



Memo

Western Cape Liquor Authority

To : STANDING COMMITTEE ON PUBLIC ACCOUNTS

From : The Chief Executive Officer

Date : 07 May 2018

Re : PUBLIC ACCOUNTS COMMITTEE BRIEFING ON GMT OPERATING LEASES AND DISCLOSURE AS PER GRAP 13

The Western Cape Liquor Authority (WCLA) received a written request dated 20 April 2018 to brief the Public Accounts Committee on the following:

1. The operating leases which relates to vehicles with anticipated remaining lease terms between 23 to 37 months as at 31 March 2017; and
2. The future possibility to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP 13.

Operating leases

As at 31 March 2017, the WCLA leased five (5) vehicles from GMT which are permanently allocated to the Authority. The tariffs for the rental amounts are determined annually before the start of each financial year. The leased vehicles are detailed in the table below.

<i>Permanently allocated vehicles classified as Operating Leases and therefore allocated to GMT</i>							
STATUS	GGNUMBER	YEAR	MAKE_MODEL	ALLOCATION DATE	COST 2016/17	LEASE END DATE	CURRENT STATUS
ALLOCATED	GDF015G	2011	VOLKSWAGEN POLO 1.4 VIVO TRENDLINE	2011-09-13	R40 733	Determined by GMT	Replaced 22 February 2018
ALLOCATED	GDF014G	2011	VOLKSWAGEN POLO 1.4 VIVO TRENDLINE	2011-09-29	R40 733		Replaced 30 November 2018
ALLOCATED	GDF025G	2011	VOLKSWAGEN POLO 1.4 VIVO TRENDLINE	2011-10-07	R40 733		Replaced 28 February 2018
ALLOCATED	GBW089G	2012	VOLKSWAGEN POLO VIVO 1.6	2012-10-18	R48 138		
ALLOCATED	GCC411G	2013	VOLKSWAGEN POLO 1.4i TRENDLINE	2013-11-05	R48 138		
TOTAL					R218 476		

The lease period is not specified and the Authority only received notification from GMT when the vehicles are ready to be replaced. Three of the vehicles have been replaced with finance lease vehicles on the dates detailed in the table above.

Future disclosure as per GRAP 13

GRAP 13 states the following:

*.40 Lease payments under an operating lease shall be recognised as an expense in the statement of financial performance on a **straight-line basis over the lease term** unless another systematic basis is more representative of the time pattern of the user's benefit.*

.42 Lessees shall, in addition to meeting the requirements of GRAP 104, make the following disclosures for operating leases:

(a) the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

(i) not later than one year;

(ii) later than one year and not later than five years; and

(iii) later than five years;

(b) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting date;

(c) lease and sublease payments recognised in the statement of financial performance in the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments; and

(d) a general description of the lessee's significant leasing arrangements including, but not limited to, the following:

(i) the basis on which contingent rent payable is determined;

(ii) the existence and terms of renewal or purchase options and escalation clauses; and

(iii) restrictions imposed by lease arrangements, such as those concerning return of surplus, return of capital contributions, dividends or similar distributions, additional debt, and further leasing.

The nature of the operating leases make it impossible to comply with the requirements of GRAP 13 as the lease periods are uncertain and the tariff increases fluctuate from year to year. These fluctuations do not enable the calculation for straight lining as the period this requires the period of the lease. It is therefore better to use actual costs for reliable reporting. The authority is also unable to determine the minimum lease payments payable within one year and within two to five years as the lease end date is not known.



Prepared by: Victoria Letswalo

Designation: Chief Financial Officer

Date: 07 May 2018



Reviewed by: Dr. Luzuko Madunyelwa

Designation: Chief Executive Officer

Date: 07 May 2018