### Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expired or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

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

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

## 1.15 Employee benefits

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

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

### Short-term employee benefits

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

Short term employee benefits include items such as:

- wages, salaries and cellphone allowance;
- short term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

The entity provides long-service awards in the form of cash payments and additional leave days to eligible employees, after completion of every three years' service up to 15 years. The projected unit credit method has been used to value the obligation.

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

**Post employment benefits: Defined contribution plans**

Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another standard requires or permits the inclusion of the contribution in the cost of an asset.

## 1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

**Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

### Rendering of services

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

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

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 entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services. Application and Granting Fees are charged in accordance with section 26(8), 36(1)(e), 38, 46(2), 48(1), 48(4), 53(1), 59(7), 64(1), 65(4), 65(16), 66(2) and 66(6) of the Western Cape Liquor Act. Fees mainly include applications for new liquor licences, amendments to existing liquor licences and the related granting or issuing fees. The application documents are only supplied to the applicants on confirmation that the application fees have been received in the entity's bank account. Revenue is recognised when payment is received.

### Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

## 1.17 Revenue from non exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

**Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised, and recognises an amount of revenue equal to that reduction.

**Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

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

Receivables that arise from statutory (non contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables.  Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

**Government grants**

Funding from the Western Cape Provincial Treasury department via the DoCS and DEDAT received or receivable is recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised. The liability is transferred to revenue as and when the operating or capital expenditure has been recognised.Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

**Fines and penalties**

Fines and penalties are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

**Services in-kind**

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

## 1.18 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

**Designation**

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

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

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

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

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

### Identification

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

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

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

### Value in use

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

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

### Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides.

Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

**Reversal of an impairment loss**

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

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

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

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

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

**Redesignation**

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

## 1.19 Capital commitments

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

## 1.20 Accounting by principals and agents

**Identification**

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

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

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

**Identifying whether an entity is a principal or an agent**

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

### Binding arrangement

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

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

### Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

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

### Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

## 1.21 Segment information

A segment is an activity of an entity:

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

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

## 1.22 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

## 1.23 Events after reporting date

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

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

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

PART F: FINANCIAL INFORMATION

### 1.24 Irregular expenditure

Losses emanating from irregular expenditure are recognised as a receivable in the statement of financial position when recoverable. The receivable is measured at the amount that is expected to be recovered and is de-recognised when settled or subsequently written-off as irrecoverable.

Irregular expenditure is recorded in the notes to the financial statements when and at amounts confirmed and comprises of:

- irregular expenditure that was under assessment in the previous financial year;
- irregular expenditure relating to previous financial year and identified in the current year; and irregular expenditure incurred in the current year.

### 1.25 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure refers to that has been incurred in vain and would have been avoided had reasonable care been exercised.

Current year fruitless and wasteful expenditure is recorded in the annual financial statements disclosure when incurred and confirmed

Fruitless and wasteful expenditure for the previous financial year must be recognised in the period in which they occurred as follows:

- Fruitless and wasteful expendirure incurred and confirmed in the previous financial year
- Fruitless and wasteful expenditure that was under assessment

### 1.26 Social and education fund reserve

The entity established a fund in terms of section 31 of the Western Cape Liquor Act for the following purpose:

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

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 2. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 158 | 2 085 |
| Bank balances | 316 305 | 120 465 |
| Call Investment Deposits | 21 207 990 | 28 641 691 |
| | **21 524 453** | **28 764 241** |

**The entity had the following bank accounts**

| **Account number/description** | **Bank statement balances** | | | **Cash book balances** | | |
|---|---|---|---|---|---|---|
| | **31 March 2023** | **31 March 2022** | **31 March 2021** | **31 March 2023** | **31 March 2022** | **31 March 2021** |
| Nedbank - account no: 1452069883 (Income account) | 231 889 | 39 206 | 98 473 | 231 889 | 39 206 | 98 473 |
| Nedbank - account no: 1452069905 (Expenditure account) | 84 416 | 81 259 | 682 512 | 84 416 | 81 259 | 682 512 |
| Nedbank call account - no: 037881100168 (Grant) | 2 684 766 | 13 956 630 | 12 375 757 | 2 684 766 | 13 956 630 | 12 375 757 |
| Nedbank call account – no: 037881100168 (Income) | 18 301 695 | 14 660 479 | 9 723 372 | 18 301 695 | 14 660 479 | 9 723 372 |
| Nedbank call account – no: 037881100168 (Social and education fund) | 221 529 | 24 582 | 24 582 | 221 529 | 24 582 | 24 582 |
| **Total** | **21 524 295** | **28 762 156** | **22 904 696** | **21 524 295** | **28 762 156** | **22 904 696** |

## 3. Receivables from exchange transactions

| | | |
|---|---|---|
| Deposits | 19 523 | 19 523 |
| Accrued interest | 146 776 | 65 276 |
| Prepaid expenses | 317 057 | 1 166 728 |
| | **483 356** | **1 251 527** |

## 4. Receivables from non-exchange transactions

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

| | | |
|---|---|---|
| Fines | 3 210 036 | 2 141 514 |
| Penalties | 482 466 | 209 739 |
| Renewals | **321 644** | **144 829** |
| SETA | - | **233 001** |
| | **4 014 146** | **2 729 083** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 4. Receivables from non-exchange transactions (continued)

**Statutory receivables general information**

**Transaction(s) arising from statute**

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

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

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

**Determination of transaction amount**

The fines are determined by the Liquor Licensing Tribunal, after considering the merits of each matter brought before it, subject to the limit of R135 460 as set out in the Western Cape Liquor Regulations 2011 as amended.

