



**KwaZulu-Natal**  
GAMING & BETTING BOARD

ANNUAL REPORT 2016/17

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## Part A: General Information

### a. Public Entity's General Information

Registered Name	KwaZulu-Natal Gaming And Betting Board
Physical Address (Pietermaritzburg)	Ground Floor, Natalia Building 330 Langalibalele Street Pietermaritzburg 3201
Physical Address (Durban)	18 <sup>th</sup> Floor, The Marine 22 Dorothy Nyembe Street Durban 4001
Postal Address	Private Bag X9102 Pietermaritzburg 3200
Telephone Number	+27 33 345 2714
Fax Number	+27 33 342 7853
Email Address	enquiries@kzngbb.org.za
Website Address	www.kzngbb.org.za
External Auditors	Auditor-General: South Africa: KZN
Bankers	ABSA Bank
Acting Board Secretary	Mrs. P. J. Stretch

AGSA	Auditor-General: South Africa: KZN
MEC	Member of Executive Council
B-BBEE	Broad - Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Office
PFMA	Public Finance Management Act
TR	Treasury Regulations
MTEF	Medium Term Expenditure Framework
SMME	Small Medium and Micro Enterprises
SCM	Supply Chain Management





## Chairperson's Foreword



**ADV B. S. Khuzwayo**  
**Chairperson**

"The Board approved a transformation strategy and commenced implementing great effort to ensure that National Government's policies and applicable transformation legislation are adhered to."

I present the KwaZulu-Natal Gaming and Betting Board's Annual Report for the financial year ended 31 March 2017.

### Introduction

During the year the Board's reporting lines were reviewed and the Board is now required to report to the Office of the Premier, which has become the designated MEC Responsible in terms of the KZN Gaming and Betting Act, 2010. This adjustment has been ably managed by the support staff of the Office of the Premier and his Representative on the Board, Advocate S. Chamane who adds tremendous value to the deliberations of the Board.

### Strategic Objective

The Board's primary strategic objective is to ensure that it executes its mandate through the implementation of the gambling policy, legislation and directives issued by the Provincial Government. This mandate is to regulate the gambling industry in KwaZulu-Natal, to place restrictions on gambling where appropriate, to licence persons, machines and operators, impose fees, taxes, levies and penalties on certain gambling activities; to appoint and authorise inspectors and to establish the Horse Racing and Betting Transformation Fund (Preamble to the Act). These activities have been attended to again this year by the Board with dedication and energy, through its current staff. Despite a budget cut of 20% and ongoing human resources challenges, the Board continued to perform towards achieving its operational strategic objectives.

### Governance Structure

The Board's governance structures continued to produce sound results in performance and revenue generation, therefore, it was not deemed necessary to make any changes to the Board's governance structure. Its functions have been ably carried out by the five (5) existing Committees that is, Human Resources and Remuneration Committee, Finance Committee, Licencing, Registration, Monitoring Control and Compliance Committee (LRMCC), Audit

Committee, Public Hearing and Disciplinary Committee.

### Economic Climate

Despite ongoing challenges in the South African economic climate, the Board has recorded annual growth in revenue collection for the Provincial fiscus and the gambling industry has contributed R577 million from gaming and betting taxes. The underlying reason for the growth in revenues can be attributed to the implementation of new gambling initiatives as well as the revision of tax rates in 2013.


### Transformation

The Board approved a transformation strategy and commenced implementing great effort to ensure that National Government's policies and applicable transformation legislation are adhered to. Amongst other things, the Board, when considering applications for licences (new and/or renewals) applies new measures to encourage licensees to open up to better B-BBEE imperatives. Thus better transformation results should be obtained through opening participation in real ownership and financial benefit. An aggressive monitoring regime is being proposed, which is in line with applicable legislation and existing licence conditions. The Board desires inculcating a culture whereby Licensees take a positive attitude towards transformation that the industry so desires.

### Legislative Amendments

There has been uncertainty about the gambling law legislative amendments at both National and Provincial level. This has impacted on the roll out of certain licences in the Province and may also adversely impact on the business operations of the Board once the amending legislation is passed. However, the Board receives regular reports and positively anticipates the conclusion of the local process to amend the Provincial legislation, which will lend clarity to the industry and a number of participants in the gambling sector. Therefore, waiting for the amendments would enable the Board to execute its mandate with renewed vigour and





certainly in areas that would be affected by the amendments.

#### **Skills Audit**

Last year I reported that the Board was engaging in a skills audit and staff development project, I am pleased to report that the outcome has been positive and that measures are in place to address shortfalls which were identified. The Board believes that its operations would be handled with greater efficient and effective levels through its investment in staff training and development. Therefore, it will always investigate and invest in better ways of skilling and motivation of its staff.

#### **Business Process Reengineering Project**

The first phase of the Business Process Re-engineering Project has been completed with the activation of the new Gambling Regulator Online Portal on 15 May 2017, a little after the anticipated “go live” date. Phase two is set to commence during the first quarter of the new financial year. The fruits of the great effort in developing the system are eagerly awaited.

#### **Office Accommodation**

The Board has engaged tirelessly to ensure that suitable office accommodation is procured for its staff

and the first leg of the project has been completed with an office move from Umhlanga to Durban Central. The move was successfully conducted with minimal interruption to operations and gratitude is extended to the licensees who accommodated the staff.

#### **Conclusion**

I express my gratitude and deep appreciation to fellow Board Members, the CEO and Staff who have shown dedication and diligence in executing their functions and duties. When staff achieve their set targets, they enable the Board to deliver on its mandate, which is what brings us all together and this must be commended.

#### **Acknowledgements**

I acknowledge the oversight and support role that the Former MEC Responsible, the Honourable MEC for Finance, Ms B.F. Scott played during the period when she was the custodian of this function. I also hasten to appreciate the welcome afforded to us by the new MEC Responsible, the Honourable Premier for the Province of KwaZulu-Natal, Mr W.S. Mchunu, under whom the gambling industry function now resides. His leadership would take the function to its next level of regulation in our Province.



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Advocate B. S. Khuzwayo (Vusi)  
Chairperson  
KwaZulu-Natal Gaming and Betting Board  
Date: 31 July 2017

## Message By The CEO



**Miss P. Baloyi**  
**Chief Executive Officer**

**"Gambling tax collection has grown from R401 million in 2011/12 to R577 million in 2016/17. This equates to annualised growth rate of 7.56% over this period."**

As we look back on the performance of the KZNGBB, I would like to highlight the performance outcomes and provide an overview of the past financial year, 2016/2017.

Gambling tax collection has grown from R401 million in 2011/12 to R577 million in 2016/17. This equates to annualised growth rate of 7.5% over this period. Growth in revenue over a 6 year period is attributable to the implementation of new gambling initiatives as well as revision of tax rates in 2013.

Tax revenue is projected to grow in 2017/18 and over the 2018/19 period from R593 million to R615 million. This equates to annualised growth rate in taxes of 1.23% over the period. The slowdown in the growth rate has been as a result of a slowdown across most sectors. The casino industry being the largest contributor to taxes, experiences growth of only 0.22% in 2016/2017. There has been a decline in Totalisator taxes with a negative 5.7% growth rate. Growth in tax collection is anticipated to be realised from a further roll-out in LPMS and Bookmakers (sporting events and contingencies). The entity reported an increase in collection of revenue for the provincial fiscus.

The protection of the public interest is one of the mandates of the KZNGBB. This is achieved through programmes that support the eradication of illegal gambling protection from of the oversaturation of gambling modes as well as ensuring that licensees contribute to the improvement of the quality of life for the people of KZN through investment by the industry in economic development spend on local economy including the development of SMME and PDI business sectors.

The entity, at the beginning of the period under review was not fully capacitated in terms of its human resources compliment, however, continues to fill critical posts. The recruitment of outstanding staff members to fill crucial positions will be undertaken in the new financial year.


The entity continues to apply good corporate governance; fair administration and sound financial management incorporating austerity measures and reported an unqualified audit for the period 2016/2017. The organisation has operated within the guidelines provided by the austerity measures enforced by the Provincial Treasury.

The transformation of the gaming and betting industry remains a priority. There are milestones which have been attained since the move to transform the industry commenced. Among these are the growth of the rights that have been awarded to previously disadvantaged individuals. The emphasis of the transformation strategy lies in increasing ownership stakes in the horseracing industry. The KZNGBB has deepened its involvement with the rural horseracing structures by participating in the organisation of the flagship Dundee July Rural Horseracing event. The entity will provide support in terms of facilitating the development of rural horseracing in an effort to promote the sport amongst previously disadvantaged individuals.

The entity has been able to harness the benefits of technology in order to bring about greater levels of service delivery to our licensees through the development and implementation of the Gambling Regulator Portal (Project Jika Automation System). The automation allows for improved turnaround times in terms of operations.

The highly effective partnership between the South African Responsible Gambling Foundation focuses on pillars pertaining to social responsibility awareness programmes, as well as research projects. One of these key projects includes the commencement of the Socio-Economic Impact Study. The project will be undertaken by the foundation in conjunction with the University of Witwatersrand. The study will review amongst other things, the impact of gambling modes on the communities within the Province.

Illegal gambling is costing the Province millions in lost gaming taxes thereby remains a serious threat to licenced operations. The entity's illegal gambling unit, which together with other stakeholders including the



South African Police Services and the KZN Liquor Authority, have joined forces in an effort to try to eradicate this scourge. The Whistle Blowing help line assists, in identifying illegal operations.

We consider it our key role as management to ensure good governance and proper administrative support to the Board. Continuous open engagement with our parent department is essential to service delivery. As

CEO of the KZNGBB, I would like to express my appreciation to the Honourable Premier, Mr W.C. Mchunu and his team for their ongoing support to the Chairperson, Adv B.S. Khuzwayo and all Board Members for their steadfast leadership. I would also like to compliment the Senior Management and staff of the KZNGBB for their commitment and tireless efforts.



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Chief Executive Officer  
Ms. P.N. Baloyi  
Date 31 July 2017



## Statement of Responsibility and Confirmation of Accuracy for the Annual Report

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

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

The annual report is complete, accurate and free from any omissions.

The annual report has been prepared in accordance with the guidelines on the production of annual reports issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Principles (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.

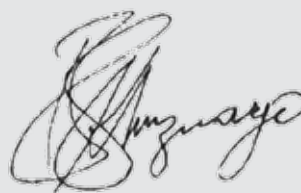
External auditors are engaged to express an independent opinion on the annual financial statements.

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 2017.

Yours faithfully



**Chief Executive Officer**  
**Ms. P.N. Baloyi**  
**Date: 31 July 2017**



**Chairperson of the Board**  
**Advocate B.S. Khuzwayo (Vusi)**  
**Date: 31 July 2017**



## 4. STRATEGIC OVERVIEW

### *Vision:*

"We strive to be the premier gambling regulator in the country, consistently maintaining and enhancing public trust with integrity, transparency and credibility. We also aim to transform the gambling industry for the benefit of all our stakeholders."

### *Mission:*

"We will protect the interest of the public by ensuring the integrity of legalised gambling through strict enforcement of applicable legislation, the licensing of qualified entities and individuals, and fulfilling the objectives of the Provincial Government to deliver a significant source of revenue, enhance tourism, develop and transform the gaming and horse racing industry, whilst promoting broad socio-economic and employment opportunities."

### *Values*

- Integrity
- Service excellence
- Fairness and impartiality
- Professionalism
- Transparency
- Innovation

## 5. Legislative And Other Mandates

The KwaZulu-Natal Gaming and Betting Board is a Schedule 3C Public Entity in terms of the PFMA. The Board's mandate is set out in Section 6 of the KwaZulu-Natal Gaming and Betting Act, 08 of 2010. The objects of the Board are to:

- ensure that all gambling authorised under this Act is conducted in a manner which promotes the integrity of the gambling industry and does not cause harm to the public interest;
- ensure that all gaming authorised under this Act promotes the province's objectives for developing a gaming industry, the priorities of which are the promotion of tourism, employment and economic and social development in the province;
- promote opportunities for historically disadvantaged persons to participate in the horse racing and betting industries in the capacity of any of the persons required to be licensed or registered in terms of section 89, 94, 103, 110 or 111;
- increase the ownership stakes of historically disadvantaged persons in the horse racing and betting industries;

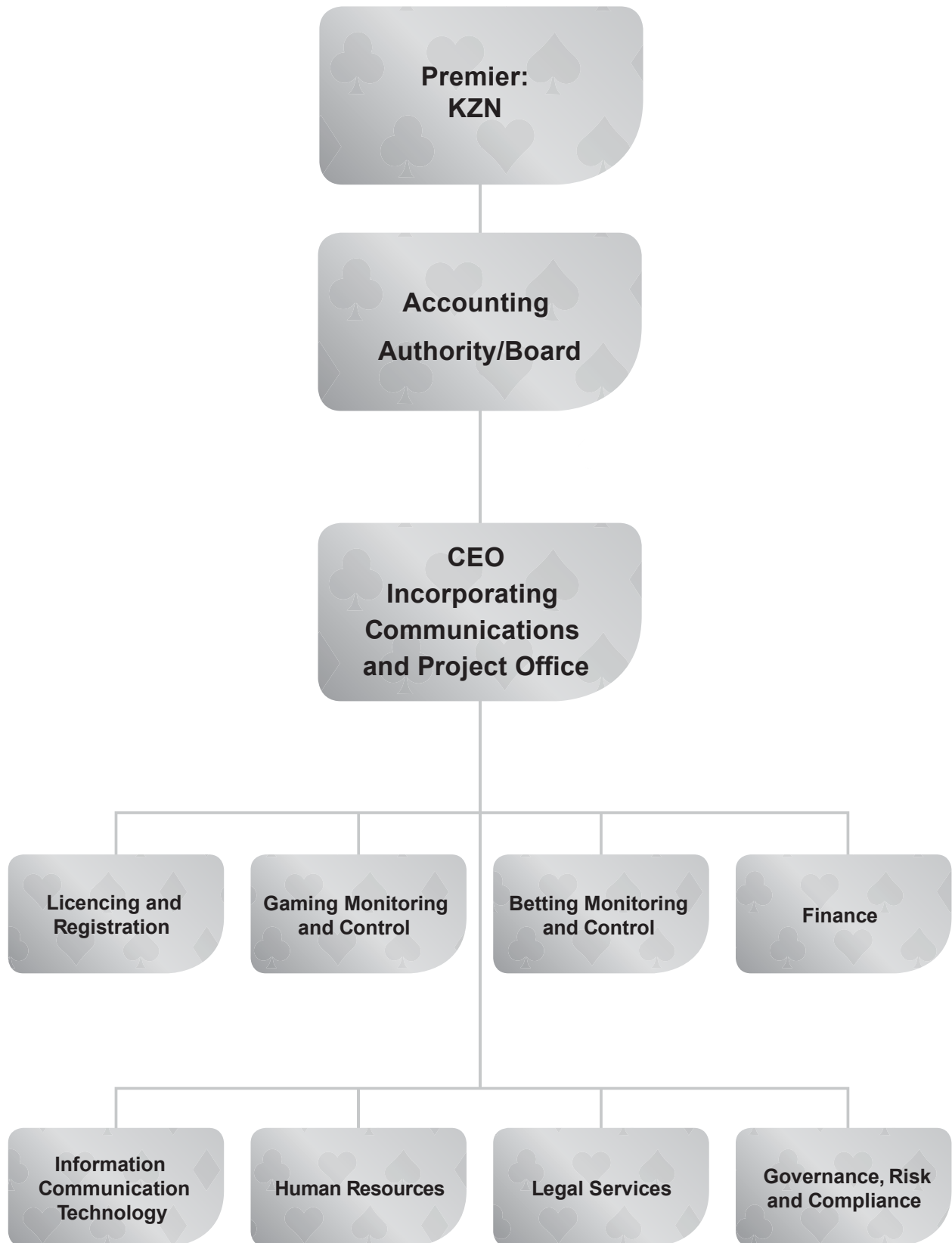
- develop appreciation for and knowledge of horse racing amongst all communities, particularly those comprised of historically disadvantaged persons; and
- limit restrictive practices, the abuse of dominant market position and mergers in the betting industry, as contemplated in the Competition Act, 1998 (Act No. 89 of 1998), and the Board is, for the purposes of the said Act, a regulatory authority as defined in section 1 of that Act.

In essence, the Board is charged with the responsibility of regulating the gambling industry, maintaining its integrity, addressing the vicissitudes of the industry, and promoting socio-economic development of the provincial economy.

The following Government Policy Frameworks are applicable to the Board:

- Protocol for Corporate Governance applicable to the Public Sector
- National and Provincial Development Plans

## 6. Organisational Chart



## 7. Members of the Board



Adv B.S. Khuzwayo  
Chairperson of the Board



Mr E.D. Mpanza  
Deputy Chairperson



Ms B. Zulu  
Board Member



Mrs V.P.N. Mkhize  
Board Member



Adv N.D. Hollis S.C  
Board Member



Mr P.M. Miller  
Board Member



Mr S.N. Chetty  
Board Member



Mrs H. Hart  
Board Member

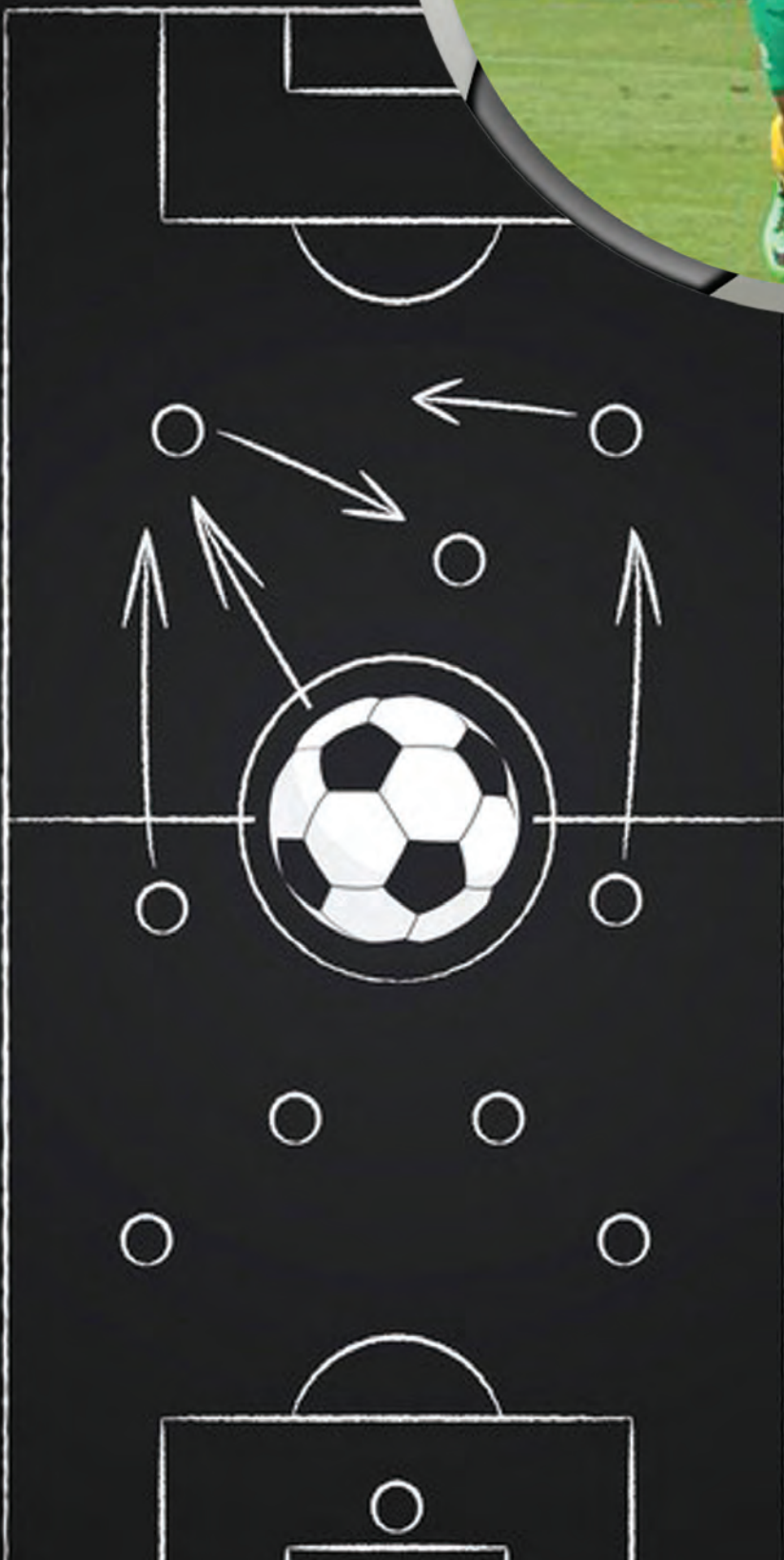


Mrs S.T. Mthembu  
Board Member



Adv.S. Chamane  
Premier's Representative at  
The Board







## Part B: Performance Information

### 1. Auditor-General's Report Predetermined Objectives

The Auditor-General South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report. Refer to page 72 of the Auditors Report, published as Part E: Financial Information.

### 2. Situational Analysis

#### 2.1 Service Delivery Environment

During the period under review, the KZNGBB has achieved its predetermined objectives and budget expectations. The Board has continued to support the development of a gambling industry which promotes tourism, employment and economic and social development in the Province through the implementation of its strategic objectives. The focus of the Board for the period under review was revenue collection for the Province, economic transformation, regulation of the industry and protection of the public.

Since the legislation of gambling in 1996, the gambling industry within KwaZulu-Natal has grown substantially. The entity has continued to manage its budget and resourcing to support programmes aimed at service delivery and implementation of its strategic plan and annual performance plan. The KZNGBB's budget planning is in accordance with the Medium Term Expenditure Framework. The entity has observed the current economic environment and has tried to align itself with combating wasteful and inefficient spending through strict adherence with Provincial Treasury Circular No PT10 of 2016-17 in respect of cost cutting measures.

The Board has over the past financial reporting period, reviewed its strategy and policies, with specific focus on initiatives such as reviewing business processes to streamline operations to enhance service delivery to stakeholders, improvements made to financial controls and the reporting of financial and performance information. The Board has continued to fulfil its mandate through its strategic objectives and the 2016/17 financial year ended with 87.67% of its planned annual performance targets being achieved. This achievement was attributable to continued efforts to improve performance management; increased focus by staff on the attainment of KPIs set out in the Annual Performance Plan; and ongoing monitoring and evaluation of entity performance. The Board received an unqualified audit opinion for the 2016/17 financial period.

The KZNGBB remains committed to promoting and implementing economic transformation and socio-economic development within the Province. An area that requires focus is the monitoring and implementation of transformation commitments, as well as the transfer of technical know-how and skills of services that support the gambling industry, including licensees such as suppliers, manufacturers and maintenance providers that service the industry.

A transformation strategy has been developed by the Board which seeks to focus on the ownership of Black persons, as well as increasing participation by previously disadvantaged persons within the gambling industry. The Transformation Fund has been identified as one of the tools that aims to assist in creating social equity and economic empowerment, providing access to persons otherwise previously excluded from the gambling industry.

The entity has focused on fiscal discipline and sound financial management, eliminating fraud and corruption, as well as being committed to being a caring and competent entity by means of the following:

- ♣ Execution of its statutory mandate as set out in Section 6 of the KZN Gaming and Betting Act through implementation of gambling policy, legislation and directives issued by the MEC responsible and Provincial Government.
- ♣ Maintaining a culture of high performance through the provision of effective administration and financial management and support in accordance with the KZN Gaming and Betting Act and the PFMA.
- ♣ Ensuring compliance with all applicable gambling legislation by the gambling industry thereby limiting potential negative impact on society and promoting the integrity of the gambling industry.

- ♣ Rolling out of planned initiatives to reduce illegal gambling, (including a whistle-blowing hotline) thereby contributing to the eradication of fraud and corruption within the gambling industry and has ensured that licensees promote responsible gambling within the communities in which they operate.
- ♣ A Memorandum of Understanding is in place with the South African Responsible Gambling Foundation.
- ♣ Facilitation of stakeholder engagements between the Board and licensees around illegal gambling and responsible gambling and the KZNGBB's regulatory oversight role within the industry.
- ♣ Achieving a clean audit for the 2015/16 financial period.
- ♣ Undertaking a social impact study during 2017/18 to establish levels of saturation within the Province.

The entity has continued to support a growing gambling industry. There has been an increase in the numbers of applications in respect of licensing and registration due to the increased numbers of gambling operations and gaming and betting sites being licensed, the roll out of new gambling categories such as Bingo and Type B sites, as well as the legislative requirement for the registration of Tote Agents. This results in an increase in volumes for Programme 4 for the 2017/18 financial period. This year has also seen an increase in the numbers of gaming equipment certifications and applications for registration of wagering software. An increase in applications received results in an increase in demand for oversight, auditing and monitoring responsibilities to ensure strict enforcement by the KZNGBB.

The entity has made every effort to meet the demands of increased service delivery and tax validation requirements. The Board's authorised delegations to the Office of the CEO, including procurement and financial delegations, have assisted in improving service delivery through reduced turnaround times for applications and various operational approvals. The tables below reflect the industry statistics as at 31 March 2017 which directly impact on the service delivery functions carried out by the operations units of the entity.

#### Licensees

Sector		Sector	
Casinos	5	Totalisators	2
Bingo Operators	6	Racecourse Operators	2
Independent Site Operator	0	Holders of Certificate of Suitability	6
Route Operators	4	National Manufacturer Licence	1
Site Operators	472	Provincial Certificate of Registration as Manufacturer	1
Bookmaker Licences (Bookmaking Rights)	54 106		


#### Gaming Machines and Table Statistics

Casino Name	No. of Licensed Gaming Machines	No. of Licensed Gaming Tables
Sibaya	1200	49
Suncoast	2350	80
Golden Horse	450	23
Umfolozi	300	12
Black Rock	300	10
TOTAL	4600	174

#### 2.2 Organisational Environment

As the gaming and betting portfolio now falls within the authority of the Office of the Premier, the KZNGBB's reporting line changed to the Honourable Premier with effect from 28th September 2016. The relocation of the Durban office from Umhlanga to Durban CBD was successfully achieved during the period, and the securing of suitable accommodation for the Pietermaritzburg office is a matter for resolution in the 2017/18 MTEF.





The current organisational structure has vacant posts, however in keeping in line with cost cutting measures by Provincial Treasury (Treasury Circular No PT10 of 2016-17), these positions will only be filled upon obtaining the necessary approvals and funding. The Board has, and will continue to implement the Province's austerity measures in its planning and daily operations. Such measures include the following:

- ♣ Vacant posts frozen and critical posts that become vacant through natural attrition are motivated in line with Treasury's directive.
- ♣ Assessment of entity personnel and skills audits was undertaken and skills gaps identified to ensure that adequate skills are in place to delivery on the entity's operational requirements.
- ♣ Travel related costs and S&T claims are in line with Treasury circular No PT (10).
- ♣ All advertising costs for notices are recoverable from applicants and no marketing adverts are placed by the entity.

In light of the reduced transfer to the entity by the Provincial Treasury, savings were realised by the entity in the following areas:

- ♣ Salaries and wages were reduced as the entity filled critical posts only.
- ♣ Outsourced internal audit function costs were saved through engagements with the KZN Treasury's Internal Audit unit.
- ♣ Utilisation of the National transversal contract for copiers contributed to cost reductions.
- ♣ Implementation of an on-line travel system which reduced travel and accommodation costs resulting in savings on S&T claims, as well as the rationalisation of travel.
- ♣ External legal opinions sought only when necessary, reducing the costs for outsourced legal services.

Notwithstanding the capacity constraints within the HR unit due to the extended vacant HR Manager position, several HR initiatives were undertaken. The Board reviewed policies and undertook a skills audit which was aimed at ensuring an adequately capacitated entity. The organisational structure that was approved by the responsible MEC allows for two additional HR Practitioner posts to support the implementation of the HRD Plan going forward, however only one such position was approved by the MEC for filling in terms of the stringent cost cutting measures.

The entity's operations are very labour intensive and from an operational point of view, increased license and registration applications means additional workload in terms of processing and investigating applications, audits, compliance inspections and monitoring, resulting in increased operational costs over the MTEF for the operational units. The number of staff within the respective units have not been increased despite the growth in monitoring and compliance related activities.

The delegations approved and implemented in terms of Section 22 of the KZN Gaming and Betting Act have resulted in reduced turn-around times for the processing of applications which has contributed to improved service delivery. The KZNGBB's Gambling Regulatory Online Portal project ("GROP") (previously known as "BPR") is a key and critical project which will bring about operational efficiencies for the entity, reduce the number of errors, audit findings and processing delays that arise through our existing highly manual processes. Phase 2 of the GROP project was approved on 22nd September 2015, a budget allocated by Treasury and the project commenced in June 2016.

### 2.3 Key Policy Developments and Legislative Changes

- ♣ Proposed amendments to the KZN Gaming and Betting Bill which aim to reduce litigation due to existing issues around interpretation and improve operational efficiencies were prepared and submitted to the Office of the MEC of Finance.
- ♣ The Board enhanced, finalised and implemented Betting Rules in terms of Section 7(2) (e) of the KZN Gaming and Betting Act with the aim of improving operational efficiencies.
- ♣ Amendments to the Board's Gaming Rules were prepared and implemented in terms of Section 7(1)(m) of the KZN Gaming and Betting Act with the aim of improving operational efficiencies.
- ♣ National Gambling Policy, 2016 imposes additional responsibilities in respect of the entity's operations and provides clarity in respect of some gaming areas as well as clarifying the role of the NGB.
- ♣ Amendments to FICA legislation relating to compliance by licensees with this Act, imposes increased responsibilities for the entity as an "accountable institution".

## 2.4 Strategic Outcome Oriented Goals

In developing the strategic objectives of the Board, cognisance was taken of the Board's mandate as contained in the KZN Gaming and Betting Act No 08 of 2010, as well as the strategic priorities of Government. Below are the KZNGBB's strategic outcome oriented goals as per its Strategic Plan and the progress made towards the achievement thereof.

Strategic Outcome Oriented Goal	Goal Statement	Progress towards Achievement of Goals
<b>1. Execution of the statutory mandate</b>	To ensure the Board executes its statutory mandate, gambling policy objectives and its mandate to the Provincial Government.	The Board has continued to promote accountability and regulatory compliance in accordance with legislation through the achievement of planned objectives, targets and initiatives as outlined in the Board's Strategic Plan and Annual Performance Plan.
<b>2. Revenue collection</b>	To ensure all fees and taxes payable under the KZN Gaming and Betting Tax Act are verified and paid timeously to the Province.	The Board has ensured the compliance of the gambling industry with the KZN Gaming and Betting Tax Act through conducting monthly revenue validations/audits; collection of fees and taxes from licensees; and the payment of taxes to the Provincial Revenue Fund and Racecourse Operator as required by legislation.
<b>3. Regulation of the Industry</b>	To regulate the gambling industry and to promote compliance by the gambling industry thereby limiting potential negative impact on society.	The Gaming Monitoring and Control and Betting Monitoring Control units have undertaken compliance audits, FIC audits, gaming inspections; ensured collection of applicable fees to contribute to "own revenue" collection to support ongoing operations; and processed operational change requests from licensees. The Licensing and Registration unit processes and investigates applications for licences and registrations to ensure suitability of applicants and that licensed gambling is authorised under the KZN Gaming and Betting Act. The Board has adjudicated on Section 87 hearings and betting disputes.
<b>4. To grow the industry responsibly and protect the public - "Grow and Protect"</b>	Grow – To ensure that new gambling initiatives are rolled out with consideration being given to saturation of gambling activities within the Province. Protect – To introduce efforts to reduce illegal gambling and also to ensure licensees apply responsible gambling measures.	The Board has implemented the roll out of gambling initiatives which increases economic growth, spatial economic development and tourism within the Province; licence conditions have been developed to include provision of responsible gambling; the Board participates in responsible gambling initiatives in conjunction with the National Responsible Gambling Programme; and the Board has implemented awareness initiatives in respect of illegal and responsible gambling.
<b>5. Industry Transformation</b>	To promote Black Economic Empowerment through the participation and ownership of historically disadvantaged persons in the horse racing and betting industry.	The Board has continued to promote BEE with the participation and ownership of historically disadvantaged persons in the Horseracing and Betting sector through the implementation of a transformation strategy; the roll out of the

Strategic Outcome Oriented Goal	Goal Statement	Progress towards Achievement of Goals
		additional determined bookmaking rights; the promotion of B-BBEE through licence conditions; the assessment of B-BBEE compliance by new applicants into the industry; and ongoing monitoring of compliance with bid commitments, licence conditions and B-BBEE Codes of Good Practice.
<b>6. Socio-Economic Development</b>	To ensure that the gambling industry promotes employment and economic and social development in the Province.	The Board monitors licensees' commitments/initiatives to job creation, economic growth, corporate social investment and social development and licence conditions are developed to support the Board and Government's socio-economic development goals.
<b>7. Institutional Alignment and Development</b>	To maintain a culture of high performance through the provision of effective administrative support.	This is achieved through the provision of administrative, financial and ICT support by the Administration Programme (Office of the CEO, HR, Risk and Compliance, Legal and Communications); Finance and ICT Programmes.

## 2.5 Significant Achievements and Achievements Relating To Priorities of Government

The entity has contributed to the National Development Plan (NDP), and provincial priorities which are set out in the Provincial Growth and Development Plan (PGDP), the Provincial Growth and Development Strategy and the Medium Term Strategic Framework, through various activities undertaken by its Programmes and Sub-Programmes. Such activities included the following:

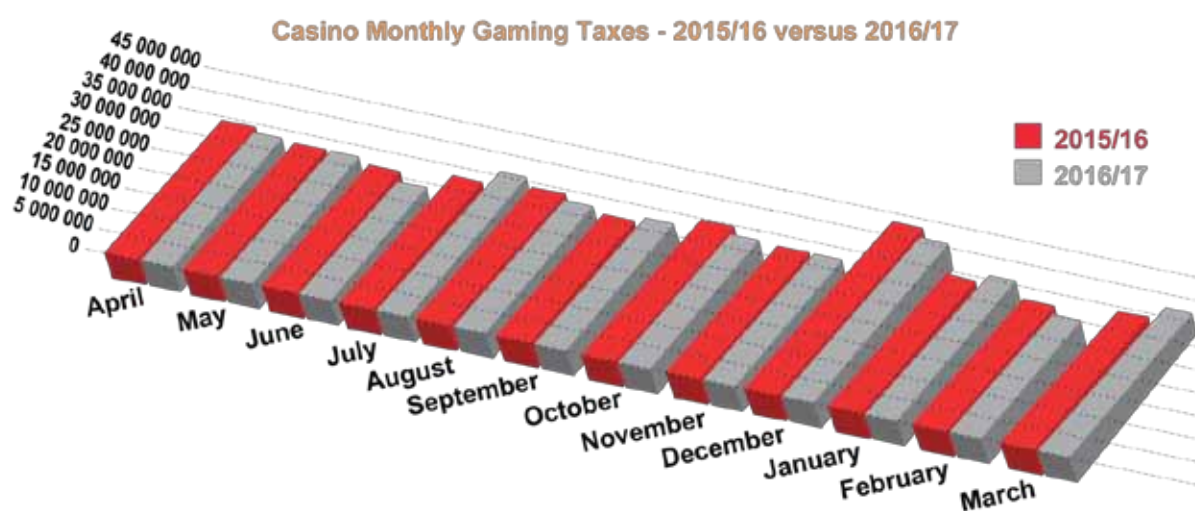
- ♣ Programme 4 registers employees within the gambling industry which contributes to sustainable **job creation** within the gambling industry to alleviate poverty and improve quality of life within the Province, thereby stimulating economic growth. With unemployment being high, the existing gaming and betting licensees have made the following accomplishments through job creation, access to employment opportunities in the communities in which gambling operates and thereby encouraging new entrants into the industry within the Provincial economy (as at 31 March 2017, a total of 4745 licensee employees are registered with the Board). The Board has contributed to the development of sustainable jobs to alleviate poverty and improve quality of life through the operationalization of approved gambling licences. It is anticipated that additional jobs will be created during 2017/18 through the operationalization of additional bookmaking rights and growth in existing licensed operations.
- ♣ Programme 1 has developed a transformation strategy and implementation plan to support the **radical socio-economic transformation** of the gambling industry which aims to create opportunities for previously disadvantaged individuals to gain access to the gambling industry and to ensure that licensees comply with National and Provincial B-BBEE strategies. In February 2015, the Board awarded 23 bookmaking rights to fast track transformation within the bookmaking industry. As at 31 March 2017, 8 of such rights are operational (another 2 awaiting municipal business licences). Licence conditions focus on elements of ownership, skills transfer and skills development which enhance participation by historically disadvantaged individuals and new entrants in this sector.
- ♣ Programmes 5 and 6 monitor the implementation of licensees' **B-BBEE** related commitments and Programme 1 develops licence conditions for new licensees in respect of B-BBEE and economic transformation requirements.
- ♣ Programmes 5 and 6 **encourage growth in SMMEs** to support the smaller players within the gambling industry through monitoring licensees' spend on local economy, SMMEs and PDI businesses.
- ♣ The Board promotes economic development and access to gambling activities and tourism in an effort to **reduce spatial inequalities** through the rural and urban distribution of gaming and betting sites within key

areas of need and potential. Whilst monitoring levels of oversaturation of gambling in the areas. LPM sites are distributed in line with the spatial economic development plans, taking into consideration concerns around social impacts, especially in poor and low income areas.

- ♣ Programme 1 ensures licensee contribution to **the improvement of quality of life for the people of KZN and economic development of our Province** through the development of CSI related licence conditions. The entity imposes licence conditions (in terms of Section 53 of the National Gambling Act) which require commitments from licensees that promote **community development and socio-economic development**.
- ♣ Programmes 5 and 6 focus on **socio-economic development** to align with PGDP initiatives through ongoing monitoring of licensees' contributions to Corporate Social Investment (CSI) commitments to ensure meaningful contributions towards health and welfare, education, community upliftment, sports and recreation, arts and culture.
- ♣ Programmes 5 and 6 ensures accurate revenue collection for the Provincial Government through the collection and verification of fees and taxes payable under the KZN Gaming and Betting Tax Act by Casino, LPM, Bingo, Bookmakers and Totalisator licensees, thereby **contributing to growth in the Provincial economy**. There has been an overall increase in gross gaming revenue, which contributes to the fiscus of the Province. A total amount of R19 Million was reported by gaming and betting Licensees in respect of CSI contributions (Health and Welfare, Education, Community Upliftment Programmes, Sports and Recreation, Arts and Culture as well as other donations).