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

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

Receivables from non exchange transactions impaired

Receivables from non exchange transactions with a payment ratio more than 90% are not considered to be impaired. In

instances where the payment ratio is less than 90%, the balance for that category of debtors is impaired based on the actual non payment percentage of outstanding debt.

As of 31 March 2023, fines of R5 547 100 (2022: R2 836 400) were impaired and provided for. The amount of the provision for impairment was R2 337 064 as of 31 March 2023 (2022: R694 886). The net fines after taking into account the effect of the provision for impairment were R3 210 036 as at 31 March 2023 (2022: R2 141 514).

**The ageing of the fines is as follows:**

| | 2023 | 2022 |
|---|---|---|
| Current (0 30 days) | 325 000 | 75 000 |
| 31 - 60 days | 355 000 | 96 000 |
| 61 - 90 days | 400 000 | 95 000 |
| 91 - 120 days | 1 110 000 | 90 000 |
| 121 - 365 days | 1 991 700 | 1 286 950 |
| > 365 days | 1 365 400 | 1 193 450 |
| Provision for impairment | (2 337 064) | (694 886) |
| | **3 210 036** | **2 141 514** |

Reconciliation of provision for impairment of receivables from non exchange transactions

| | 2023 | 2022 |
|---|---|---|
| Opening balance | 694 886 | 841 491 |
| Provision for impairment | 1 642 178 | (146 605) |
| | **2 337 064** | **694 886** |

Figures in Rand

## 5. Intangible assets

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation and accumulated impairment | Carrying value | Cost | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 11 820 683 | (4 424 456) | 7 396 227 | 8 156 425 | (3 332 667) | 4 823 758 |
| Intangible assets under development | 2 286 595 | - | 2 286 595 | 984 802 | - | 984 802 |
| **Total** | **14 107 278** | **(4 424 456)** | **9 682 822** | **9 141 227** | **(3 332 667)** | **5 808 560** |

**Reconciliation of intangible assets - 2023**

| | Opening balance | Additions | Disposals | Transfers | Disposals – Accumulated Amortisation | Amortisation | Total |
|---|---|---|---|---|---|---|---|
| Computer software, other | 4 823 758 | 3 568 598 | (810 711) | 906 371 | 810 711 | (1 902 500) | 7 396 227 |
| Intangible assets under development | 984 802 | 2 208 164 | - | (906 371) | - | - | 2 286 595 |
| | **5 808 560** | **5 776 762** | **(810 711)** | **-** | **810 711** | **(1 902 500)** | **9 682 822** |

**Reconciliation of intangible assets - 2022**

| | Opening balance | Additions | Disposals | Disposals – Accumulated Amortisation | Amortisation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|
| Computer software, other | 2 916 482 | 3 324 554 | (653 583) | 653 583 | (1 194 448) | (222 830) | 4 823 758 |
| Intangible assets under development | 62 315 | 922 487 | - | - | - | - | 984 802 |
| | **2 978 797** | **4 247 041** | **(653 583)** | **653 583** | **(1 194 448)** | **(222 830)** | **5 808 560** |

**Other information**

During the year ended 31 March 2023, intangible assets under development amounting to R906 371 were transferred to computer software after Phase 1 of the online client services platform was completed and became available for use.

Figures in Rand

## 6. Property, plant and equipment

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation and accumulated impairment | Carrying value | Cost | Accumulated amortisation and accumulated impairment | Carrying value |
| Furniture and fixtures | 3 766 703 | (1 834 563) | 1 932 140 | 3 707 197 | (1 592 600) | 2 114 597 |
| Motor vehicles (Leased assets) | 4 440 555 | (1 253 419) | 3 187 136 | 2 689 596 | (1 108 900) | 1 580 696 |
| Office equipment | 1 280 376 | (931 814) | 348 562 | 1 280 376 | (783 094) | 497 282 |
| Computer equipment | 6 911 325 | (5 226 624) | 1 684 701 | 6 034 226 | (4 731 974) | 1 302 252 |
| Leasehold improvements | 4 773 173 | (2 444 562) | 2 328 611 | 4 773 173 | (2 126 351) | 2 646 822 |
| Safety and security equipment | 1 123 842 | (821 602) | 302 240 | 1 123 842 | (709 218) | 414 624 |
| Office equipment (Leased assets) | 1 285 487 | (702 538) | 582 949 | 818 687 | (419 187) | 399 500 |
| Capital restoration costs | 1 032 069 | (430 436) | 601 633 | 1 032 069 | (378 478) | 653 591 |
| Total | **24 613 530** | **(13 645 558)** | **10 967 972** | **21 459 166** | **(11 849 802)** | **9 609 364** |