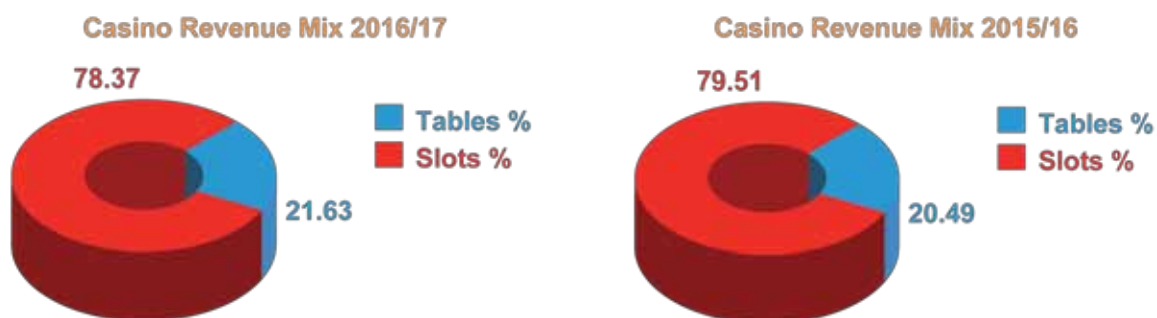
#### Gaming Taxes - Casinos Tax Collection

The Casino sector remains a major source of Government revenue through its contribution to taxes. The industry grew marginally, with a slight growth in the year on year revenues. Such growth is attributable to the growth in gaming operations, the continued introduction of new gaming technologies which allows for more game time by players on slots machines; the introduction of additional side bets on certain tables games which make the standard games of blackjack, roulette and poker much more attractive in that patrons can now win on additional side bets; and the upgrading of gaming products to the latest versions and models. The annual casino taxes increased by 0.22% in 2016/17.



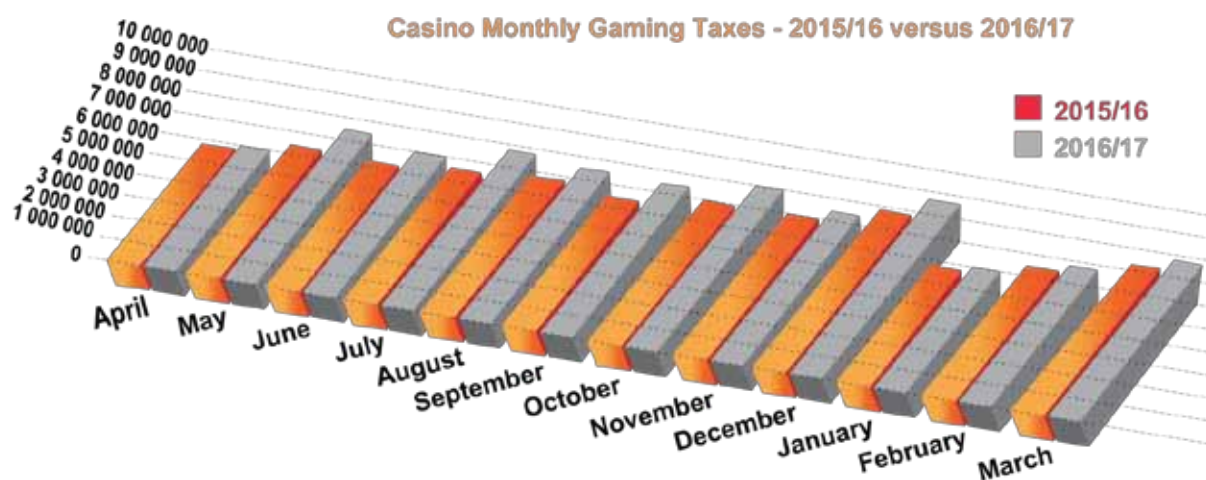


The charts below depict the casino revenue mix in respect of slot machines and tables:



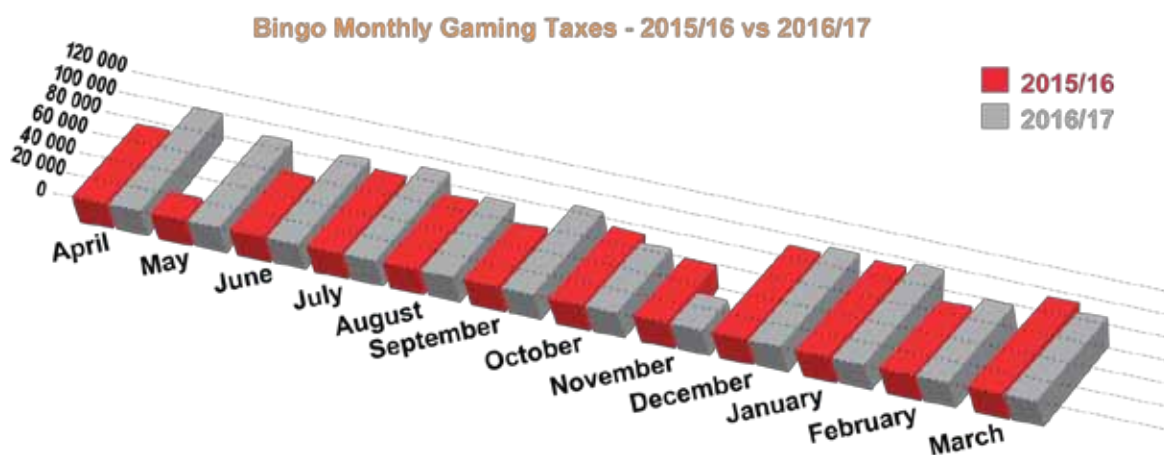
#### Gaming TaxesRoute Operator (Limited Pay -out Machines ("LPMs")) Tax Collection

The annual Route Operator taxes increased by 10.30% in 2016/17.



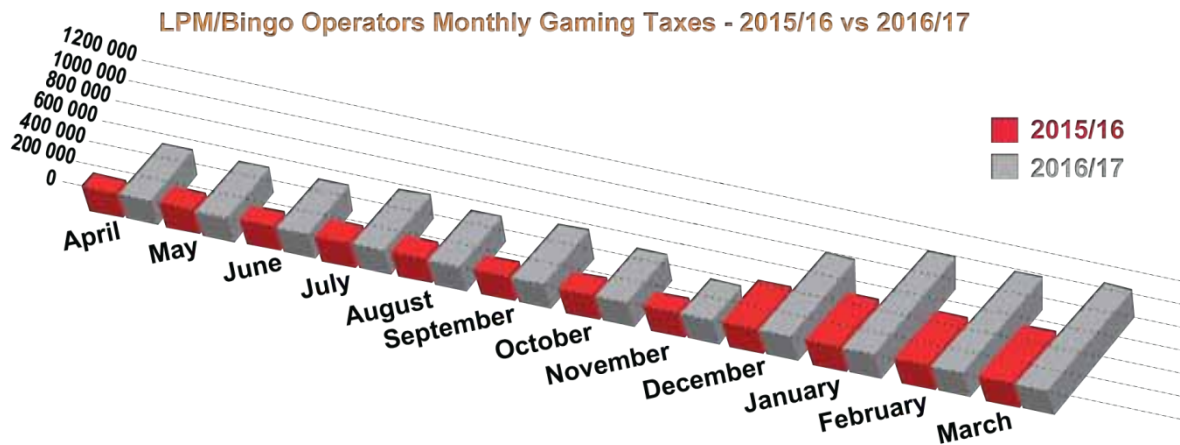
#### Gaming Taxes - Bingo Tax Collection

The annual Bingo taxes increased 15.99% in 2016/17.



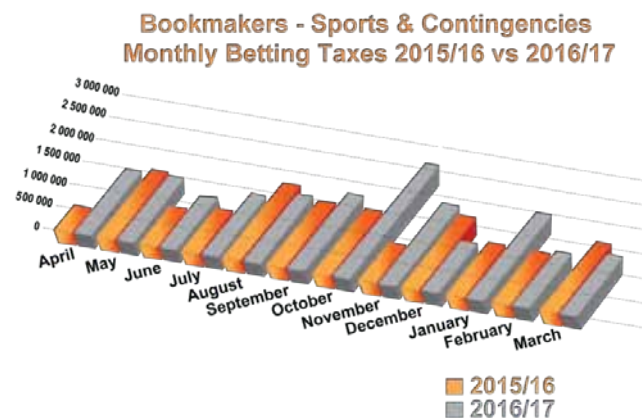
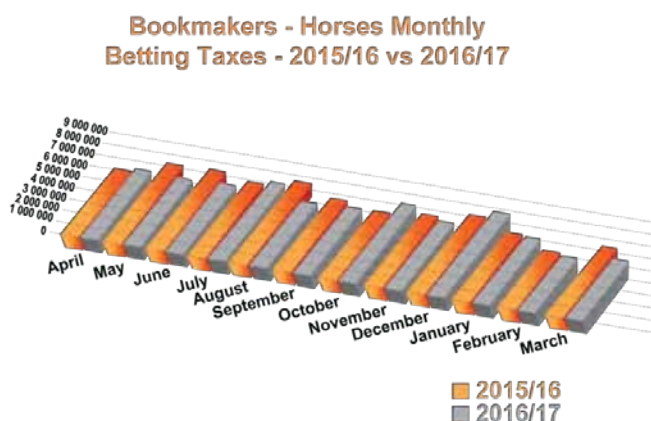
#### Gaming Taxes- Bingo operating LPMs ("ISO") Tax Collection

The annual Bingo operating LPMs ("ISO") Operator taxes increased by 152.39% in 2016/17. This is as a result of the operation of additional sites opening during the financial year.



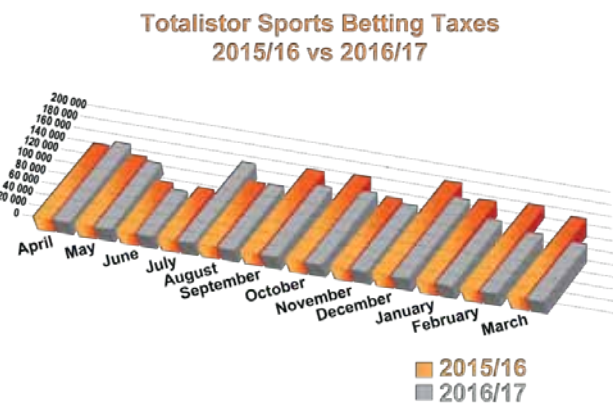
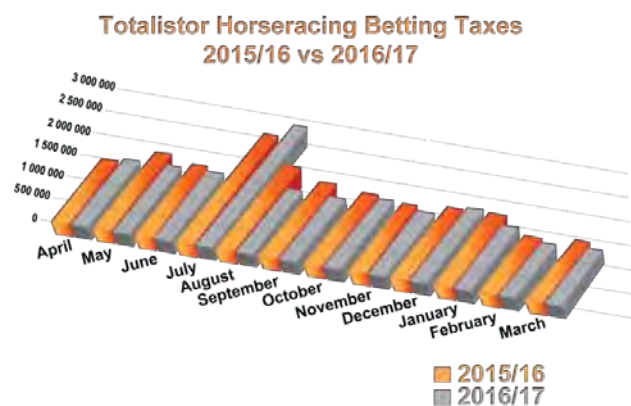
### Betting Taxes - Bookmakers Tax Collection

Betting taxes, with the exception of Bookmaking taxes on sports/contingencies have seen a decline since 2015/16. Bookmaking taxes on horseracing declined by 4.79% in 2016/17 and Bookmaking taxes on sports/contingencies have increased by 25.66% in 2016/17.



### Betting Taxes - Betting Taxes -Totalisators Tax Collection

Totalisator taxes on horseracing declined by 4.93% in 2016/17 and Totalisator taxes on sports/contingencies have declined by 17.05 % in 2016/17.



- As illegal gambling continues to be a threat to licensed gambling operations in the Province, with growth in internet cafes and online illegal gambling activities, the Board



has, through Programme 6 (Illegal Gambling unit) limited the negative impact of gambling on society through additional campaigns and inspections against illegal gambling and the investigation of all reported cases of fraud and corruption within the industry. The KZNGBB participated in planned initiatives to reduce instances of illegal gambling, and investigated reports made through the Whistle - blower hotline thereby contributing to the eradication of illegal gambling, fraud and corruption within the gambling industry.

Illegal Gambling Statistics	Total
Number of illegal gambling inspections conducted in conjunction with Other Licensing Authorities and South African Police Services	28
Number of positive raids for the period under review	12
Number of illegal gambling machines confiscated by the South African Police Services	13

- ♣ Programme 4 **promotes the integrity of the gambling industry** so as not to not cause harm to public interest through the processing and investigation of licence and registration applications to ensure suitability of new entrants and continued suitability of existing licensees and registrants through annual renewals.
- ♣ The entity has **ensured regulation of the gambling industry** through contributions to legislative amendments (The KwaZulu-Natal Gaming and Betting Amendment Bill) and undertaking compliance audits and inspections to promote compliance by the gambling industry thereby limiting potential negative impact on society.

## 2.6 Performance Information by Programme

### 2.6.1 Description of Programme 1: Administration

The main purpose of the Administration Programme is to provide strategic and administrative management through the Office of the CEO and various support functions to the KZNGBB through five sub-programmes, namely Office of the CEO; Governance, Risk and Compliance; Legal Services; Human Resources and Communications.

#### 2.6.1.1 Sub-Programme 1.1 Office of the CEO

##### Purpose

The purpose of the sub-programme is to provide leadership, oversight of operations, ensure management of programme performance information, and to provide strategic support to Board and management.

##### Objectives

- ♣ **Provide leadership, support, oversight, co-ordination and strategic and administrative management of the Board's operations** – This ensures the provision of strategic leadership, oversight, support and co-ordination to the organisation at a management level through the facilitation and implementation of Strategic Plans and Annual Performance Plans.
- ♣ **Integration of monitoring and evaluation into performance and strategic management** - This ensures provision of administrative and financial management of the Board in accordance with the PFMA, and the direction of the responsible MEC through performance and strategic management.
- ♣ **To ensure contribution to National Gambling Policy, co-operative governance and keeping abreast with regulatory, technical and industry developments** – This ensures that uniform norms and standards are maintained as well as facilitating co-operative governance between the National Gambling Board, other regulators, industry operators and the KZNGBB, whilst keeping abreast with industry developments.



## Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

The Office of the CEO has provided strategic leadership, oversight, support and co-ordination to the organisation at a management level through the facilitation and implementation of Strategic Plans and Annual Performance Plans; has ensured institutional alignment and impacted on Government priorities as follows:

- ♣ Ensured compliance with the PFMA through accurate and timely reporting to the Executive Authority, Portfolio Committee and Provincial Treasury.
- ♣ Ensured reporting of performance information in accordance with legislative requirements and the National Treasury Framework for Managing Programme Performance Information through timely submission of strategic plans, annual performance plans and quarterly performance reports to the Executive Authority and KZN Treasury, where applicable.
- ♣ Transformation Strategy drafted and implementation of transformation initiatives within the Bookmaking industry.
- ♣ Embarked on developing an organization wide approach to understanding and committing to performance management.
- ♣ Ensured implementation of the Board's authorized delegations of authority to improve service delivery and turnaround times.

**SUB-PROGRAMME 1.1: OFFICE OF THE CEO**

PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
<b>Strategic Objective 1.1.1: Provide leadership, support, oversight, co-ordination and strategic management of the Board's operations</b>						
1.1.1.1	Strategic Plans submitted in compliance with Treasury Regulations 30.1.1 and 30.1.2	Proposed and Final 2016/17 Strategic Plan submitted to the Executive Authority in accordance with Treasury Regulation 30.1.1 and 30.1.2	Proposed and final Strategic Plans submitted to Executive Authority	Proposed and final Strategic Plan for 2017/18 submitted in compliance with Treasury Regulations	Not applicable	Not applicable
1.1.1.2	Strategy aligned Annual Performance Plan submitted to the Executive Authority	Annual Performance Plan produced and submitted to Executive Authority within prescribed timeframe	Strategy aligned APP submitted to Executive Authority	Strategy aligned APP submitted to Executive Authority within prescribed timeframe	Not applicable	Not applicable
1.1.1.3	Quarterly submission of performance reports to Executive Authority and Finance Portfolio Committee	4 Quarterly performance reports and 4 Regulation 3 Reports prepared and submitted in compliance with Treasury Regulations 30.2.1 and Regulation 3 of the KZN Gaming and Betting Regulations	Quarterly performance reports submitted to the Executive Authority and Finance Portfolio Committee	4 Quarterly performance reports submitted to the Executive Authority and Finance Portfolio Committee	Not applicable	Not applicable
1.1.1.4	Number of Management and Operations meetings held	Not applicable – not included in 2015/16 APP	11 Management meetings 11 Operational meetings	11 Management meetings and 34 Operational meetings held	Positive variance of 23 Operational meetings	Additional operational (delegations) meetings held to consider/approve various applications thereby enhancing service delivery and turnaround times
<b>Strategic Objective 1.1.2 Integration of monitoring and evaluation into performance and strategic management</b>						
1.1.2.1	Revision of Performance Monitoring and Evaluation Framework/policy and procedures	Not applicable – not included in 2014/15 APP	Performance Monitoring and Evaluation Framework/policy and procedures revised by 30 September 2016	Policy and procedures revised and a Planning, Performance Management, Monitoring and Evaluation Framework developed	Not applicable	Not applicable
1.1.2.2	Percentage of overall entity performance achievements against planned targets	84% entity achievement against planned performance targets during Q3 and Q4	80%	87.67% overall entity achievement against planned performance targets (73 planned targets / 64 achieved / 9 partially achieved)	Positive variance of 7.67%	Improved performance by several units during this period under review
<b>Strategic Objective 1.1.3: To ensure contribution to National Gambling Policy, co-operative governance and keeping abreast with regulatory, technical and industry developments</b>						
1.1.3.1	Number of regulatory / industry fora attended to represent KZNGBB	91% attendance at CEO / regulatory fora	8	18 industry / regulatory fora attended to represent KZNGBB	Positive variance of 10 fora attended	Attendance at 10 additional fora to discuss various gambling matters thereby ensuring effective regulation of the industry



### 2.6.1.2 Sub-Programme 1.2 Governance, Risk and Compliance

#### Purpose

The purpose of the sub-programme is to implement governance, risk and compliance programmes to ensure that the entity continues to operate within the boundaries of relevant legislation and governance best practice for public entities.

#### Objectives

- ♣ **To provide guidance to the Board on their responsibilities, duties, powers and good governance** – This ensures the provision of guidance to the Board and ensures good governance through the implementation of the governance framework, and professional administration of Board and Board Committee meetings.
- ♣ **To ensure that effective risk and compliance management systems and mechanisms are in place and implemented** – This ensures that there is effective risk and compliance management systems in place to identify and manage risks of the organisation, and ensuring compliance with applicable legislation (Public Sector Risk Management Framework, PFMA, and Treasury Regulations).

#### Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

This sub-programme has ensured the successful implementation of good governance practices and established a culture of risk management within the entity by means of the following:

- ♣ Ensuring sound governance of this public entity through the annual review and development of Board and Committee Charters and Governance policies, namely: Code of Ethical Conduct Policy; Risk Management Policy; Board Remuneration Policy; Business Continuity Policy; Compliance Policy (in Compliance Framework) and Confidentiality Management Policy.
- ♣ Provision of secretariat functions performed in accordance with good governance practices and legislative requirements.
- ♣ Strategic risk assessment undertaken to ensure effective risk management and monitoring of internal controls and Compliance Framework reviewed to ensure the implementation of compliance management systems and mechanisms.

## SUB-PROGRAMME 1.2 – GOVERNANCE RISK AND COMPLIANCE

PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
<b>Strategic Objective 1.2.1: To provide guidance to the Board on their responsibilities, duties, powers and good governance</b>						
1.2.1.1	Annual review of governance structures and policies	100% of 8 Board and Committee Charters updated and reviewed by 31 December 2015	7 Board and Committee Charters and 5 governance policies reviewed	7 Board / Committee Charters reviewed and 6 Governance policies reviewed or developed	Positive variance of 1 governance policy	1 additional governance policy developed, namely Business Continuity Policy
1.2.1.2	Number of Board and Board Committee meetings convened and administered	Not applicable – not included in 2015/16 APP	32 Board and Board Committee meetings convened and recorded	Total of 38 Board and Board Committee meetings convened and administered	Positive variance of 6 meetings	Additional Board/Committee meetings held to attend to licensee disciplinary hearings and public hearing matters which cannot be determined in advance
<b>Strategic Objective 1.2.2: Ensure Board's compliance with governance best practice</b>						
1.2.2.1	Annual Enterprise Risk Assessment conducted	Annual Enterprise Risk Assessment undertaken on 10 September 2015 and report tabled at Board on 22 September 2015	1 Annual Enterprise Risk Assessment conducted by 30 September 2016	Annual Enterprise Risk Assessment conducted in September 2016	Not applicable	Not applicable
1.2.2.2	Annual review of Compliance Framework	Compliance Framework including Policy and Procedures developed and presented to Manco on 31 March 2016	Compliance Framework reviewed by 31 March 2017	Compliance Framework reviewed in March 2017 - no changes necessary	Not applicable	Not applicable
1.2.2.3	Annual review of Fraud Prevention Plan	Not applicable – not included in 2015/16 APP	Fraud Prevention Plan reviewed by 31 March 2017	Fraud Prevention Plan reviewed and changes recommended within prescribed timeframe	Not applicable	Not applicable



### 2.6.1.3 Sub-Programme 1.3 Legal Services

#### Purpose

The purpose of the sub-programme is to provide in-house legal resources for the Board and management and to ensure that the Board's regulation of the gambling industry in the Province complies with and conforms to legislation and regulatory requirements.

#### Objectives

- ♣ **Provide legal advice and services to the Board and management** – This ensures that legal risk and exposure is managed through the provision of legal advice, legal opinions and management of litigation launched by or against the Board, representing the Board in out of court legal matters.
- ♣ **Ensure effective Board regulation of the industry** – This ensures the effective Board regulation of the industry by means of drafting licence conditions, proposing amendments to the Act and Regulations and assisting in managing licensee discipline through section 87 hearings.

#### Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

This sub-programme has ensured that discipline within the Gaming and Betting industry has been maintained in respect of compliance with legislative and regulatory requirements, as well as limiting potential negative impacts of the industry on society, and limited legal exposure through the following:

- ♣ Enforcement of discipline and compliance within the gambling industry i.e. 3 Disciplinary hearings were held; 6 admissions of guilt paid and 3 warning letters issued.
- ♣ Management of legal and risk exposure was achieved through the provision of legal and related advice to the Board - 30 opinions prepared and 15 litigation matters managed.
- ♣ Contributions to legislative amendments through submission of amendment proposals in respect of: KZN Gaming and Betting Regulations; KZN Tax Act; KZN Gaming and Betting Act; and comments on the KZN Gaming and Betting Amendment Bill, 2015.
- ♣ Development of license conditions to promote industry transformation in line with Government's priority and promoting B-BBEE, socio-economic development and employment opportunities within the Province.



# SUB-PROGRAMME 1.3 LEGAL SERVICES

PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
<b>Strategic Objective 1.3.1: Provide legal advice and services to the Board and management</b>						
1.3.1.1	Percentage of requests for legal opinions/advice provided to Board and management	100% Achieved 38 requests for internal opinions received and 38 legal opinions (memorandum of advice) furnished within prescribed timeframe	100%	100% of internal memoranda of advice were furnished within prescribed timeframes - 30 requests received and 30 memorandum of advice furnished to Divisions	Not applicable	Not applicable
1.3.1.2	Percentage of existing litigation matters managed on behalf of the Board	Not applicable – Not included in 2015/16 APP	100%	100% of existing litigation matters managed on behalf of the Board - 15 cases as at 31 March 2017 managed by Legal and reported to Board	Not applicable	Not applicable
<b>Strategic Objective 1.3.2: Ensure effective Board regulation of the industry</b>						
1.3.2.1	Percentage of charge sheets/warning letters issued to licensees	100% Achieved 13 charge sheets prepared and issued within prescribed timeframe	100%	100% of charge sheets/warning letters issued within prescribed timeframe - 6 charge sheets and 4 warning letters issued	Not applicable	Not applicable
1.3.2.2	Percentage of submissions on amendments to regulations, the relevant act and rules forwarded to Gaming and Betting Directorate	100% Achieved 1 submission on KZN Amendment Bill was drafted and submitted within prescribed timeframe	100%	100% of submissions forwarded to responsible MEC/Treasury within prescribed timeframe – 5 submissions	Not applicable	Not applicable
1.3.2.3	Percentage of licence conditions developed for approved licences which include corporate social investment and socio-economic development conditions	Not applicable – Not included in 2015/16 APP	100%	100% - 5 licence conditions containing CSI and SED provisions developed for 5 approved licences	Not applicable	Not applicable



#### 2.6.1.4 Sub-Programme 1.4 Human Resources

##### Purpose

The purpose of the sub-programme is to ensure implementation of the human resources strategy by attracting, developing and retaining suitably qualified and competent human resources for the Board.

##### Objectives

- ♣ **To provide an efficient human resources support service for the organisation** – This ensures the provision of efficient human resource support service through implementation of HR Strategies and retention practices.
- ♣ **To ensure the unit fulfils its statutory obligations and audit requirements** – This ensures the provision of effective, efficient and accurate human resource and payroll support services to management and employees in accordance with labour legislation and payroll administration best practices.

##### Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

This sub-programme has, despite capacity constraints, made several achievements in meeting the Board's strategic objective relating to institutional alignment and development which aim to provide an enhanced working environment. This was achieved through the following:

- ♣ Performance contracts are in place for all employees and individual performance is managed throughout the year.
- ♣ Job descriptions were reviewed and updated to ensure that they support the entity in delivering its objectives and service delivery outcomes.
- ♣ A Skills Audit was undertaken and skills gaps identified for inclusion in the 2017/18 Workplace Skills Plan.
- ♣ Training and development opportunities were provided to employees of the Board through the Workplace Skills Plan.
- ♣ Study Assistance Scheme Policy; Code of Ethical Conduct; Recruitment and Selection Policy; and Leave Policy were reviewed and revised where necessary.

SUB-PROGRAMME 1.4 HUMAN RESOURCES						
PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
<b>Strategic Objective 1.4.1: To provide an efficient human resources support service for the organisation</b>						
1.4.1.1	Human Resource Strategy reviewed and implemented	HR Strategy approved in March 2016 and implementation commenced	HR Strategy revised by 30 June 2016 and implemented as per HRD Plan	Partial implementation of the HR strategy in accordance with the HRD Plan	Partial achievement of target - Strategy not fully implemented as per the HRD plan	HR Strategy approved in December 2015 so a review was not required in June 2016 Lack of capacity within the HR unit resulted in partial implementation of HR strategy
1.4.1.2	Percentage of signed performance agreements	Not applicable – not included in 2015/16 APP	100%	100% of signed performance agreements in place for Board staff	Not applicable	Not applicable
1.4.1.3	Number of HR policies developed/reviewed	100% - 16/16 policies identified for review on the HR policy review schedule were reviewed. 12 reviewed policies submitted to the Board for approval on 14 December 2015	4	4 HR policies reviewed	Target planned for Q3 but achieved in Q4	Lack of capacity within the HR unit resulted in slight delay in achievement of target
<b>Strategic Objective 1.4.2: To ensure the unit fulfils its statutory obligations and audit requirements</b>						
1.4.2.1	Submission of Workplace Skills Plan, Annual Training report and Employment Equity report in compliance with legislation	Workplace Skills Plan and Annual Training Report submitted within prescribed timeframe Employment Equity Plan developed within prescribed timeframe	Workplace Skills Plan, Annual Training report and Employment Equity report submitted in compliance with legislation	Workplace Skills Plan, Annual Training Report and Employment Equity Report submitted in compliance with legislation	Not applicable	Not applicable
1.4.2.2	Number of monthly payroll certifications	100% compliance with Standard Operating Procedures maintained	12	12 Signed payroll reports	Not applicable	Not applicable

#### Strategy to Overcome Areas of Under Performance

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
To provide an efficient human resources support service for the organisation	Human Resource Strategy reviewed and implemented	<p>The following strategies will be undertaken to address areas of underperformance:</p> <ul style="list-style-type: none"> <li>♣ The vacant HR Manager position will be filled once the requisite approval from the responsible MEC has been obtained. The MEC approved an additional HR Practitioner position which has been filled.</li> <li>♣ Future focus will be given to the implementation of the HR Strategy.</li> </ul>

### 2.6.1.5 Sub-Programme 1.5 Communications

#### Purpose

The purpose of the sub-programme is to address the communication requirements of all stakeholders, both internally and externally, through stakeholder engagement using different communication mechanisms.

#### Objectives

- ♣ Implementation of the entity's Communications Strategy and Communications Plan – This ensures the successful implementation of the entity's Communication Strategy and Communications Plan.

#### Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

This sub-programme has promoted the work of the entity through the implementation of the entity's Communication Strategy and plan which includes media management, stakeholder liaison; and communication with the public and internal staff by means of the following:

- ♣ Planned engagements with various industry stakeholders, namely: Gaming and Betting licensees, Jockey Academy, South African Responsible Gambling Foundation etc.
- ♣ Facilitation of a memorandum of understanding with the SA Responsible Gambling Foundation in respect of future responsible gambling initiatives.
- ♣ Facilitation of road shows for licensees to create awareness of Project Jika (automated application system for licensees) and the facilitation of 17 training sessions prior to implementation of the system.

SUB-PROGRAMME 1.5: COMMUNICATIONS						
PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
<b>Strategic Objective 1.5.1: Implementation of the entity's Communications Strategy and Communications Plan</b>						
1.5.1.1	Communications Strategy and Plan revised and implemented	Communications Strategy and Plan drafted by 30 November 2015 for approval	Communication Strategy and Plan revised by 30 September 2016 and implemented	Communication Strategy revised and approved on 14 July 2016 and implemented in accordance with the plan	Not applicable	Not applicable
1.5.1.2	Number of stakeholder engagements undertaken	100% of Stakeholder engagements attended / facilitated as per Board approved Stakeholders' Engagement Plan	8	40 Stakeholder engagements undertaken	Positive variance of 32 engagements	Additional engagements due to the following: unscheduled engagements driven by external demands; additional approved engagements between the Board and the industry; Project Jika roadshows with licensees and facilitation of 17 training sessions for all gambling sectors



## Programme 1: Linking Performance with Budgets

Programme 1	2016/17			2015/16		
	Budget	Actual	(Over) / Under	Budget	Actual	(Over) / Under
Office of the CEO	3 459	2 567	892	2 514	2 566	-52
Governance, Risk & Compliance	6 579	6 212	367	6 594	6 483	111
Legal Services	3 249	2 701	548	2 886	2 582	304
Human Resources	4 684	3 472	1 212	3 366	3 193	173
Communications	1 270	712	558	1 101	710	391
<b>Total</b>	<b>19 241</b>	<b>15 664</b>	<b>3 577</b>	<b>16 461</b>	<b>15 534</b>	<b>927</b>

### 2.6.2 Description of Programme 2: Finance

The functions within this programmes includes Supply Chain Management, Cost and Management Accounting and Financial Accounting.

#### Purpose

The purpose of the programme is to support the entity by the provision of financial administration, asset management and procurement services. This programme is also responsible for managing the relationship between the internal auditing services provided to the KZNGBB.

#### Objectives

- ♣ **Implementation of sound financial management and internal controls** – This ensures the implementation of effective, efficient and transparent systems of financial management and internal controls in line with the statutory/regulatory requirements.
- ♣ **Ensure effective financial reporting** – This ensures the timely and accurate financial reporting to stakeholders.
- ♣ **Implementation of appropriate procurement and provisioning system** – This ensures that an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective is in place.

#### Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

This programme has contributed to the Board's strategic outcome oriented goals in respect of revenue collection and has ensured the effective management of the Board's funds and resources in line with Section 24(1), 27 and 29 of the KZN Gaming and Betting Act and PFMA requirements; and SCM management in terms of the Preferential Procurement Framework, PFMA and Board's SCM policies through the following:

- ♣ Achievement of a clean audit report for 2015/16 financial year.
- ♣ Betting taxes were proportionately distributed as required in terms of the KZN Gaming and Betting Tax Act.
- ♣ Effective management of the budget and timely reporting to the Executive Authority.

- ♣ Implementation of the SCM Strategy which ensures an effective procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective.
- ♣ Safeguarding the Board's assets through bi-annual asset counts.

<b>PROGRAMME 2: FINANCE</b>						
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2015/2016</b>	<b>Planned Target 2016/2017</b>	<b>Actual Achievement 2016/2017</b>	<b>Deviation from Planned Target to Actual Achievement for 2016/2017</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 2.1: Implementation of sound financial management and internal controls</b>						
2.1.1	Unqualified audit opinion from the Auditor-General for 2015/16 financial year	Unqualified audit opinion from the Auditor-General for 2014/15 financial year (Auditor-General report and management letter)	Unqualified audit opinion from the Auditor-General	The entity achieved a clean audit report for 2015/16 financial year	Not applicable	Not applicable
2.1.2	Timely preparation and submission of Draft budget to KZN Treasury	Budget submitted to KZN Treasury on 31 July 2015	Draft budget submitted to the KZN Treasury by 31 August 2016	Draft budget submitted to Provincial Treasury on 4 August 2016	Not applicable	Not applicable
<b>Strategic Objective 2.2: Ensure effective financial reporting</b>						
2.2.1	Timely submission of Unaudited Financial Statements to the Auditor-General and KZN Treasury	Unaudited financial statements submitted to Provincial Treasury and the Auditor-General within prescribed timeframe	Unaudited Financial Statements submitted to the Auditor-General and KZN Treasury by 31 May 2016	Approved Annual Financial Statements submitted to Auditor-General and Provincial Treasury on 31 May 2016	Not applicable	Not applicable
2.2.2	Timely submission of Annual Report to KZN Treasury and the Auditor-General	Annual Report submitted to Treasury and Auditor-General on 31 August 2015	Annual Report submitted to KZN Treasury and the Auditor-General by 31 August 2016	Annual Report prepared and submitted to Provincial Treasury and Auditor-General within prescribed timeframe	Not applicable	Not applicable
2.2.3	Quarterly reports submitted to the responsible MEC as specified in the PFMA and SLA	4 Quarterly reports submitted to Provincial Treasury and Provincial Legislature within prescribed timeframe	Quarterly report submitted within 1 month of the reporting period	4 Quarterly reports submitted to the responsible MEC in compliance with the PFMA and Service Level Agreement	Not applicable	Not applicable
<b>Strategic Objective 2.3: Implementation of appropriate procurement and provisioning system</b>						
2.3.1	Approved Procurement Plan for 2017/18	Not applicable – not included in 2015/16 APP	2017/18 Procurement Plan approved by 31 March 2017	2017/18 Procurement Plan approved on 29 March 2017	Not applicable	Not applicable
2.3.2	Revised Supply Chain Management Policy	Not applicable – not included in 2015/16 APP	Supply Chain Management Policy revised by 31 March 2017	SCM policy revised to incorporate changes to the PPPFA and CSD and will serve before the Finance Committee and Board for approval	Not applicable	Not applicable

## Programme 2: Linking Performance with Budgets

Programme 2	2016/17			2015/16		
	Budget	Actual	(Over) / Under	Budget	Actual	(Over) / Under
Financial Management	11 985	11 187	798	8 686	10 012	-1 326

### 2.6.3 Description of Programme 3: Information and Communication Technology

#### Purpose

The purpose of the programme is to support the organisation through provision of ICT services that are aligned with business strategy.

#### Objectives

- ♣ **Ensure implementation of ICT Strategy that is aligned with business strategy** – This ensures that the organisation is enabled through the implementation of ICT Strategy that is aligned with business strategy.
- ♣ **Ensure compliance with Corporate Governance of Information and Communication Technology Policy Framework** – This ensures that adequate ICT governance is in place and in line with DPSA requirements.
- ♣ **Develop and implement Business Processes (Phase 2)** – This ensures that business processes and ICT systems are enhanced and implemented to ensure efficiency in service delivery of the organisation.

#### Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

This sub-programme has provided IT services that support the business objectives and plans through the following:

- ♣ Implementation of the Board's approved ICT Strategy that is aligned with business strategy (Help-desk, DR Solution and End-User Hardware refresh have been successfully delivered).
- ♣ Implementation of Corporate Governance of ICT Policy Framework to ensure ICT Governance compliance against the requirements set by the DPSA.
- ♣ Phase 2 of the business processes re-engineering project which will streamline operations and enhance service delivery to stakeholders was undertaken.

PROGRAMME 3: INFORMATION AND COMMUNICATION TECHNOLOGY						
PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
<b>Strategic Objective 3.1: Ensure implementation of ICT Strategy that is aligned with business strategy</b>						
3.1.1	ICT Strategy Implementation plan developed	ICT Strategy reviewed and approved in September 2015 and implementation commenced	ICT Strategy Implementation Plan developed by 31 December 2016	ICT Strategy Implementation plans developed on project by project basis	Not applicable	Not applicable
<b>Strategic Objective 3.2: Ensure compliance with Corporate Governance of Information and Communication Technology Policy Framework</b>						
3.2.1	ICT Policy Framework developed in line with DPSA and activities implemented	CG ICT Policy Framework and ICT Governance Charter developed and implementation of ICT Strategy and Phase 1 and 2 compliance commenced	ICT Policy Framework developed in line with DPSA by 31 December 2016 with implementation as per the aligned framework	Existing ICT Policy Framework is in line with DPSA and activities implemented in accordance with the framework	Not applicable	Not applicable
3.2.2	ICT Migration Plan developed and implemented	Not applicable – not included in 2015/16 APP	ICT Migration Plan developed by 30 September 2016 and 100% implementation by 31 March 2017	ICT Migration Plan developed within prescribed timeframe and 100% implementation achieved	Not applicable	Not applicable
<b>Strategic Objective 3.3: Develop and implement Business Processes (Phase 2)</b>						
3.3.1	Percentage of BPR Project activities implemented in terms of Project Plan	Phase 2 BPR Project Plan developed and implementation progress reported monthly at Manco meetings	70% of BPR Project activities implemented by 31 March 2017	100% of BPR project activities implemented (accumulative) in terms of the Project Plan	Positive variance - 30% above target	BPR project plan fully implemented

### Programme 3: Linking Performance with Budgets

Programme 3	2016/17			2015/16		
	Budget	Actual	(Over) / Under	Budget	Actual	(Over) / Under
Information Communication & Technology	5 499	8 187	-2 688	10 890	6 561	4 329

#### 2.6.4 Description of Programme 4: Licensing and Registration

This unit has two sub-programmes, namely: Licensing and Registration: Casinos and Betting and Licensing and Registration: LPMs and Bingo.