**Reconciliation of property, plant and equipment - 202**

| | Opening balance | Additions | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|
| Furniture and fixtures | 2 114 597 | 59 506 | (241 963) | - | 1 932 140 |
| Motor vehicles (Leased assets) | 1 580 696 | 1 750 959 | (144 519) | - | 3 187 136 |
| Office equipment | 497 282 | - | (114 088) | (34 632) | 348 562 |
| Computer equipment | 1 302 252 | 877 091 | (494 642) | - | 1 684 701 |
| Leasehold improvements | 2 646 822 | - | (318 211) | - | 2 328 611 |
| Safety and security equipment | 414 624 | - | (112 384) | - | 302 240 |
| Office equipment (Leased assets) | 399 500 | 466 800 | (283 351) | - | 582 949 |
| Capital restoration costs | 653 591 | - | (43 523) | (8 435) | 601 633 |
| | **9 609 364** | **3 154 356** | **(1 752 681)** | **(43 067)** | **10 967 972** |

Figures in Rand

## 6. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - 2022**

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Impairment loss | Impairment reversal | Total |
|---|---|---|---|---|---|---|---|---|
| Furniture and fixtures | 2 353 440 | - | - | - | (238 843) | - | - | 2 114 597 |
| Motor vehicles (Leased assets) | 1 556 363 | 195 179 | (124 060) | 51 929 | (104 827) | - | 6 112 | 1 580 696 |
| Office equipment | 608 259 | 1 800 | - | - | (112 777) | - | - | 497 282 |
| Computer equipment | 1 406 256 | 253 659 | (20 981) | 20 981 | (357 663) | - | - | 1 302 252 |
| Leasehold improvements | 2 965 034 | - | - | - | (318 212) | - | - | 2 646 822 |
| Safety and security equipment | 527 009 | - | - | - | (112 385) | - | - | 414 624 |
| Office equipment (Leased assets) | 681 135 | - | (258 720) | 258 720 | (281 635) | - | - | 399 500 |
| Capital restoration costs | 702 210 | - | - | - | (46 794) | (1 825) | - | 653 591 |
| | **10 799 706** | **450 638** | **(403 761)** | **331 630** | **(1 573 136)** | **(1 825)** | **6 112** | **9 609 364** |

**Assets subject to finance lease (Net carrying amount)**

| | 2023 | 2022 |
|---|---|---|
| Motor vehicles | 3 187 136 | 1 580 696 |
| Office equipment | 582 949 | 399 500 |
| | **3 770 085** | **1 980 196** |

**Expenditure incurred to repair and maintain property, plant and equipment**

The entity spent R59 988 (2022: R59 426) on repairs and maintenance of property, plant and equipment.

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 7. Payables from exchange transactions

| | | |
|---|---|---|
| Trade payables | 6 372 225 | 2 364 629 |
| Income received in advance | 640 298 | 478 513 |
| Licence holder refunds | 4 070 191 | 2 963 012 |
| Provincial revenue fund | 952 038 | 2 030 111 |
| Other | 209 200 | 96 300 |
| | 12 243 952 | 7 932 565 |

The licence holder refunds relate to overpayments of the amount due to the entity. This includes licence holders who continue to pay the renewal fees even though their licences lapsed in previous periods and are no longer valid. Other payables consists of unknown payments into the WCLA bank account which upon investigation will need to be refunded.

**Provincial revenue fund**

| | | |
|---|---|---|
| Opening balance | 2 030 111 | 494 187 |
| Total amount collected on behalf of provincial revenue fund | 46 399 874 | 45 569 755 |
| Total amount of provincial revenue fund collections paid to DoCS | (47 477 947) | (44 033 831) |
| | 952 038 | 2 030 111 |

The fees referred to in sections 46(2), 48(1) and (4), 63(2) and 65(16) must be paid into the Provincial Revenue Fund in terms of Section 30 of the Western Cape Liquor Act. The WCLA therefore acts as an agent in this relationship.

## 8. Operating lease asset (liability)

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

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

The vehicles under the operating lease have an anticipated remaining lease terms of 14 months, as at 31 March 2023. The entity does not have an option to purchase the leased assets at the expiry of the leased period. These rentals are classified as contingent rentals due to uncertain lease periods and fluctuating tariff increases. The operating lease payments are therefore not subject to straight lining. No daily tariffs are charged for the trailer. It is therefore impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP 13:

**Minimum lease payments due**

| | | |
|---|---|---|
| - within one year | 3 194 139 | 3 013 338 |
| - in second to fifth year inclusive | 6 974 721 | 10 168 859 |
| - later than five years | - | - |
| | 10 168 860 | 13 182 197 |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 9. Unspent conditional grants and receipts (decrease)/increase

**Unspent conditional grants and receipts comprises of:**

| | | |
|---|---|---|
| **Unspent conditional grants and receipts** | | |
| Department of Community Safety (DoCS) | 5 527 568 | 18 205 446 |
| Department of Economic Development and Tourism (DEDAT) | 18 533 | 900 554 |
| | **5 546 101** | **19 106 000** |
| **Movement during the year** | | |
| Balance at the beginning of the year | 19 106 000 | 15 071 000 |
| Grants received from DoCS | 45 688 000 | 57 665 000 |
| Grants received from DEDAT | 2 226 697 | 1 806 925 |
| DoCS grant recognised as income | (58 365 878) | (54 530 554) |
| DEDAT grant recognised as income | (3 108 718) | (906 371) |
| | **5 546 101** | **19 106 000** |

The entity received conditional grants from DoCS and DEDAT as per the respective transfer payment agreements. The unspent conditional grants and receipts represents amounts that will be utilised in the future against the specific projects.