#### Purpose

The purpose of the programme is to receive, investigate and prepare licences and registration certificates for all applications in the Casino and Betting sector (sub-programme 4.1: Casinos and Betting - race course operators; Totalisators: bookmakers; tote agents, manufacturers, suppliers, maintenance operators and the employees of these licensees) and the LPM and Bingo sector (sub-programme 4.2 : LPMs and Bingo - route operators; limited pay-out





machines; bingo operators; manufacturers, suppliers, maintenance operators and the employees of these licensees) as required in the Act to ensure the suitability and continuous suitability of all applicants; and to roll out new betting initiatives.

### Objectives

- ♣ **To process and license and/or register new applicants into the Casino and Betting / LPM and Bingo industry** – This ensures the suitability of licensees, registrants and other persons in the gaming and betting sectors in compliance with the KZN Gaming and Betting Act and to ensure efficient service delivery (licensing and registration of persons as required in the KZN Gaming and Betting Act).
- ♣ **To process licence and registration renewal applications for the Casino and Betting / LPM and Bingo industry** – This ensures continued suitability of all applicants and licensees/registrants through processing and/or investigating all renewal applications received.
- ♣ **To assess compliance with BBBEE Codes of Good Practice of all corporate applicants into the Casino and Betting / LPM and Bingo industry** – This ensures that commitments are made by new entrants, financial acquisitions and corporatisations in terms of the B-BBEE Codes of Good Practice.

### Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

This programme's activities have supported the Board's objective through the investigation and processing of all licensing and registration applications thereby ensuring suitability of all applicants within the gambling industry and revenue collection by means of the following achievements:

- ♣ A total of 156 corporate license and registration applications were received and 135 corporate applications finalised.
- ♣ A total of 96 corporate licenses and certificates were issued.
- ♣ A total of 1671 employee registration applications (including tote agents and managers) were received and 890 employee registration applications finalised.
- ♣ A total of 1303 employee registration certificates issued.
- ♣ 811 CEMS employee registrations processed.
- ♣ A total of 861 renewal of licences/registrations applications were received and processed.
- ♣ A total income of R 1 459 910.00 for Application fees was collected - Casinos and Betting R 440 850.00 and LPM/Bingo R 1 019 060.00.
- ♣ A total income of R 2 863 800.00 for Investigation fees was collected - Casinos and Betting R 1 092 200.00 and LPM/Bingo R 1 771 600.00.
- ♣ A total income of R 245 000.00 for Licence / Registration fees was collected - Casinos and Betting R 64 000.00 and LPM/Bingo R 181 000.00.
- ♣ A total income of R 16 939 850.00 for Licence / Registration Renewal fees was collected – Casinos and Betting R 12 569 900.00 and LPM/Bingo R 4 369 950.00.

SUB-PROGRAMME 4.1: CASINOS AND BETTING						
PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
<b>Strategic Objective 4.1.1: To ensure suitability and continuous suitability of all applicants for licensing and registration</b>						
4.1.1.1	Percentage of corporate licence applications processed and investigated within prescribed timeframes (Casinos; Financial Acquisitions; Bookmakers; Totalisators & Racecourse Operators; Transfer of Licences and Removal of Business Premises / Relocations)	Financial Acquisitions - 1 application processed and investigated beyond the timeframe / Bookmaker - 26 applications processed and investigated beyond the timeframe	70%	16.66% of corporate licence applications processed within prescribed timeframe 2 applications processed and investigated within 90 days / 10 applications processed and investigated beyond timelines	Shortfall in target of 53.34%	Partial achievement of target was impacted by: processing of backlog applications; continued influx of employee applications; capacity constraints due to resignations within the unit; and delays in filling of vacant posts
4.1.1.2	Percentage of corporate registration applications processed and investigated within prescribed timeframes (Certificates of Suitability; Manufacturers; Suppliers; Maintenance Providers)	1 Certificate of Suitability application was still in process	70%	66.66% of corporate registration applications processed within prescribed timeframe 2 applications processed and investigated within 90 days / 1 application processed and investigated beyond timelines	Shortfall in target of 3.34%	As above
4.1.1.3	Percentage of applications for Totalisator Agents processed and investigated within prescribed timeframes	21 applications processed and investigated beyond the timeframe	60%	0% of Totalisator Agent applications processed within prescribed timeframe 0 applications processed and investigated within 60 days / 29 applications processed and investigated beyond 60 days	Shortfall in target of 0%	As above
4.1.1.4	Percentage of applications for Casino and Betting Sector employee registrations processed and investigated within prescribed timeframes	619 applications processed and investigated beyond timeframe	60%	16.67% of employee applications processed within prescribed timeframe 82 applications processed and investigated within 60 days / 410 applications processed and investigated beyond 60 days	Shortfall in target of 43.33%	As above
4.1.1.5	Percentage of licences and/or certificates of registration issued within prescribed timeframes	82.76% of Bookmaker licences issued within prescribed timeframe (24/29) 5 Bookmaker	100%	42.66% of licences and certificates of registration issued within prescribed timeframe 5 licences and 367 certificates of registration issued	Shortfall in target of 57.34%	As above

PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
		licences issued beyond prescribed timeframe / 492 certificates of registration issued beyond the prescribed timeframe [Total of 521 licences and certificates issued]		within timelines / 500 certificates of registration issued beyond timelines		
<b>Strategic Objective 4.1.2: To process licence and registration renewal applications for the Casino and Betting industry</b>						
4.1.2.1	Percentage of licence/certificate renewal applications processed and licences / certificates issued within prescribed timeframes	34.69% of renewal applications processed and certificates issued within prescribed timeframe (102/294) / 192 issued before expiry but outside of prescribed timeframe (192/294) [294 renewal applications processed]	100%	69.09% of licence/certificate renewal applications processed and licenses / certificates issued within prescribed timeframe  71 licences and 119 certificates of registration issued within timelines / 85 certificates of registration issued beyond timelines	Shortfall in target of 30.91%	As above
<b>Strategic Objective 4.1.3: To assess compliance with B-BBEE Codes of Good Practice of all corporate applicants into the Casino and Betting industry</b>						
4.1.3.1	Percentage of corporate applications investigation reports containing applicants' BBBEE status	100% of 27 corporate investigation reports prepared during the period contained applicants' BBBEE status	100%	100% of corporate application reports contain applicants' B-BBEE status - 15 finalized corporate applications have B-BBEE status and conditions	Not applicable	Not applicable

#### 2.6.4.2 Sub-Programme 4.2 Licensing and Registration LPMs and Bingo

<b>SUB-PROGRAMME 4.2: LPMS AND BINGO</b>						
PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
<b>Strategic Objective 4.2.1: To process and license and/or register new applicants into the LPM and Bingo industry</b>						
4.2.1.1	Percentage of corporate licence applications processed and investigated within prescribed timeframes (Bingo; Type A and Type B LPM Site Operators; Independent Site	No Bingo applications were processed during the period 52.63% of Type A LPM Site Operator licence	70%	94.17% of corporate licence applications processed within prescribed timeframe 113 applications processed and investigated within 90/120 days / 7 applications processed and	Positive variance of 24.17%	Facilitation of project management meetings; prompt review of reports and no employee applications backlog contributed to the positive results

PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
	Operators; Financial Acquisitions; Transfer of Licences and Removal of Business Premises / Relocations) within prescribed timeframe	applications processed and investigated within prescribed timeframes (20/38) 18 applications processed and investigated beyond the prescribed timeframe / 30 Type B applications processed and investigated beyond the prescribed timeframe 7.14% of Financial Acquisition applications processed and investigated within the prescribed timeframe (1/14) / 13 applications processed and investigated beyond the prescribed timeframe		investigated beyond timelines		
4.2.1.2	Percentage of corporate registration applications processed and investigated within prescribed timeframes (Certificates of Suitability; Manufacturers, Suppliers, Maintenance Providers)	No applications received during the period.	70%	Not applicable - 0 corporate registration applications received, processed and investigated during the period	Not applicable	Not applicable
4.2.1.3	Percentage of applications for employee registrations in Bingo and LPM industry processed and investigated within prescribed timeframes	30.62% of Bingo and LPM employee applications processed and investigated within prescribed timeframe (64/209) 145 applications processed and investigated beyond prescribed timeframe	70%	90.24% of employee applications processed and investigated within prescribed timeframe  333 applications processed and investigated within 60 days / 36 applications processed and investigated beyond timelines	Positive variance of 20.24%	Facilitation of project management meetings; prompt review of reports and no employee applications backlog contributed to the positive results
4.2.1.4	Percentage of licences and/or certificates of registration issued within prescribed timeframes	85.45% of Licences and certificates issued within prescribed timeframe (141/165) - 35	100%	89.56% of licenses and certificates of registration issued within prescribed timeframe 81 licences and 391 certificates of	Shortfall in target of 10.44%	Focus on Project Jika (automated application system) inputs by the unit and site visit activities negatively impacted on the full



PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
		licences and 106 certificates 7 licences and 17 certificates issued beyond prescribed timeframe		registration issued within timelines / 9 licences and 46 certificates of registration issued beyond timelines		achievement of target
<b>Strategic Objective 4.2.2: To process licence and registrations renewal applications for the LPM and Bingo industry</b>						
4.2.2.1	Percentage of licence/certificate renewal applications processed and licences / certificates issued within prescribed timeframes	98.87% of renewal applications processed and licences issued within prescribed timeframe (525/531) 6 applications processed and licences issued beyond the prescribed timeframe (6/531)	100%	100% of licence/certificate renewal applications processed and licenses / certificates issued within prescribed timeframe 554 licences and 32 certificates of registration issued within timelines	Not applicable	Not applicable
<b>Strategic Objective 4.2.3: Assess compliance with B-BBEE Codes of Good Practice of applicants into the LPM and Bingo industry</b>						
4.2.3.1	Percentage of Corporate applications Investigation Reports containing applicants' BBBEE status	Not applicable – no corporate investigation reports were prepared during the year	100%	100% of corporate application reports contain applicants' B-BBEE status - 1 finalized corporate application has B-BBEE status and conditions	Not applicable	Not applicable

Programme 4	2016/17			2015/16		
	Budget	Actual	(Over) / Under	Budget	Actual	(Over) / Under
Senior Manager	1 192	1 164	28	1 488	1 157	331
Casino & Betting	3 762	2 574	1 188	3 402	2 710	692
LPMs & Bingo	4 496	3 540	956	4 081	3 812	269
<b>Total</b>	<b>9 450</b>	<b>7 278</b>	<b>2 172</b>	<b>8 971</b>	<b>7 679</b>	<b>1 292</b>

### Strategy to Overcome Areas of Under Performance

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
To ensure suitability and continuous suitability of all applicants for licensing and registration	Percentage of corporate licence applications processed and investigated within prescribed timeframes (Casinos; Financial Acquisitions; Bookmakers; Totalisators & Racecourse Operators; Transfer of Licences and Removal of Business Premises / Relocations)	The following strategies will be undertaken to address areas of underperformance: <ul style="list-style-type: none"> <li>♣ Business Processing Re-Engineering project (Project Jika) will address the highly manual processes that currently exist to ensure a more efficient and streamlined business process.</li> <li>♣ Delegations of authority are in place which enhances service delivery and turnaround times.</li> <li>♣ Vacant positions within unit to be filled once requisite approval is acquired.</li> </ul>
	Percentage of corporate registration applications processed and investigated within prescribed timeframes (Certificates of Suitability; Manufacturers; Suppliers; Maintenance Providers)	

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
	Percentage of applications for Totalisator Agents processed and investigated within prescribed timeframes	
	Percentage of applications for Casino and Betting Sector employee registrations processed and investigated within prescribed timeframes	
	Percentage of licences and/or certificates of registration issued within prescribed timeframes	
To process licence and registration renewal applications for the Casino and Betting industry	Percentage of licence/certificate renewal applications processed and licences / certificates issued within prescribed timeframes	

### 2.6.5 Description of Programme 5: Gaming Monitoring and Control

This programme is made up of two sub-programmes, namely: Monitoring and Gaming Audit and Gaming Control which are mandated to perform the functions as set out in Section 7 of the KZN Gaming and Betting Act, which is essentially to regulate and control gambling activities in the Province.

#### 2.6.5.1 Sub-Programme 5.1: Monitoring and Gaming Audit

##### Purpose

The purpose of the sub-programme is to monitor gaming activities in the Province; audit gaming revenue collection for the Province; and to ensure compliance with relevant legislation.

##### Objectives

- ♣ **Verify accuracy of taxes payable by the Gaming industry**– This provides assurance of accurate and timely payment of taxes by Gaming licenses through monthly verification of taxes.
- ♣ **Conduct audits and FICA inspections to ensure regulatory compliance by Gaming industry** – This ensures the enforcement of compliance of applicable legislation by gaming licensees.
- ♣ **Conduct monitoring audits to ensure adherence to bid commitments and licence conditions by Gaming licensees** – This ensures regulatory compliance, adherence to bid commitments and licence conditions by gaming licensees.

- ♣ **Process applications for operational change requests** – This ensures that operational requests pertaining to internal control standards and licence conditions) are processed and evaluated as required in terms of legislation/

### Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

This sub-programme's activities have supported the Board's objectives to ensure accurate gaming revenue collection for Provincial Government; to regulate the gaming industry to ensure compliance with legislative and regulatory requirements; to promote compliance by the gaming industry; and to limit potential negative impact of the industry on society through the following:

- ♣ A total of 228 monthly tax verification audits were conducted to provide assurance that accurate taxes are paid to Government.
- ♣ A total of 266 audits were conducted on Casino, Route Operator and Bingo licensees to ensure that licensees were adhering to compliance in terms of accounting and internal control procedures.
- ♣ A total of 11 FICA inspections were conducted and reported to ensure that the gaming industry is compliant with the Finance Intelligence Act. Through these inspections, the Board is able to identify areas of concern within the gaming industry and to recommend remedial action and administrative processes to ensure that the industry becomes compliance with this Act.
- ♣ A total of 60 monitoring audits on Casinos, Route Operators and Bingo Licensees ensuring that gaming licensees (casino operators, bingo operators, route operators, and independent site operators) complied with license conditions, bid commitments and the B-BBEE Codes of Good Practice. Licensees' spend on local economy, SMMEs and HDP businesses, the contribution towards poverty and inequality eradication and CSI, spatial economic development (including rural development), socio-economic growth and job creation by the gaming industry is monitored.

A total of 38 operational change requests, which includes structural developments and internal control amendments were evaluated and processed.

SUB-PROGRAMME 5.1: MONITORING AND GAMING AUDIT						
PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
<b>Strategic Objective 5.1.1: Verify accuracy of taxes payable by the Gaming industry</b>						
5.1.1.1	Number of monthly tax audits conducted on Casinos and Route Operators	60 Casino and 48 Route Operator tax audits conducted	60 Casino and 48 Route Operator tax audits	60 Casino and 48 Route Operators monthly tax audits conducted	Not applicable	Not applicable
5.1.1.2	Percentage of monthly tax audits conducted on licensed Bingo operations	56 Bingo Operator Tax audits conducted on 100% of licensed operational Bingo operators 32 Type "B" LPM tax audits conducted on 100% of Independent Site LPM operators	100%	Monthly tax audits conducted on 100% of licensed Bingo Operators – 72 Bingo and 48 Type B tax audits	Not applicable	Not applicable

PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
		operating on Bingo sites				
<b>Strategic Objective 5.1.2: Conduct audits and FICA inspections to ensure regulatory compliance by Gaming industry</b>						
5.1.2.1	Number of annual compliance audits and FICA inspections conducted on licensed Casinos and Route Operators	5 Compliance audits and 5 FICA inspections conducted on Casino licensees 4 Compliance audits conducted on licensed Route Operators	5 Casino compliance audits 4 Route Operator compliance audits 5 Casino FICA inspections	5 Casino and 4 Route Operator compliance audits conducted 5 Casino FICA inspections conducted	Not applicable	Not applicable
5.1.2.2	Percentage of annual compliance audits conducted on 50% of licensed operational Type "A" LPM sites	289 Compliance audits conducted on 55% of licensed operational Type "A" LPM sites	Compliance audits on 50% of licenced operational Type "A" LPM sites	Annual compliance audits conducted on 50% of licensed operational Type "A" LPM sites - 251 compliance audits conducted	Not applicable	Not applicable
5.1.2.3	Percentage of annual compliance audits and FICA inspections conducted on licensed Bingo operations	4 Compliance audits and FICA inspections conducted on 100% of licensed operational Bingo sites 2 Compliance audits and 2 FICA inspections conducted on 100% of licensed operational Independent Site Operator sites	100%	Compliance audits and FICA inspections conducted on 100% of licensed Bingo operations - 6 Bingo compliance audits and 6 Bingo FIC inspections	Not applicable	Not applicable
<b>Strategic objective 5.1.3: Conduct monitoring audits to ensure adherence to bid commitments and licence conditions by Gaming licensees</b>						
5.1.3.1	Number of quarterly monitoring audits conducted on licensed Casinos and Route Operators	20 Casino and 16 Route Operator monitoring audits conducted.	20 Casino and 16 Route Operator monitoring audits	20 Casino and 16 Route Operator quarterly monitoring audits conducted	Not applicable	Not applicable
5.1.3.2	Percentage of quarterly monitoring audits conducted on 100% of licensed Bingo operations	14 Quarterly monitoring audits conducted on 100% of licensed operational Bingo Operators	100%	Quarterly monitoring audits conducted on 100% of licensed Bingo operations - 24 monitoring audits conducted	Not applicable	Not applicable
<b>Strategic objective 5.1.4: Process applications for operational change requests</b>						
5.1.4.1	Percentage of operational change request applications allocated for processing	100% of the 41 operational change requests received were allocated for processing within 5 days of receipt	100%	100% of 38 operational change requests received were allocated for processing within prescribed timeframe	Not applicable	Not applicable





## 2.6.5.2 Sub-Programme 5.2: Gaming Control

### Purpose

The purpose of the sub-programme is to control all forms of gaming operations through regulatory inspections, certifications and processing of gaming applications thereby ensuring that gaming operations are conducted in compliance with legislation.

### Objectives

- ♣ **Ensure gaming equipment operates in compliance with legislation and SA National Standards 1718 (Casino, LPM and Bingo industry)** – This ensures that applications for hardware and software changes by manufacturers are processed and evaluated; that all gaming equipment is registered to ensure regulatory compliance with legislation and SANS 1718.
- ♣ **Conduct gaming operation inspections to ensure regulatory compliance by licensees**– This ensures regulatory and operational compliance by gaming licensees.
- ♣ **Conduct certifications of all LPM and Bingo sites and limited payout machines** – This ensures technical compliance through testing and certification of LPM and Bingo sites and limited payout machines.
- ♣ **Process applications for gaming operational change requests (Casino, LPM and Bingo)** – This ensures that all gaming operational requests are processed and evaluated as required in terms of legislation.
- ♣ **Ensure public protection through investigation of patron disputes and cheating incidents** – This ensures protection of the interests of the public as required in S6(a) of the KZN Gaming and Betting Act.

### Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

This sub-programme's activities have supported the Board's objectives to regulate the gaming industry to promote compliance by the gaming industry and to limit potential negative impact of the industry on society through the following:

- ♣ Reports of improper conduct on the part of licenced persons and patrons were investigated - A total of 28 patron disputes investigated and 33 reported cheating incidents investigated thereby protecting the interests of the public.
- ♣ 36 inspections were conducted to ensure that all gaming equipment used by casino/bingo licensees was compliant and licensed for use in the Province. Furthermore, casino surveillance and security systems, gaming tables, and cash desk procedures were also inspected to ensure compliance.
- ♣ A total of 64 LPM and Bingo sites were authorised to operate and 255 limited payout machines were certified.
- ♣ 638 applications for casino gaming hardware software changes were evaluated and approved thereby ensuring compliance with the South African National Standards 1718.

**SUB-PROGRAMME 5.2: GAMING CONTROL**

PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
<b>Strategic Objective 5.2.1: Ensure gambling equipment operates in compliance with legislation and SA National Standards 1718 (Casino, LPM and Bingo Industry)</b>						
5.2.1.1	Percentage of applications received for hardware and software changes allocated for processing	100% of 567 compliant applications for hardware / software changes received were allocated for processing within 7 working days	100%	100% of 638 applications for hardware and software changes received were allocated for processing within prescribed timeframe	Not applicable	Not applicable
5.2.1.2	Percentage of letters of registration issued	100% of 499 letters of certification issued within 5 working days of administrative registration	100%	100% of 638 letters of registration were issued within prescribed timeframe	Not applicable	Not applicable
<b>Strategic Objective 5.2.2: Conduct gaming operation inspections to ensure regulatory compliance by licensees</b>						
5.2.2.1	Number of gaming operation inspections conducted on Casino licensees	29 Casino inspections were conducted on Casino licensees	30	30 gaming operation inspections conducted on Casino licensees	Not applicable	Not applicable
5.2.2.2	Number of gaming operation inspections conducted on licensed Bingo operations	6 Gaming operation inspections were conducted - 100% of licensed operational Bingo licensees	6	6 gaming operation inspections conducted on licensed Bingo operations	Not applicable	Not applicable
<b>Strategic Objective 5.2.3: Conduct certifications of all LPM and Bingo sites and limited pay-out machines</b>						
5.2.3.1	Percentage of LPM and Bingo sites and limited pay out machines certified	100% of LPM and Bingo sites authorized to operate and LPMs certified within prescribed timeframe 35 LPM and Bingo sites / 180 LPMs	100%	100% of LPM and Bingo sites and limited payout machines were certified - 64 LPM sites and 255 LPMs	Not applicable	Not applicable
<b>Strategic Objective 5.2.4: Process applications for gaming operational change requests (Casino, LPM and Bingo)</b>						
5.2.4.1	Percentage of applications for gaming operation change requests allocated for processing	100% of 302 applications for gaming changes received were allocated for processing within prescribed timeframe	100%	100% of 314 applications for gaming operation change requests received were allocated for processing within prescribed timeframe	Not applicable	Not applicable
<b>Strategic Objective 5.2.5: Ensure public protection through investigation of patron disputes and cheating incidents</b>						
5.2.5.1	Percentage of patron disputes allocated for investigation	100% of patrons notified of outcome of 24 finalised disputes within prescribed timeframe	100%	100% of 28 patron disputes received were allocated for investigation within prescribed timeframe	Not applicable	Not applicable
5.2.5.2	Percentage of	100% of 14	100%	100% of 33	Not applicable	Not applicable

## SUB-PROGRAMME 5.2: GAMING CONTROL

PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
	reported cheating incidents allocated for investigation	cheating incidents reported were investigated. 2 incidents were investigated, finalised and reported and 12 reported incidents are still under investigation so not yet reported		reported cheating incidents were allocated for investigation within prescribed timeframe		

### Linking Performance with Budgets

Programme 5	2016/17			2015/16		
	Budget	Actual	(Over) / Under	Budget	Actual	(Over) / Under
Senior Manager	1 553	1 527	26	1 334	1 327	7
Monitoring & Gaming Audit	5 765	5 588	177	4 770	5 317	-547
Gaming Control	5 916	5 049	867	4 656	4 597	59
<b>Total</b>	<b>13 234</b>	<b>12 164</b>	<b>1 070</b>	<b>10 760</b>	<b>11 241</b>	<b>-481</b>

### 2.6.6 Description of Programme 6: Betting Monitoring and Control

This unit, like the Gaming Monitoring and Control Unit, supports the entity in its achievement of the extensive mandate set out in Section 7 of the Act and monitors all matters connected with bookmaking, racecourse operators and Totalisator betting activities. In addition, the unit assists with investigations into improper conduct on the part of licenced persons as well as reports of illegal gaming or betting in the Province.

#### Purpose

The purpose of the programme to monitor betting activities in the Province; verify betting revenue collection for the Province; ensure compliance with relevant legislation; and to ensure that the Board's mandate in respect of the eradication of illegal gambling in the Province is carried out.

#### Objectives

- ♣ **Verify accuracy of taxes payable by the Betting industry**– This provides assurance of accurate and timely payment of taxes by betting licenses through monthly verification of taxes.
- ♣ **Conduct inspections to ensure regulatory compliance by the Betting industry** – This ensures the enforcement of compliance of applicable legislation by betting licensees.
- ♣ **Conduct annual monitoring inspections on corporate betting licensees** – This ensures regulatory compliance, adherence to bid commitments and licence conditions by betting licensees.
- ♣ **Process applications for approval of wagering software and operational change requests** – This ensures that wagering software and operational change requests are processed and evaluated as required in terms of legislation.



- ♣ **Ensure patron protection through investigation of patron disputes** – This ensures protection of the interests of the public as required in the KZN Gaming and Betting Act.
- ♣ **Initiate steps to eradicate and create awareness of illegal gambling** – This ensures the eradication of illegal gambling through collaboration with relevant stakeholders and creating awareness in respect of illegal gambling.

### Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

This Programme's activities have supported the Board's objectives to ensure accurate betting revenue collection for Provincial Government; to regulate the betting industry to ensure compliance with legislative and regulatory requirements; to promote compliance by the betting industry; and to limit potential negative impact of the industry on society through the following:

- ♣ A total of 570 monthly tax verification audits were conducted to ensure accurate revenue collection for the Province.
- ♣ A total of 360 compliance audits were conducted on betting operators (bookmaking and totalisators) to ensure that licensees were adhering to compliance in terms of accounting and internal control procedures.
- ♣ A total of 6 monitoring audits on Bookmaker Licensees ensuring that licensees complied with licence conditions, bid commitments, corporate social investments, employment equity and BBBEE.
- ♣ A total of 90 operational change requests, which include structural developments, were received and processed.
- ♣ 17 Applications for wagering software were received and processed thereby ensuring compliance with the South African National Standards 1718.
- ♣ A total of 6 FICA audits were conducted on Betting operators and reported to ensure that the betting industry is compliant with the Finance Intelligence Act. Through these inspections, the Board is able to identify areas of concern within the betting industry and to recommend remedial action and administrative processes to ensure that the industry becomes compliance with this Act.
- ♣ A total of 41 betting disputes were lodged and investigated thereby protecting the interests of the public.
- ♣ The unit has participated in a number of illegal gambling inspections in conjunction with other licensing authorities and the South African Police Services during the period under review. 9 Reports of illegal gambling received by the Board or through the Whistle-blower Hotline were reported to SAPS for further investigation - A total of 28 illegal gambling inspections were conducted in the Province in conjunction with other regulatory authorities and 30 awareness engagements with licensees conducted in an effort to create awareness of illegal gambling.



## PROGRAMME 6: BETTING MONITORING AND CONTROL

PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
<b>Strategic Objective 6.1: Verify accuracy of taxes payable by the Betting industry</b>						
6.1.1	Percentage of monthly revenue reports compiled on 100% of licensed betting operators	561 monthly tax validations conducted in respect of 100% of licenced Betting Operators	100%	Monthly revenue reports compiled on 100% of licensed betting operators – 570 revenue reports compiled	Not applicable	Not applicable
<b>Strategic Objective 6.2: Conduct inspections to ensure regulatory compliance by Betting industry</b>						
6.2.1	Total number of on-site and off-site inspections conducted	47 Off-site and 310 On-site inspections conducted	20 off-site inspections 350 on-site inspections	13 off-site inspections and 347 on-site inspections conducted	Shortfall of 7 off-site inspections and 3 on-site inspections	Partial achievement of target was impacted by: high influx of operational change requests received for processing and the prioritisation thereof; priority given to the roll out of determined bookmaking rights; and capacity constraints within the unit due to resignation
6.2.2	Total number of FICA inspections conducted	10 FICA inspections conducted on Betting operators	6	6 FICA inspections conducted	Not applicable	Not applicable
<b>Strategic Objective 6.3: Conduct annual monitoring inspections on corporate licensees</b>						
6.3.1	Number of annual monitoring inspections conducted on corporate Betting licensees	5 monitoring inspections conducted on corporate licensees as per Operational Plan	5	6 Annual monitoring inspections conducted on corporate Betting licensees	Not applicable	Not applicable
<b>Strategic Objective 6.4: Process applications for approval of wagering software and operational change requests</b>						
6.4.1	Percentage of applications for approval of wagering software and operational change requests allocated for processing	100% Achieved 13 wagering software applications and 47 operational change request applications finalised licensees notified of outcome within prescribed timeframe	100%	100% of 94 operational change requests and 17 wagering software applications received were allocated for processing within prescribed timeframe	Not applicable	Not applicable
<b>Strategic Objective 6.5: Ensure patron protection through investigation of betting disputes</b>						
6.5.1	Percentage of betting dispute investigations commenced	100% Achieved - 39 betting disputes received and 39	100%	90.24% of 41 betting disputes received had investigations	Shortfall of 9.76%	Partial achievement of target due to a delay in the commencement of

PI No.	Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from Planned Target to Actual Achievement for 2016/2017	Comment on Deviations
	within the prescribed timeframes	investigations commenced within prescribed timeframe		commenced within prescribed timeframe / 4 betting dispute investigations commenced outside prescribed timeframe		4 betting disputes – measures have been put in place to eliminate this delay
<b>Strategic Objective 6.6: Initiate steps to eradicate and create awareness of illegal gambling</b>						
6.6.1	Percentage of cases of illegal gambling reported to SAPS	83% Achieved - 6 reported cases of illegal gambling received and 5 forwarded to the SAPS within prescribed timeframe	100%	100% of 9 reported cases of illegal gambling were forwarded to SAPS within prescribed timeframe	Not applicable	Not applicable
6.6.2	Number of illegal gambling inspections conducted in conjunction with other licensing authorities and SAPS	64% Achieved 33 inspections planned and 21 inspections attended.	24	28 Illegal gambling inspections conducted in conjunction with other licensing authorities and SAPS	Positive variance of 4 illegal gambling inspections conducted	Additional inspections carried out at the behest of the SAPS and KZN Liquor Authority
6.6.3	Number of engagements /training sessions facilitated with licensed entities to create awareness of illegal gambling	26% Achieved - 40 Illegal gambling awareness engagements held out of 152 licenced entities	30	30 engagements / training sessions facilitated with licensed entities to create awareness of illegal gambling	Not applicable	Not applicable

#### Strategy to Overcome Areas of Under Performance

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
Conduct inspections to ensure regulatory compliance by Betting industry	Total number of on-site and off-site inspections conducted	<p>The following strategies will be undertaken to address areas of underperformance:</p> <ul style="list-style-type: none"> <li>♣ Business Processing Re-Engineering project will address the highly manual processes that currently exist to ensure a more efficient and streamlined business process.</li> <li>♣ Delegations of authority are in place which enhances service delivery and turnaround times.</li> <li>♣ Vacant positions within unit to be filled once requisite approval is acquired.</li> </ul>

#### Linking Performance with Budgets

Programme 6	2016/17			2015/16		
	Budget	Actual	(Over) / Under	Budget	Actual	(Over) / Under
Betting Monitoring & Control	6 862	6 501	361	6 214	6 028	186
Illegal Gambling	1 097	1 043	54	1 189	965	224
<b>Total</b>	<b>7 959</b>	<b>7 544</b>	<b>415</b>	<b>7 403</b>	<b>6 993</b>	<b>410</b>





## Part C: Governance

### 1. Introduction

- 1.1. The Board is committed to the highest standards of business integrity, ethical values and governance. It recognises the responsibility to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility in compliance with legislation, regulation and voluntary codes to ensure the sustainability of the business.
- 1.2. Governance structures and processes are regularly reviewed to align with legislative and regulatory changes and to reflect best practice.

### 2. The Board Governance Structures

#### 2.1. Board Composition

- 2.1.1. The Board is a unitary structure with nine non-executive members and the CEO as an executive Board Member. The Board delegates day-to-day business to the CEO and management team.
- 2.1.2. The role of the non-executive chairman and the chief executive officer are formalised, separate and clearly defined. The division of responsibilities at the head of the entity ensure balance of authority and power with no single individual having unrestricted decision making powers.
- 2.1.3. The non-executive Board Members have extensive business experience and specialist skills across a range of sectors including accounting, finance, law and human resources. This enables them to provide balanced and independent advice and judgment in the decision making process.
- 2.1.4. The Board meets at least eight times a year and additional meetings can be convened to consider business issues which may arise between scheduled meetings. A number of additional meetings were required during the year.

#### 2.2. Independence Of Board Members

- 2.2.1. The KwaZulu-Natal Gaming and Betting Act prescribes that Board Members are appointed for a fixed term period of three years, only, although they may be reappointed for a further term. The current Board was appointed in 2015 and has served two thirds of its term. Taking this into account and that there are no factors which are considered to prevent the Board Members from exercising their independent judgment or acting in an independent manner, all Members are considered to be classified as independent in terms of the King III definition.

#### 2.3. Board Charter

- 2.3.1. The scope of authority, responsibility, composition and functioning of the Board is contained in a formal charter which is regularly reviewed.
- 2.3.2. Board Members retain overall responsibility and accountability for:
  - 2.3.2.1. Approving strategic plans;
  - 2.3.2.2. Monitoring operational performance and management;
  - 2.3.2.3. Ensuring effective risk management and internal controls;
  - 2.3.2.4. Legislative, regulatory and governance compliance;
  - 2.3.2.5. Approval of significant accounting policies and annual financial statements;
  - 2.3.2.6. Monitoring transformation and empowerment;
  - 2.3.2.7. Balanced and transparent reporting to stakeholders.



## 2.4. Board Committees

2.4.1. The Board has delegated specific functions to Committees to assist the Board in meeting its oversight responsibilities. All Board Committees are chaired by a Board Member.

2.4.2. All Committees have documented Terms of Reference which are reviewed annually and the Head of Governance, Risk and Compliance confirms that the Committees have functioned in accordance with these written terms of reference during the financial year.

## 2.5. Board And Committee Meeting Attendance

Committees	No of Meetings Held	No of Members	Name of Members
Board	8	9	Adv. B. S. Khuzwayo, Mr E.D. Mpanza, Ms B. Zulu, Mrs V. P. N. Mkhize, Adv. N.D. Hollis S.C, Mr P.M. Miller, Mr S. N. Chetty, Mrs H. Hart, Mrs S.T. Mthembu
LRMCC	5	5	Mr S. N. Chetty, Adv. N.D. Hollis S.C, Mr P.M. Miller, Mrs S.T. Mthembu, Ms B. Zulu
Audit/Fin Comm	1	5	Mr E.D. Mpanza, Mr P.M. Miller, Mrs H. Hart, Prof. S. Perumal, Mr V. Ramphal
Portfolio Committee	3	2	Advocate B.S. Khuzwayo, Mr P. M. Miller
Special Board	2	9	Adv. B. S. Khuzwayo, Mr E.D. Mpanza, Ms B. Zulu, Mrs V. P. N. Mkhize, Adv. N.D. Hollis S.C, Mr P.M. Miller, Mr S. N. Chetty, Mrs H. Hart Mrs S.T. Mthembu
Public Hearing	3	4	Mr S. N. Chetty, Adv. N.D. Hollis S.C, Mrs S.T. Mthembu, Ms B. Zulu
Section 87	1	2	Mr S. N. Chetty, Adv. N.D. Hollis S.C
HRRC	4	5	Ms B. Zulu, Mr E.D. Mpanza, Mrs V. P. N. Mkhize, Mrs H. Hart, Mrs S.T. Mthembu
Meeting With MEC	1	1	Adv. B. S. Khuzwayo
Fin Comm	3	4	Mr E.D. Mpanza, Mr P.M. Miller, Mrs V. P. N. Mkhize, Mrs H. Hart
Public Hearing and Stakeholder Committee	1	8	Adv. B. S. Khuzwayo, Mr E.D. Mpanza, Adv. N.D. Hollis S.C, Mr P.M. Miller, Mrs S.T. Mthembu, Mrs V. P. N. Mkhize, Ms B. Zulu, Mrs H. Hart
Appeals	2	5	Adv. B. S. Khuzwayo, Mr E.D. Mpanza, Mrs V. P. N. Mkhize, Ms B. Zulu, Mrs H. Hart
Betting Disputes	1	3	Mr S. N. Chetty, Adv. N.D. Hollis S.C, Mrs S.T. Mthembu
Audit Comm	2	4	Mr V. Ramphal, Mrs H. Hart, Mr P.M. Miller, Ms V. Ndlovu

## 2.6. Management Committee


2.6.1. Executive management and the Board work closely in determining the entity's strategic objectives. Authority has been delegated by the Board to the Chief Executive Officer and Management Committee for the implementation of the strategy and ongoing management of the business.

2.6.2. The Management Committee comprises the Chief Executive Officer, all Senior Manager and three Unit Managers. The Board is apprised of progress through reporting at Board meetings and regular communication from management.

2.6.3. The responsibilities of Management include:

2.6.3.1. Developing and implementing the annual performance plan and action plans;

2.6.3.2. Preparing budgets and monitoring expenditure;

- 
- 2.6.3.3. Monitoring operational performance against agreed targets;
  - 2.6.3.4. Adhering to financial management policies;
  - 2.6.3.5. Determining human resources policies and practices;
  - 2.6.3.6. Monitoring and managing risk; and
  - 2.6.3.7. Communicating with stakeholders.

## **2.7. Board Secretary**

- 2.7.1. The Board's Secretary ensures that Board procedures and all regulatory and governance codes are observed and also provides guidance to the Board Members on governance, compliance and fiduciary responsibilities. Members have unrestricted access to the advice and services of the Board Secretary.
- 2.7.2. The Board Secretary resigned during the financial year and the Head of Governance, Risk and Compliance has acted as Board Secretary in the absence of a new appointment.
- 2.7.3. The Board was satisfied that the Acting Board Secretary has the necessary skills and expertise to fill the role.