## 10. Unallocated deposits

| | | |
|---|---|---|
| Unallocated deposits | 1 002 778 | 936 436 |

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

## 11. Finance lease obligation

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 1 826 207 | 1 231 046 |
| - in second to fifth year inclusive | 5 056 911 | 2 321 212 |
| - later than five years | - | - |
| | 6 883 118 | 3 552 258 |
| less: future finance charges | (3 453 193) | (1 388 391) |
| **Present value of minimum lease payments** | **3 429 925** | **2 163 867** |
| **Present value of minimum lease payments due** | | |
| - within one year | 668 543 | 386 471 |
| - in second to fifth year inclusive | 2 761 382 | 1 777 396 |
| - later than five years | - | - |
| | **3 429 925** | **2 163 867** |
| Non-current liabilities | 2 761 382 | 1 777 396 |
| Current liabilities | 668 543 | 386 471 |
| | **3 429 925** | **2 163 867** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 11. Finance lease obligation (continued)

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

Finance leases which relate to vehicles have a lease term of between 5 to 9 years. The effective annual interest rate on the finance lease payables for motor vehicles is between 29% and 67%. Interest on finance lease payables are charged by Government Motor Transport to replace vehicles at the end of their useful lives and to recoup operating expenditure such as tracking, insurance and Government Motor Transport overhead expenditure.

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

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

The ownership of the leased assets does not transfer to the entity at the end of the lease term.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 6.

## 12. Employee benefit obligations

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

| | 2023 | 2022 |
|---|---|---|
| Long service awards | 557 890 | 660 412 |
| Staff incentive bonus | 1 970 880 | 1 930 991 |
| Staff leave | 970 183 | 1 136 386 |
| | 3 498 953 | 3 727 789 |
| Non current liabilities | 483 959 | 585 132 |
| Current liabilities | 3 014 994 | 3 142 657 |
| | 3 498 953 | 3 727 789 |

### 12.1 Long service awards

| | 2023 | 2022 |
|---|---|---|
| Opening balance | 660 412 | 624 189 |
| Benefits paid | (87 000) | (207 000) |
| Net expense recognised in the statement of financial performance | (15 522) | 243 223 |
| | 557 890 | 660 412 |

**Net expense recognised in the statement of financial performance**

| | 2023 | 2022 |
|---|---|---|
| Current service cost | (43 523) | 206 842 |
| Interest cost | 28 001 | 36 381 |
| | (15 522) | 243 223 |

### 12.2 Staff Incentive bonus

| | 2023 | 2022 |
|---|---|---|
| Opening balance | 1 930 991 | 1 568 280 |
| Benefits paid | (1 901 804) | (1 611 163) |
| Net expense recognised in the statement of financial performance | 1 941 693 | 1 973 874 |
| | 1 970 880 | 1 930 991 |

**Net expense recognised in the statement of financial performance**

| | 2023 | 2022 |
|---|---|---|
| Current service cost | 1 941 693 | 1 973 874 |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 12. Employee benefit obligations

### 12.3 Staff leave

| | 2023 | 2022 |
|---|---|---|
| Opening balance | 1 136 386 | 1 353 055 |
| Benefits paid | (189 525) | (107 294) |
| Net expense recognised in the statement of financial performance | 23 322 | (109 375) |
| | **970 183** | **1 136 386** |

**Net expense recognised in the statement of financial performance**

| | 2023 | 2022 |
|---|---|---|
| Current service cost | 23 322 | (109 375) |

## 13. Provisions

**Reconciliation of provisions - 2023**

| | Opening Balance | Change in discount factor | Total |
|---|---|---|---|
| Provision for Restoration of Leased Premises | 1 416 507 | 102 698 | 1 519 205 |

**Reconciliation of provisions - 2022**

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

The current lease contract states that at termination date, the entity will be liable for the restoration of the leased premises back to "base building condition". The entity estimates that the outflows would only occur by 31 May 2030.

This is, however, dependent on the continued renewal of the lease, which is uncertain.

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

A retrospective calculation of time value of money, based on average weighted investment rate of prime less 4% was used. This rate used is also within the inflation target range of the South African Reserve Bank of between 2.5% to 8.3%.

## 14. Application fees

| | 2023 | 2022 |
|---|---|---|
| New licences | 1 168 099 | 1 167 716 |
| Licence for transfer of licence to new owner | 233 728 | 196 970 |
| Alteration of premises | 292 161 | 184 819 |
| Non automatic renewals of licences | 237 620 | - |
| Interim or pending licence fee | 199 476 | 171 500 |
| Transfer of financial interest on existing licence | 60 751 | 50 539 |
| Temporary and event licences | 418 575 | 186 122 |
| Other | 179 825 | 114 329 |
| | **2 790 235** | **2 071 995** |

Other application fees consist of minor applications with removal/change of premises fees, amendment of conditions of licences, application to store liquor, extended trading.

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 15. Granting fees

| | | |
|---|---|---|
| Licence issuing fee | 1 159 696 | 1 210 349 |
| Issuing fee for temporary and event licences | 2 524 153 | 1 538 866 |
| Transfer of licence issuing fee | 788 115 | 716 686 |
| Other | 283 249 | 239 918 |
| | **4 755 213** | **3 705 819** |

## 16. Interest earned

| | | |
|---|---|---|
| **Interest revenue** | | |
| Bank | 1 380 701 | 708 227 |

## 17. Other income

| | | |
|---|---|---|
| Copies | 84 259 | 75 281 |

## 18. Fines, Penalties and Forfeits

| | | |
|---|---|---|
| Fines imposed by the Liquor Licencing Tribunal | 6 194 000 | 2 246 350 |
| Penalties on late payments of licence renewals | 1 411 382 | 1 129 577 |
| Penalties on late payments of event licences | 2 012 214 | 891 929 |
| | **9 617 596** | **4 267 856** |

## 19. Government grants & subsidies

| | | |
|---|---|---|
| **Operating grants** | | |
| Western Cape Department of Community Safety | 58 365 878 | 54 530 554 |
| SETA | (129 577) | 643 700 |
| | **58 236 301** | **55 174 254** |
| **Capital grants** | | |
| Western Cape Department of Economic Development and Tourism | 3 108 718 | 906 371 |
| | **61 345 019** | **56 080 625** |

## 20. Employee related costs

| | | |
|---|---|---|
| Salaries and wages | 34 399 885 | 31 701 179 |
| Staff incentive bonus | 1 941 692 | 1 973 875 |
| UIF | 187 883 | 167 679 |
| Workmen's compensation | 81 525 | 61 317 |
| Leave pay | 23 322 | (111 043) |
| Defined contribution plans | 3 505 194 | 3 273 149 |
| Overtime payments | 432 214 | 216 707 |
| Long service awards | (43 524) | 206 841 |
| Group risk and funeral benefit | 400 430 | 306 535 |
| Cell phone allowances | 542 711 | 482 333 |
| | **41 471 332** | **38 278 572** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 20. Employee related costs (continued)

| | | |
|---|---|---|
| **Chief Executive Officer - Simion George** | | |
| Basic salary | 1 359 955 | 1 322 797 |
| Pension fund | 187 890 | 182 324 |
| 13th cheque | 108 796 | - |
| Other | 76 046 | 34 856 |
| | **1 732 687** | **1 539 977** |
| **Chief Financial Officer - Sandiso Gcwabe** | | |
| Basic salary | 697 936 | 920 479 |
| Pension fund | 96 537 | 125 358 |
| 13th cheque | 74 447 | 72 278 |
| Other | 122 977 | 24 037 |
| | **991 897** | **1 142 152** |
| **Acting Chief Financial Officer: Selwyn Adams (1 January 2023 - 31 March 2023** | | |
| Basic salary | 120 798 | - |
| Pension fund | 18 837 | - |
| Other | 29 422 | - |
| | **169 057** | **-** |
| **Senior Manager: Liquor Licencing Administration - Leatitia Petersen** | | |
| Basic salary | 755 610 | 764 798 |
| Pension fund | 98 050 | 99 425 |
| 13th cheque | 60 975 | 58 324 |
| Other | 54 094 | 35 717 |
| | **968 729** | **958 264** |
| **Senior Manager: Corporate Services - Marvin Jackson** | | |
| Basic salary | 766 946 | 756 929 |
| Pension fund | 99 522 | 97 696 |
| 13th cheque | 61 889 | 59 199 |
| Other | 54 385 | 36 266 |
| | **982 742** | **950 090** |
| **Senior Manager: Compliance and Enforcement - Adv. Martell Van Lill** | | |
| Basic salary | 722 605 | 711 730 |
| Pension fund | 100 325 | 96 840 |
| 13th cheque | 58 311 | 55 776 |
| Other | 57 078 | 25 724 |
| | **938 319** | **890 070** |
| **Senior Manager: Communications, Education and Stakeholder Relations - Rebecca Campbell (26 October 2020 24 February 2023)** | | |
| Basic salary | 596 014 | 661 279 |
| Pension fund | 82 154 | 90 253 |
| 13th cheque | 53 328 | - |
| Other | 69 023 | 20 645 |
| | **800 519** | **772 177** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 20. Employee related costs (continued)

**Acting Senior Manager: Communications, Education and Stakeholder Relations - Stefanie Sampson (01 March 2023 31 March 2023)**

| | | |
|---|---|---|
| Basic salary | 40 266 | - |
| Pension fund | 5 858 | - |
| Other | 6 238 | - |
| | **52 362** | **-** |

**Secretariat: Liquor Licencing Tribunal - Johan Dreyer**

| | | |
|---|---|---|
| Basic salary | 511 752 | 494 526 |
| Pension fund | 110 345 | 111 105 |
| 13th cheque | 44 199 | 42 911 |
| Other | 47 523 | 56 461 |
| | **713 819** | **705 003** |

**Allan Gray Umbrella Retirement Fund**

The Allan Gray Umbrella Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of their salaries, as required by the Rules. The fund has 63 employees (2022: 53 employees) that are members and they contributed a total of R1 705 085 (2022: R1 614 197).

**Allan Gray Group Retirement Annuity Fund**

The Allan Gray Group Retirement Annuity Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of their salaries, as required by the Rules. The fund has 63 employees (2022: 53 employees) that are members and they contributed a total of R1 798 257 (2022: R1 662 413).