## **3. Risk Management**

- 3.1. The KZNGBB follows a disciplined approach to evaluating risks and developing appropriate strategies to mitigate and manage risk. The risk management methodology is considered by the Audit Committee and enhancements during the financial year have been recommended and adopted.
- 3.2. The Board is responsible for the oversight of risk management and has delegated the responsibility to the Audit Committee. The Audit Committee is responsible for ensuring that the entity has implemented an effective policy and plan to manage risk and that disclosure regarding risk is comprehensive, timely and relevant.
- 3.3. The Head of Governance Risk and Compliance is responsible for designing and implementing the risk management process and monitoring ongoing progress. She regularly reviews the entity's risk to ensure mitigation strategies are being implemented by the business units. Internal Auditors monitor the progress of the entity and business units in managing risks and report their findings to the Audit Committee quarterly.
- 3.4. Risk management is integrated in the entity's annual planning cycle. In determining the strategic and operational plans for the year ahead each business unit is required to review its operational risk register and control environment. This includes a review of the risks of the previous financial year, considering new and emerging risks and facilitated workshops with all levels of management. A risk framework sets out the various risks that should be considered as part of the risk identification process. These potential risks are updated annually to ensure all relevant issues are considered.
- 3.5. Each risk on the register is assigned an impact and probability rating. The impact assigned to a risk is assessed and takes account of the financial, compliance, reputation and people effects on the entity. The probability of a risk materialising is also measured. The impact and probability ratings are then used to determine the inherent risk rating and its significance to the entity.
- 3.6. Detailed risk mitigation plans are developed for each risk, which then determines the level of residual risk. Residual risk ratings are then assigned to each risk.
- 3.7. Quarterly reports are furnished to the Audit Committee and to Board on the implementation of the risk mitigation plans.

## **4. The Audit Committee**

- 4.1. ROLE: The Committee has an independent role with accountability to the Board. The Committee's responsibilities include the statutory duties prescribed by the Public Finance Management Act, the KZN



Gaming and Betting Act and activities recommended by King III as well as additional responsibilities assigned by the Board.

- 4.2. **FUNCTIONS:** The Committee's functions cover reporting, combined assurance, internal audit, risk management and external audit and are outlined in detail in the Audit Committee report on pages 54 to 55 of the Governance Section.
- 4.3. **COMPOSITION:** The Committee comprises two independent external members who were appointed during 2016 and two Board Members, the Chairperson and a Member of the Board's Finance Committee who rotate attendance at Audit Committee Meetings.

## **5. Accountability And Compliance**

- 5.1. **INTERNAL AUDIT:** The internal audit function provides information to facilitate the establishment and maintenance of an effective system of internal control to manage risks associated with the entity's business. The role of internal audit is outlined in the terms of reference of the Audit Committee and in the internal audit charter. Details of the internal audit function are contained in the Audit Committee Report on pages 54 to 55 of the Governance Section.
- 5.2. **INTERNAL CONTROL:** Systems of internal control are designed to manage, or at a minimum highlight, the risk of failure to achieve the entity's strategic objectives and to provide reasonable, not absolute, assurance against misstatement or loss. The Audit Committee considers the results of formal documented reviews of systems of internal controls and risk management including the effectiveness of internal financial controls.
- 5.3. **EXTERNAL AUDIT:** The Board members ultimately accept responsibility for the preparation of the audited annual financial statements that fairly represent the results of the entity in accordance with the PFMA and GRAP Standards. The Auditor General as "External Auditor" for the entity is responsible for independently auditing and reporting on the financial statements in conformance with GRAP Standards and applicable laws.

## **6. Legislative And Regulatory Compliance**

- 6.1. Legislative and regulatory compliance is monitored by the Head; Governance, Risk and Compliance.
- 6.2. She is responsible for providing advice to the operational business units, creating awareness and developing an understanding of relevant legislation and regulation.
- 6.3. Compliance with the KZN Gaming and Betting Act has received primary attention during the financial year as has compliance with the National Gambling Act, the PFMA, Treasury Regulations, Promotion of Administrative Justice Act and Competition Act.
- 6.4. Five requests for information were received by the KZNGBB in terms of the Promotion of Access to Information Act during the period. Where the entity was in possession of the requested information, this was provided.
- 6.5. The entity has no instances of major non-compliance with legislation during the period and no fines were incurred.

## **7. Ethics And Values**

- 7.1. The KZNGBB subscribes to the highest ethical standards of business conduct. A set of values and a Code of Business Conduct requires staff to display integrity, respect, openness, and affords them the right and obligation to challenge others who are not adhering to these values.
- 7.2. The KZN Gaming and Betting Act and Code of Business Conduct also sets stringent standards relating to the acceptance of gifts from third parties and declarations of potential conflicts of interest.



- 7.3. A Fraud Prevention Policy ensures the entity's firm stance against fraud and prosecution of offenders. This policy outlines the Board's response to fraud, theft and corruption committed by staff and external parties against the entity.

#### **8. Whistle-Blowers Line**

- 8.1. Staff and the public are encouraged to report suspected fraudulent or unethical behaviour via a toll-free telephone service managed by an external service provider. All reported incidents are investigated. Greater awareness of this facility needs to be created and staff should be encouraged to report incidents before significant losses are incurred.

#### **9. Social Responsibility**

- 9.1. It is the Board's mandate to ensure that all gambling authorised by it is conducted in a manner that promotes the integrity of the gambling industry and does not cause harm to the public interest.
- 9.2. The Board takes this mandate seriously when granting licences or registration and in its monitoring function. Licence conditions are imposed which take the best interests of the community's, in which licensees operate, into account. The Monitoring and Compliance Business Units ensure adherence to these licence conditions as well as initiatives of the South African Responsible Gambling Foundation with whom the KZNGBB has a close working relationship.





## 10. Audit Committee Report

### Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2017.

### Audit Committee Members and Attendance

During the first quarter 2016/17 the Audit Committee consisted of the first four members listed hereunder. Thereafter the term of office of the Audit Committee came to an end and the Committee consisted of the members listed excluding Professor Perumal. The Committee should meet at least three (3) times per annum as per its approved terms of reference, the Audit Committee Charter. During the reporting period, three meetings were held and attendance was as tabled below (term ended on 31 May 2016):

Name of Member	Number of Meetings Attended
Prof R. Perumal	1
Mr V. Ramphal (term ended on 31 May 2016, re- appointed 01 September 2016)	3
Mr P. Miller	2
Mrs H. Hart	2
Mrs V. Ndlovu (appointed 01 September 2016)	2
Mrs S. Ngidi (term ended on 31 May 2016)	0

### Audit Committee Responsibility

We report that we have adopted appropriate formal terms of reference in our Charter in line with the requirements of Section 51 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 27.1. We report further that we have conducted our affairs in compliance with this Charter.

### Internal Audit

We are satisfied that during the reporting period the internal audit function operated effectively and that it addressed the risks pertinent to the entity in its audits. The internal audit function was performed by Provincial Treasury Internal Audit Service (PTIAS) and this engagement terminated on 31 March 2017. The PTIAS completed their 2016/17 annual plan as approved by the Audit Committee with the exception of their review of performance for the third and fourth quarters as well as their review of financial statements. This was due to the withdrawal of their services by Provincial Treasury.


As a Committee we met with the Internal Audit during the year to ensure that the function was executed effectively and objectively. We are satisfied with the content and quality of the quarterly reports prepared and issued by the internal auditors of the entity during the year under review.

The quality of in year management quarterly reports submitted in terms of the PFMA

We reviewed the in year management quarterly reports submitted and noted improvement in the content and quality of reports prepared and submitted by management during the year.

### The Effectiveness of Internal Control

In line with the PFMA, Treasury Regulations and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with the assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancement to the controls and processes. Based on the various reports by Internal Audit, the Audit Report on the Annual Financial Statements and the management report of the Auditor-General, the Committee noted that some matters were reported indicating deficiencies in the systems of internal control. We also noted that management has implemented adequate controls in most areas within the organisation to provide reasonable assurance that all major inherent risks are appropriately identified; managed and applicable legislation is adhered to.



Accordingly, we can report that the system of internal control over the financial reporting period under review was efficient and effective.

### Evaluation of Financial Statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General South Africa and the Chief Executive Officer (Accounting Officer);
- Reviewed the Auditor-General South Africa's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entity's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments made as a result of the audit.

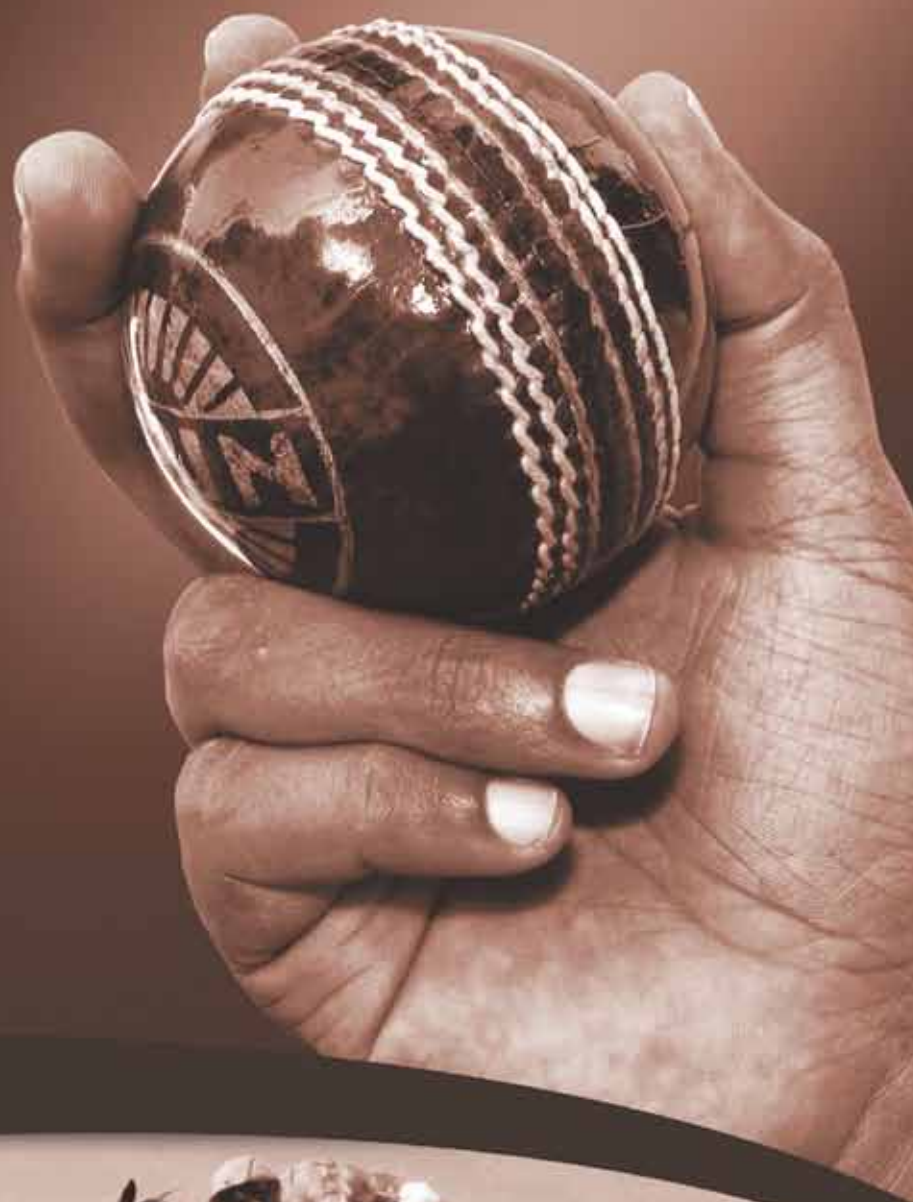
We concur with and accept the Auditor-General South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General South Africa.



**Mr V. Ramphal**

**Chairperson of the Audit Committee: KwaZulu-Natal Gaming and Betting Board**

**Date: 31 July 2017**





## Part D: Human Resource Management

### 1. Introduction

The KZNGBB strives to be an employer of choice, and the HRM Strategy was drafted with a focus on this particular aim.

The Strategic objective for Human Resources is *to attract, develop and retain suitable, qualified and competent human resources for the Board* which we seek to achieve through the effective, efficient implementation of our human capital development initiatives

The Human Resources Unit provides the full range of HR services from Recruitment, Selection and Onboarding, Training and Development, Performance Management and Development, Employee Wellness and Industrial Relations which are supported by our Human Resource Administration capacity. During the year under review, the Unit set a number of priorities which included the following:

- ♣ Preparation and submission of the Workplace Skills Plan and Annual Training Report submitted to CATHSETA
- ♣ Development and approval of the entity's Employment Equity plan
- ♣ Development and approval of the entity's Human Resource Strategy
- ♣ Review of Human Resources policies
- ♣ Review of Job Descriptions
- ♣ Implementation of an Employee Wellness Program
- ♣ Implementation and finalisation of a skills audit.

Also planned but not achieved, were the following:

- ♣ Succession Planning not achieved and this has been carried over to the 2016/17 FY
- ♣ Performance Reward System not yet fully developed and implemented

One of the key challenges which resulted in some of the targets not being achieved was the lack of capacity due to inadequate resourcing within the Unit. In addition to this, challenge, Human Resources was faced with a number of significant challenges, including the following:

- ♣ Inadequate human resources to fully implement the Human Resources strategy.
- ♣ The lack of a performance reward system.
- ♣ Insufficient and undesirable office accommodation.

All of these issues contributed towards the incorporation of a trade union which amassed a membership that represented the majority of the entity's staff.

### 2. Human Resources Oversight Statistics

Programme/ activity/objective	Personnel Expenditure	Training Expenditure	Training Expenditure as % of Personnel Cost	No. of Employees trained	Avg training cost per employee
KZNGBB	41 988 381	410 870	1%	58	7083.96



## Employment and vacancies

Programme/ activity/objective	2015/16 No. of employees	2016/17 Approved Posts	2016/17 No. of employees	2016/17 vacancies	% of vacancies
Office of the CEO	3	4	3	1	0.25
Licensing Registration	11	13	12	1	7.69
Monitoring and Compliance	19	20	19	1	5.00
Betting Monitoring and Control and Law enforcement	13	13	12	1	7.69
Finance	9	10	10	0	0.00
Human Resources	5	8	5	3	37.5
ICT	4	4	4	0	0.00
Legal Services	3	3	3	0	0.00
Governance Risk and Compliance	5	5	4	1	20.0
<b>TOTAL</b>	<b>72</b>	<b>80</b>	<b>72</b>	<b>8</b>	

Employment Level	2015/16 No. of employees	2016/17 Approved Posts	2016/17 No. of employees	2015/16 vacancies	% of vacancies
Top Management	1	1	1	0	0.00
Senior Management	6	6	6	0	0.00
Professional qualified	10	11	9	2	18.2
Skilled	45	51	46	5	9.80
Semi-skilled	9	10	9	1	10.0
Unskilled	1	1	1	0	0.00
<b>TOTAL</b>	<b>72</b>	<b>80</b>	<b>72</b>	<b>8</b>	<b>10.00</b>

In this financial year the Board resolved to fill the following positions:

### New positions:

- ♣ Senior Finance Officer – Cost & Management Accounting
- ♣ Inspector - Systems Engineer Analyst
- ♣ HR Practitioner

### Vacant positions:

- ♣ Human Resources Manager
- ♣ Licensing and Registration Officer
- ♣ Board Secretary
- ♣ Compliance Officer: Betting Monitoring and Control
- ♣ Executive Assistant – CEO

The above positions became vacant as a result of resignations, death or appointment to higher positions.

### Employment Changes

Industry Norm	KZNGBB 2015/16 FY	KZNGBB 2016/17 FY
7.5% per annum	6.49% (5)	4.5% (4)

The above table indicates that our labour turnover has decreased from the previous financial year.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top Management	1	0	0	1
Senior Management	6	0	0	6
Professional qualified	11	0	2	9
Skilled	44	3	1	46
Semi – Skilled	9	0	0	9
Unskilled	1	0	0	1
<b>TOTAL</b>	<b>72</b>	<b>3</b>	<b>3</b>	<b>72</b>

The organisational structure was amended during the financial year under review and approved. The organisational structure consists of 87 positions, however, only 80 positions are funded for the financial year under review.

### Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	1	1.1
Resignation	2	2.3
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of contract	0	0
Other	1	1.1
<b>Total</b>	<b>4</b>	<b>4.5</b>

In this period there were two resignations, one death and one appointment to a higher position. The positions vacated by resignation were due to the employees seeking better salary, benefits and higher level positions. It is difficult to fill the vacant positions as a result of recruitment restrictions imposed by cost cutting measures imposed by Provincial Treasury. Notwithstanding this, the measures incorporate a procedure to request permission to recruit for critical funded positions. Permission has been granted by the relevant authorities and recruitment has commenced to ensure that the positions are filled as soon as possible.

## Labour Relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	2
Written warning	2
Final written warning	0
Dismissal	0
Total	4

Equity Targets and Employment Equity Status: The Employment Equity Plan for the entity has been developed and approved.

Levels	MALES							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	N/A	0	N/A	0	N/A	0	N/A
Senior Management	2	N/A	0	N/A	1	N/A	2	N/A
Professional qualified	6	N/A	0	N/A	1	N/A	0	N/A
Skilled	17	1	0	N/A	2	N/A	1	N/A
Semi-skilled	2	N/A	0	N/A	0	N/A	0	N/A
Unskilled	0	N/A	0	N/A	0	N/A	0	N/A
<b>Total</b>	28	N/A	0	N/A	4	N/A	3	N/A

Levels	FEMALES							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	N/A	0	N/A	0	N/A	0	N/A
Senior Management	0	N/A	0	N/A	0	N/A	1	N/A
Professional qualified	1	2	0	N/A	1	N/A	0	N/A
Skilled	17	3	1	N/A	5	N/A	3	N/A
Semi-skilled	4	N/A	0	N/A	3	N/A	2	N/A
Unskilled	1	N/A	0	N/A	0	N/A	0	N/A
<b>Total</b>	29	5	1	N/A	8	N/A	5	N/A







## Part E: Financial Information

### Index

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

Index	Page
Accounting Authority's Responsibilities and Approval	68
Report of the Auditor General	63-67
Accounting Authority's Report	69-70
Statement of Financial Position	76
Statement of Financial Performance	77
Statement of Changes in Net Assets	78
Cash Flow Statement	79
Statement of Comparison of Budget and Actual Amounts	80
Accounting Policies	81-88
Notes to the Annual Financial Statement	89-107
<b>Abbreviations</b>	
GRAP Generally Recognised Accounting Practice	Generally Recognised Accounting Practice
MEC Member of the Executive Council	Member of the Executive Council
SITA State Information Technology Agency	State Information Technology Agency





## Report on the Audit of the Financial Statements

### Auditor's Report For The Year Ended 31 March 2017: Kwazulu-Natal Gaming and Betting Board

#### Report of the auditor-general to KwaZulu-Natal Provincial Legislature on the KwaZulu-Natal Gaming and Betting Board

##### Opinion

1. I have audited the financial statements of the KwaZulu-Natal Gaming and Betting Board set out on pages 62 to 105 which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the KwaZulu-Natal Gaming and Betting Board as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

##### Basis for opinion

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

##### Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the KwaZulu-Natal Gaming and Betting Board'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 intention is to liquidate the entity or cease operations, or there is no realistic alternative but to do so.

##### 8. Auditor-General's objectives

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.



## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 4 - licensing and registration	39
Programme 5 - gaming monitoring and control	40
Programme 6 - betting monitoring and control	45

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. The material findings in respect of the usefulness and reliability of the selected are as follows:

#### Programme 4 - licensing and registration


15. I did not identify any material findings on the usefulness and reliability of the reported performance information for licensing and registration programme.

#### Programme 5 - gaming monitoring and control

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for gaming monitoring and control.

#### Programme 6 - betting monitoring and control

Indicator 6.4.1 - Percentage of applications for approval of wagering software and operational change requests allocated for processing and Indicator 6.5.1 - Percentage of betting dispute investigations commenced within the prescribed timeframes.