The salary for Johan Dreyer was erroneously omitted in the 2021/22 financial period and has now been included in the current year

## 21. Remuneration of Governing Board Members

**Governing Board Members**

**2023**

| | Members' fees | Total |
|---|---|---|
| Mr R Kingwill (Chairperson) | 69 546 | 69 546 |
| Dr G Grootboom (Deputy Chairperson) | 30 634 | 30 634 |
| Mr A Le Roux | 30 935 | 30 935 |
| Ms C Foulis | 26 093 | 26 093 |
| Adv S. Khoza | 8 625 | 8 625 |
| Ms T. Wainwright | 26 029 | 26 029 |
| Ms. C Abdoll (16 March 2022 - current) | 22 014 | 22 014 |
| | **213 876** | **213 876** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 21. Remuneration of Governing Board Members (continued)

**Governing Board Members**

**2023**

| | Members' fees | Total |
|---|---|---|
| Mr R Kingwill (Chairperson) | 72 867 | 72 867 |
| Dr G Grootboom (Deputy Chairperson) | 45 837 | 45 837 |
| Ms Z Zantsi (12 March 2021 to 04 August 2021 - Resigned) | 9 538 | 9 538 |
| Mr A Le Roux | 36 450 | 36 450 |
| Ms C Foulis | 29 631 | 29 631 |
| Adv S. Khoza | 3 797 | 3 797 |
| Ms T. Wainwright | 12 487 | 12 487 |
| Ms C. Abdoll | 2 382 | 2 382 |
| | **212 989** | **212 989** |

## 22. Debt impairment/reversal

| | 2023 | 2022 |
|---|---|---|
| Debt impairment/(reversal) | 1 642 178 | (146 605) |

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

## 23. Depreciation and amortisation

| | 2023 | 2022 |
|---|---|---|
| Property, plant and equipment | 1 752 681 | 1 574 867 |
| Intangible assets | 1 902 500 | 1 194 450 |
| Impairment/ (reversal) | 43 067 | 214 891 |
| | **3 698 248** | **2 984 208** |

## 24. Finance costs

| | 2023 | 2022 |
|---|---|---|
| Finance leases | 928 698 | 913 848 |
| Other | 130 698 | 87 580 |
| | **1 059 396** | **1 001 428** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 25. General expenses

| | | |
|---|---|---|
| Advertising fees | 3 680 633 | 4 648 480 |
| Audit fees external | 1 251 492 | 1 047 800 |
| Audit fees internal | 359 152 | 381 794 |
| Bank charges | 40 354 | 35 538 |
| Catering | 40 887 | 11 616 |
| Cleaning services | 176 436 | 148 306 |
| Computer and equipment support | 2 709 148 | 1 409 290 |
| Conferences and seminars | 1 001 245 | 368 437 |
| Consulting and professional fees | 1 632 403 | 474 982 |
| Insurance | 269 447 | 229 736 |
| Legal fees | 66 834 | 30 000 |
| Liquor licence tribunal | 3 790 300 | 3 975 444 |
| Operating leases | 2 928 538 | 3 562 506 |
| Postage and courier | 93 732 | 70 665 |
| Printing and stationery | 611 995 | 390 022 |
| Rates and taxes | 290 499 | 273 025 |
| Repairs and maintenance | 103 724 | 59 426 |
| Social and education fund | 15 366 | 82 999 |
| Software licence fees | 883 905 | 808 461 |
| Subscriptions and membership fees | 47 875 | 57 904 |
| Telephone and fax | 707 716 | 641 102 |
| Training | 270 622 | 133 354 |
| Travel and subsistence | 2 855 231 | 2 234 143 |
| Water and electricity | 1 321 939 | 867 504 |
| Other | 186 294 | 222 503 |
| | **25 335 767** | **22 165 037** |

**Advertising** - There were savings on marketing and branding expenditure due to the WCLA utilising its digital platforms.

**Computer and equipment support** - Increase in expenditure due to the WCLA digitalisation of operations through the online elicencing process

**Conference and seminars** - Municipal engagements throughout the Western Cape to strengthened partnerships with key role players in the liquor regulatory space.

**Consulting and professional fees** - Key projects earmarked by the WCLA needing services of consultants increased the expenditure for the current year.

**Operating leases** - The decrease in expenditure relates to the leases of scanners used for the digitalisation of physical licence holder files coming to an end.

**Travel and subsistence** - Increase in expenditure relates to the increased inspections conducted during the year in order to clear the backlog of licence holder premises not inspected within the last year.

**Water and electricity** - Increase due to the WCLA increasing its staff complement by 24.

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 26. Cash (used in) generated from operations

| | | |
|---|---|---|
| Surplus | 6 552 226 | 2 414 174 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 3 655 181 | 2 767 585 |
| Loss on sale of assets and liabilities | - | 72 131 |
| Finance costs   Finance leases | 130 698 | 87 580 |
| Impairment loss/(reversal) | 43 067 | 221 641 |
| Debt impairment/(reversal) | 1 642 178 | (146 605) |
| Movements in employee benefit obligations (decrease)/increase | (228 835) | 182 265 |
| Movements in provisions | 102 698 | 51 199 |
| Current Employee Benefits   Finance cost | 28 001 | 36 381 |
| Other non cash items | - | (42 883) |
| **Changes in working capital:** | | |
| Receivables from exchange transactions | 768 171 | (884 634) |
| Operating lease | - | 553 878 |
| Other receivables from non exchange transactions | (1 285 063) | (171 714) |
| Payables from exchange transactions | 1 058 247 | 878 594 |
| Unspent conditional grants and receipts (decrease)/increase | (13 559 899) | 4 035 000 |
| Unallocated deposits | (66 342) | (13 769) |
| | **(1 159 672)** | **10 040 823** |

## 27. Financial instruments disclosure

**Categories of financial instruments**

**2023**

**Financial assets**

| | At amortised cost | Total |
|---|---|---|
| Cash and cash equivalents | 21 524 453 | 21 524 453 |
| Receivables from exchange transactions | 166 299 | 166 299 |
| | **21 690 752** | **21 690 752** |

**Financial liabilities**

| | At amortised cost | Total |
|---|---|---|
| Payables from exchange transactions | 12 480 688 | 12 480 688 |
| Finance lease liability | 2 288 470 | 2 288 470 |
| | **14 769 158** | **14 769 158** |

**2022**

**Financial assets**

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

**Financial liabilities**

| | At amortised cost | Total |
|---|---|---|
| Payables from exchange transactions | 7 454 052 | 7 454 052 |
| Finance lease liability | 2 163 867 | 2 163 867 |
| | **9 617 919** | **9 617 919** |

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 27. Financial instruments disclosure (continued)

**Financial instruments in Statement of financial performance**

**2023**

| | At amortised cost | Total |
|---|---|---|
| Interest income (calculated using effective interest method) for financial instruments at amortised cost | 1 380 701 | 1 380 701 |
| Interest expense (calculated using effective interest method) for financial instruments at amortised cost | (535 293) | (535 293) |
| | **845 408** | **845 408** |

**2022**

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

**Transferred financial assets which did not qualify for derecognition**

**Prior period errors**

The 2021/22 disclosure note had erroneously included unallocated deposits amounting to R936 436, and income received in advance of R478 513 which formed part of the payables from exchange transactions, which are not financial instruments. The balances have now been removed in the disclosure note.

## 28. Commitments

**Authorised capital expenditure**

| | 2023 | 2022 |
|---|---|---|
| Already contracted for but not provided for | | |
| • Property, plant and equipment | 466 800 | 581 439 |
| • Intangible assets | - | 3 350 513 |
| | **466 800** | **3 931 952** |

**Total capital commitments**

| | 2023 | 2022 |
|---|---|---|
| Already contracted for but not provided for | 466 800 | 3 931 952 |

## 29. Contingencies

| | 2023 | 2022 |
|---|---|---|
| Mbeko Venfolo N.O vs WCLA: WCP/038239 21 on Washington | 2 000 000 | 2 000 000 |

Mbeko Venfolo N.O vs WCLA

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

No further developments were reported.

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 30. Related parties

**Relationships**

| | |
|---|---|
| Western Cape Provincial Minister of Police Oversight and Community Safety | Mr Reagen Allen (26 April 2022 to current) |
| WCLA and DoCS (Custodial Department) are subject to common control | DoCS |
| WCLA and DEDAT are subject to common control | DEDAT |
| WCLA and Western Cape Government Motor Transportare subject to common control | Western Cape Government Motor Transport |
| Governing board members | Refer to note 21 |
| Members of management personnel | Refer to note 20 |

**Related party balances**

| | 2023 | 2022 |
|---|---|---|
| **DoCS** | | |
| Unspent conditional grants and funds to be surrendered | (5 527 568) | (18 205 446) |
| **DEDAT** | | |
| Unspent conditional grants and funds to be surrendered | (18 533) | (900 554) |
| **Government Motor Transport** | | |
| Accrued expenses | (230 273) | (197 214) |
| Leased vehicles | 1 041 654 | 1 774 788 |

**Related party transactions**

| | 2023 | 2022 |
|---|---|---|
| DoCS | | |
| Government grants and subsidies | 45 688 000 | 57 665 000 |
| DEDAT | | |
| Government grants and subsidies | 2 226 697 | 1 806 925 |

The entity received an additional R9,1 million at the end of the 2022 financial year. The amount has now been included.

| | 2023 | 2022 |
|---|---|---|
| **Government Motor Transport** | | |
| Interest paid on finance lease liability included under finance charges | 928 698 | 913 848 |
| Kilometre tariff included under general expense | 1 375 209 | 1 238 965 |
| Operating lease Vehicles | 507 153 | 54 775 |

### Remuneration of management

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

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 31. Prior year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior year adjustments:

**Statement of financial position**

**2022**

| | Note | As previously reported | Correction of error | Restated |
|---|---|---|---|---|
| Receivables from non exchange transactions | | 287 735 | 878 993 | 1 166 728 |

**Statement of financial performance**

**2022**

| | Note | As previously reported | Correction of error | Restated |
|---|---|---|---|---|
| General expenses | | 23 044 030 | (878 993) | 22 165 037 |

**Errors**

Receivables from exchange transactions - Amount paid in advance in respect of the Annual Licence was incorrectly recognised as general expenses during the 2021/22 financial year. The licence covered the period between 01 April 2022 31 March 2023

General expenses - Amount paid in advance in respect of the Annual Licence was incorrectly recognised as general expenses during the 2021/22 financial year. The licence covered the period between 01 April 2022 31 March 2023

## 32. Risk management

**Financial risk management**

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

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the board. Entity treasury identifies, evaluates and hedges financial risks in close co operation with the entity's operating units. The board provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 32. Risk management

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

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

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

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

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

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

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

| Financial instrument | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | 21 524 295 | 28 762 585 |
| Receivables from exchange transactions | 166 299 | 84 799 |

**Market risk**

**Interest rate risk**

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

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

At 31 March 2023, if the weighted average interest rates on the financial asset had been 1% higher/lower with all other variables held constant, surplus for the year would have been R215 244 (2022: R287 642) lower/higher, mainly as a result of higher/lower interest income on financial assets at variable rates.

**Cash flow interest rate risk**

| Financial instrument | Current interest rate | Due in less than a year | Due in one to two years | Due in two to three years | Due in three to four years | Due in three to four years |
|---|---|---|---|---|---|---|
| Cash in current banking institutions | 5,85% | 21 524 452 | - | - | - | - |



PART F: FINANCIAL INFORMATION

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 33. Irregular and Fruitless and wasteful expenditure

| | | |
|---|---|---|
| Irregular expenditure current year | - | - |
| Fruitless and wasteful expenditure current year | - | - |
| **Closing balance** | **-** | **-** |

A restatement of the 2021/22 comparative amounts was necessary due to the implementation of the PFMA Compliance Reporting requirements.

## 34. Services in kind

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

## 35. Events after the reporting date

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

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

## 36. Segment information

**General information**

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

**Information about geographical areas**
The entity's operations are in the Western Cape Province and the offices are located in Bellville. No geographical segment information is available and the cost to develop such information would be excessive. Therefore, no geographical segment information has been disclosed.

| Figures in Rand | 2023 | 2022 |
|---|---|---|

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

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

**Prior period error**

The 2021/22 disclosue note errornously reconciled the budget/deficit as per the statement of financial performance with the cash from operations on the cash flow statement, instead of the surplus on the statement of comparison of budget and actual amounts. The error has now been corrected.

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

| | | |
|---|---|---|
| Net surplus per the statement of financial performance | 6 552 226 | 2 414 174 |
| **Adjusted for:** | | |
| Net Cash Flows from operating activities - Government Grants | (13 559 899) | 4 035 000 |
| Net Cash Flows from operating activities - Depreciation and amortisation | 3 655 181 | 2 769 316 |
| Net Cash Flows from operating activities - Movement in receivables | (516 892) | (177 355) |
| Net Cash Flows from operating activities - Debt impairment | 1 642 178 | (146 605) |
| Net Cash Flows from operating activities - Finance costs | 928 698 | 913 848 |
| Net Cash Flows from operating activities - Movement in payables | 260 247 | (821 648) |
| Net Cash Flows from operating activities - Operating lease | - | 553 878 |
| Net Cash Flows from operating activities - Employe benefit obligations | (200 834) | 218 646 |
| Net Cash Flows from operating activities - Movement in provisions | 102 698 | 51 199 |
| Net Cash Flows from operating activities - Unallocated deposits | (66 342) | (13 769) |
| Net Cash Flows from operating activities - Other non cash items | - | (42 883) |
| Net Cash Flows from operating activities - impairment loss/(reversal) | 43 067 | 214 891 |
| Cash flows from investing activities - Property Plant and Equipment purchases | (936 604) | (450 638) |
| Provincial revenue fund cash transactions not included in approved budget | 1 078 074 | (1 421 867) |
| Cash flows from investing activities - Intangible assets purchases | (4 474 969) | (3 340 672) |
| Cash flows from financing activities - Finance Lease capital redemption | (668 543) | (390 007) |
| Finance cost - Employee benefit obligation | - | 36 381 |
| **Net (deficit) surplus per approved budget** | **(6 161 714)** | **4 401 889** |

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

## 38. Budget differences

**Material differences between budget and actual amounts**

**Statement of financial peformance**

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

**Entity revenue other than sales**
Expectations on fines were exceeded due to increased inspections through the investment made in appointing additional enforcement.However, not all fines accrued for were actually received at year end.

**Departmental Transfers**
Grants from DoCS and DEDAT were received by March 2023, but a portion of the DoCS grant was unspent at year end. This was due to delays in commencing with the project for the walk in client services centre as a result of uncertainties around the change of ownership for the building.

**Compensation of employees**
The entity received additional funding to further capacitate the enforcement unit. However, vacancies during the year resulted in some savings.

**Good and services**
The entity geared its operations towards ensuring increased inspections resulting in all licence holder premises including new entrants being inspected within a one year period. The variance at year end consists of the accruals and commitments in the form of purchase orders issued.

**Payments for capital assets**
The entity successfully implemented phase 1 of the e licencing platform project which allowed licence holders to renew their licences online. The platform went live on 1 October 2022. Phase 2 of the project which would allow applicants to apply for licences on the platform, were also completed by the end of March 2023 and went live on 1 April 2023. The expenditure for the walk in client services centre was not yet incurred at year end.

## 39. BBBEE Performance

**Management Control Element**
Information on compliance with the B BBEE Act is included in the annual report under the section titled B BBEE Compliance Performance Information.

To obtain additional copies of this document, please contact:

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