- 
17. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target 6.4.1 and 6.5.1. This was due to inadequate technical indicator descriptions and/or proper performance management systems and processes and/or formal standard operating procedures or documented systems descriptions that predetermined how the achievement would be measured, monitored and reported, as required by the Framework for managing programme performance information. I was unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of these targets.

#### Other matter

18. I draw attention to the matter below.

##### Achievement of planned targets

19. The annual performance report on pages 13 to 48 includes information on the achievement of planned targets for the year and explanations provided for the under/overachievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 17 of this report.

#### Report on audit of compliance with legislation

##### Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
21. The material finding in respect of the compliance criteria for the applicable subject matter is as follows:

##### Annual financial statements

22. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements of revenue, current assets and current liabilities identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

##### Other information

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the accounting authority's report, and the audit committee's report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
24. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.



### Internal control deficiencies

26. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

### Financial and performance management

27. Management did not prepare accurate and complete financial and performance reports that are supported and evidenced by reliable information, this was due to management not fully understanding the requirements of the financial and performance reporting frameworks.

*Auditor-General*

Pietermaritzburg

31 July 2017



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



## Annexure –

### Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the entity's compliance with respect to the selected subject matters.

#### Financial statements

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

#### Communication with those charged with governance

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





## Accounting Authority's Responsibilities and Approval

The members are required by the Public Finance and 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 fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the 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 accounting authority 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.

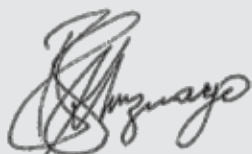
The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial 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 to 31 March 2018 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 Provincial Government has neither the intention nor the need to liquidate or curtail materially the scale of the entity. Although the accounting authority are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 63.

The annual financial statements set out on pages 69 to 105, which have been prepared on the going concern basis, were approved by the accounting authority on 25 May 2017 and were signed on its behalf by:



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**Advocate B. S. Khuzwayo (Vusi)**  
**Chairperson**  
**KwaZulu-Natal Gaming and Betting Board**  
**Date: 31 July 2017**



## Accounting Authority's Report

The members submit their report for the year ended 31 March 2017.

### 1. Establishment

The entity was established on 01 April 2011 in terms of Section 5 of the KwaZulu-Natal Gaming and Betting Act, Act 8 of 2010.

### 2. Review of activities

#### Main business and operations

In terms of Section 6 of the Act, the objects of the Board are to:

(a) Ensure that all gambling authorised under this Act is conducted in a manner which promotes the integrity of the gambling industry and does not cause harm to the public interest

(b) Ensure that all gaming authorised under this Act promotes the Province's objectives for developing a gaming industry which objectives are the promotion of tourism, employment and economic and social development in the Province;

(c) Promote opportunities for historically disadvantaged persons to participate in the horse racing and betting industries in the capacity of any of the persons required to be licensed or registered in terms of section 89, 94, 103, 110 or 111;

(d) Increase the ownership stakes of historically disadvantaged persons in the horse racing and betting industries;

(e) Develop appreciation for and knowledge of horse racing amongst all communities, particularly those comprised of historically disadvantaged persons; and

(f) Limit restrictive practices, the abuse of dominant market position and mergers in the betting industry, as contemplated in the Competition Act, 1998 (Act No. 89 of 1998), and the Board is, for the purposes of the said Act, a regulatory authority as defined in section 1 of that Act. The operating results and state of affairs of the entity are fully set out in the attached financial statements and do not in our opinion require any further comment. Net surplus of the entity was R 9 192 750 (2016: surplus R 4 460 584). With effect from 28 September 2016, the function of Gaming and Betting in the Province was transferred from the KwaZulu-Natal Treasury to the Office of the Premier - KwaZulu-Natal.

### 3. Going concern

We draw attention to the fact that at 31 March 2017, the entity had an accumulated surplus of R 43 950 382 and that the entity's assets exceed its total liabilities by R 43 950 382. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 4. Subsequent events

The members are not aware of any matter or circumstance arising since the end of the financial year which would warrant any changes to the financial statements or further disclosures to be made.

### 5. Accounting policies

The Annual Financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.



## 6. Accounting Authority

The members of the entity during the year and to the date of this report are reflected below:

Name	Nationality
Adv BS Khuzwayo	South African
Mr ED Mpanza	South African
Mr SN Chetty	South African
Mrs H Hart	South African
Adv ND Hollis SC	South African
Mrs VPN Mkhize	South African
Mr PM Miller	South African
Mrs ST Mthembu	South African
Ms B Zulu	South African

## 7. Chief Executive Officer

The Chief Executive Officer of the entity is Ms PN Baloyi.

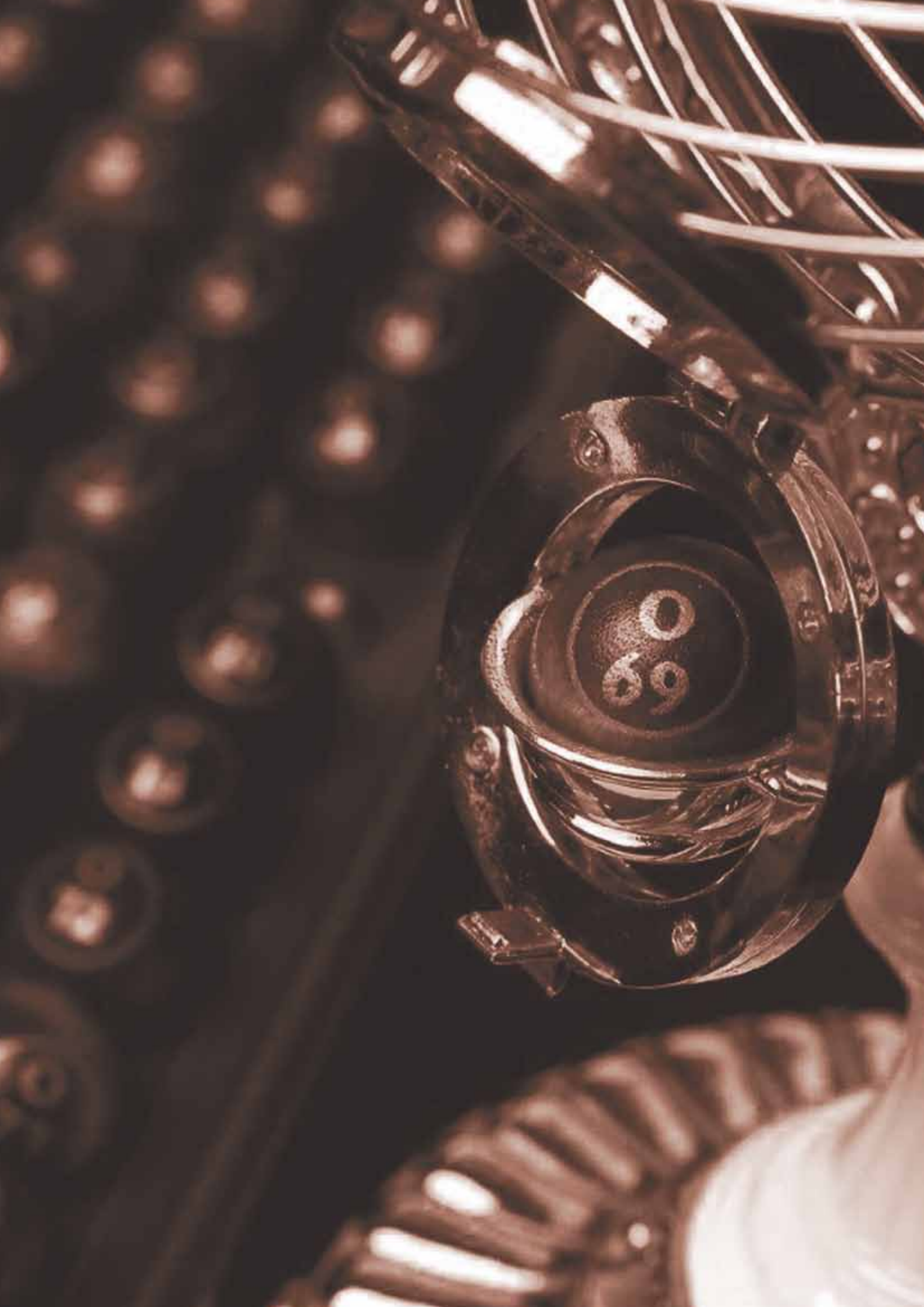
## 8. Board Secretary

Ms S Singh resigned as board secretary of the entity on 15 October 2016 and Mrs PJ Stretch has assumed the role in an acting capacity from 16 October 2016. The acting board secretary of the entity is Mrs PJ Stretch of:

Business address  
18<sup>th</sup> Floor, The Marine  
22 Dorothy Nyembe Street  
Durban  
4001

## 9. Auditors

The Auditor General South Africa will continue in office for the next financial period.





## General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	To regulate the Gambling industry in KwaZulu-Natal
<b>Members</b>	Adv BS Khuzwayo Mr ED Mpanza Mr SN Chetty Mrs H Hart Adv ND Hollis SC Mrs VPN Mkhize Mr PM Miller Mrs ST Mthembu Ms B Zulu
<b>Chief Executive Officer</b>	Ms PN Baloyi
<b>Registered office</b>	330 Langelibalele Street Pietermaritzburg 3201
<b>Business address</b>	18th Floor, The Marine 22 Dorothy Nyembe Street Durban 4001
<b>Postal address</b>	Private Bag X9102 Pietermaritzburg 3200
<b>Bankers</b>	Absa Bank
<b>Auditors</b>	Auditor General South Africa Chartered Accountants (S.A.)
<b>Board Secretary (acting)</b>	Mrs PJ Stretch
<b>Website</b>	<a href="http://www.kznngbb.org.za">www.kznngbb.org.za</a>
<b>Parent department</b>	Office of the Premier - KwaZulu-Natal
<b>Ultimate controlling body</b>	KwaZulu-Natal Provincial Legislature







## Accounting Authority's Report

The members submit their report for the year ended 31 March 2017.

### 1. Establishment

The entity was established on 01 April 2011 in terms of Section 5 of the KwaZulu-Natal Gaming and Betting Act, Act 8 of 2010.

### 2. Review of activities

#### Main business and operations

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(b) Ensure that all gaming authorised under this Act promotes the Province's objectives for developing a gaming industry which objectives are the promotion of tourism, employment and economic and social development in the Province;

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(d) Increase the ownership stakes of historically disadvantaged persons in the horse racing and betting industries;

(e) Develop appreciation for and knowledge of horse racing amongst all communities, particularly those comprised of historically disadvantaged persons; and

(f) Limit restrictive practices, the abuse of dominant market position and mergers in the betting industry, as contemplated in the Competition Act, 1998 (Act No. 89 of 1998),

and the Board is, for the purposes of the said Act, a regulatory authority as defined in section 1 of that Act.

The operating results and state of affairs of the entity are fully set out in the attached financial statements and do not in our opinion require any further comment. Net surplus of the entity was R 9 192 750 (2016: surplus R 4 460 584). With effect from 28 September 2016, the function of Gaming and Betting in the Province was transferred from the KwaZulu-Natal Treasury to the Office of the Premier - KwaZulu-Natal.

### 3. Going concern

We draw attention to the fact that at 31 March 2017, the entity had an accumulated surplus of R 43 950 382 and that the entity's assets exceed its total liabilities by R 43 950 382. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 4. Subsequent events

The members are not aware of any matter or circumstance arising since the end of the financial year which would warrant any changes to the financial statements or further disclosures to be made.

### 5. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 6. Accounting Authority

The members of the entity during the year and to the date of this report are reflected below:



Name	Nationality
Adv BS Khuzwayo	South African
Mr ED Mpanza	South African
Mr SN Chetty	South African
Mrs H Hart	South African
Adv ND Hollis SC	South African
Mrs VPN Mkhize	South African
Mr PM Miller	South African
Mrs ST Mthembu	South African
Ms B Zulu	South African

#### 7. Chief Executive Officer

The Chief Executive Officer of the entity is Ms PN Baloyi.

#### 8. Board secretary

Ms S Singh resigned as board secretary of the entity on 15 October 2016 and Mrs PJ Stretch has assumed the role in an acting capacity from 16 October 2016.

The acting board secretary of the entity is Mrs PJ Stretch of:

Business address	Postal address
330 Langalibalele Street	Private Bag X9102
Pietermaritzburg	Pietermaritzburg
3201	3200

#### 9. Auditors

The Auditor General South Africa will continue in office for the next financial period.

## Statement of Financial Position as at 31 March 2017

	Note(s)	2017 R	2016 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables	2	1 869 681	705 163
Cash and cash equivalents	3	67 553 292	56 838 382
		<b>69 422 973</b>	<b>57 543 545</b>
<b>Non-Current Assets</b>			
Movable assets	4	2 920 297	3 725 345
Intangible assets	5	4 551 623	590 347
		<b>7 471 920</b>	<b>4 315 692</b>
<b>Total Assets</b>		<b>76 894 893</b>	<b>61 859 237</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	6	32 129 777	26 254 086
Taxes and transfers payable (non-exchange)	7	748 804	847 523
Cash and cash equivalents	3	65 930	-
		<b>32 944 511</b>	<b>27 101 609</b>
<b>Total Liabilities</b>		<b>32 944 511</b>	<b>27 101 609</b>
<b>Net Assets</b>		<b>43 950 382</b>	<b>34 757 628</b>
Accumulated surplus	8	43 950 382	34 757 628

\* See Note 23

## Statement of Financial Performance

	Note(s)	2017 R	2016 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Fees earned	9	22 252 015	23 718 421
Commissions received	9	603	553
Discount received	9	97 121	-
Sundry income	9	4 460	7 778
Interest received	9&10	3 618 224	2 830 505
Gain on disposal of movable assets	9	30 415	-
<b>Total revenue from exchange transactions</b>		<b>26 002 838</b>	<b>26 557 257</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	9&11	40 391 500	32 532 000
<b>Total revenue</b>	9	<b>66 394 338</b>	<b>59 089 257</b>
<b>Expenditure</b>			
Employee related costs	12	41 988 381	39 139 742
Depreciation and amortisation	13	1 644 507	1 610 558
Lease rentals on operating lease	18	1 634 780	1 672 922
Repairs and maintenance	14	344 769	147 415
Loss on disposal of movable assets	18	-	25 785
General expenses	15	11 589 151	12 032 251
<b>Total expenditure</b>		<b>57 201 588</b>	<b>54 628 673</b>
<b>Surplus for the year</b>		<b>9 192 750</b>	<b>4 460 584</b>

\* See Note 23



## Statement of Changes in Net Assets

	<i>Note(s)</i>	<i>Accumulated Surplus</i>	<i>Total Net Assets</i>
Opening balance as previously reported		30 297 044	30 297 044
<b>Balance at 01 April 2015 as restated*</b>		<b>30 297 044</b>	<b>30 297 044</b>
Changes in net assets			
Surplus for the year		4 460 584	4 460 584
Total changes		4 460 584	4 460 584
<b>Restated* Balance at 01 April 2016</b>		<b>34 757 632</b>	<b>34 757 632</b>
Changes in net assets			
Surplus for the year		9 192 750	9 192 750
Total changes		9 192 750	9 192 750
<b>Balance at 31 March 2017</b>		<b>43 950 382</b>	<b>43 950 382</b>

\* See Note 23

## Cash Flow Statement

	Note(s)	2017 R	2016 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fees earned		20 895 277	23 370 913
Grants		40 391 500	32 532 000
Interest income		3 229 428	2 536 011
Other income		102 184	8 331
		<u>64 618 389</u>	<u>58 447 255</u>
<b>Payments</b>			
Employee costs		(41 988 381)	(39 139 742)
Suppliers		(7 599 504)	(13 661 264)
		<u>(49 587 885)</u>	<u>(52 801 006)</u>
<b>Net cash flows from operating activities</b>	19	<u><b>15 030 504</b></u>	<u><b>5 646 249</b></u>
<b>Cash flows from investing activities</b>			
Purchase of movable assets	4	(537 643)	(3 390 216)
Proceeds from claims	4	51 864	-
Purchase of intangible assets	5	(4 284 541)	-
Interest income from investing activities		388 796	294 496
<b>Net cash flows from investing activities</b>		<u><b>(4 381 524)</b></u>	<u><b>(3 095 720)</b></u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>10 648 980</b>	<b>2 550 529</b>
Cash and cash equivalents at the beginning of the year		<u>56 838 382</u>	<u>54 287 853</u>
<b>Cash and cash equivalents at the end of the year</b>	3	<u><b>67 487 362</b></u>	<u><b>56 838 382</b></u>

\* See Note 23

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual Amounts on comparable basis	Difference between final budget and Actual	Note
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Fees earned	23 215 340	-	23 215 340	22 252 015	(963 325)	30
Commissions received	-	-	-	603	603	30
Discount received	-	-	-	97 121	97 121	30
Other income	19 600	-	19 600	4 460	(15 140)	30
Interest received	2 220 000	-	2 220 000	3 618 224	1 398 224	30
Gains on disposal of assets	-	-	-	30 415	30 415	30
<b>Total revenue from exchange transactions</b>	<b>25 454 940</b>	<b>-</b>	<b>25 454 940</b>	<b>26 002 838</b>	<b>547 898</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	34 255 000	5 111 000	39 366 000	40 391 500	1 025 500	30
Amounts rolled over / retained from previous year	-	2 548 367	2 548 367	-	(2 548 367)	30
<b>Total revenue</b>	<b>59 709 940</b>	<b>7 659 367</b>	<b>67 369 307</b>	<b>66 394 338</b>	<b>(974 969)</b>	
<b>Expenditure</b>						
Personnel	(43 748 742)	(506 300)	(44 255 042)	(41 988 381)	2 266 661	30
Depreciation and amortisation	-	(1 700 000)	(1 700 000)	(1 644 507)	55 493	30
Lease rentals on operating lease	(1 698 000)	58 100	(1 639 900)	(1 634 780)	5 120	30
Repairs and maintenance	(111 724)	(233 500)	(345 224)	(344 769)	455	30
General Expenses	(13 551 474)	(3 423 902)	(16 975 376)	(11 589 151)	5 386 225	30
<b>Total expenditure</b>	<b>(59 109 940)</b>	<b>(5 805 602)</b>	<b>(64 915 542)</b>	<b>(57 201 588)</b>	<b>7 713 954</b>	
<b>Surplus before capital expenditure</b>	<b>600 000</b>	<b>1 853 765</b>	<b>2 453 765</b>	<b>9 192 750</b>	<b>6 738 985</b>	
Capital expenditure	(600 000)	(1 853 765)	(2 453 765)	(4 822 184)	(2 368 419)	30
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 370 566</b>	<b>4 370 566</b>	



## Accounting Policies

### 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 122(3) of the Public Finance and 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. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### 1.1 Government grants

Grants received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant is conditional. The liabilities are transferred to revenue as and when the conditions are met. Grants without any conditions are recognised as revenue when the asset is recognised

#### 1.2 Cash and cash equivalents

Cash and cash equivalents are carried at fair value. For the purpose of the cash flow statements cash and cash equivalents comprise cash on hand and deposits held at call with banks.

#### 1.3 Movable assets

Movable assets are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of movable assets 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.

Movable assets is initially measured at cost.

The cost of an item of movable assets 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 movable assets 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 movable assets have different useful lives, they are accounted for as separate items (major components) of movable assets.

Costs include costs incurred initially to acquire or construct an item of movable assets 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 movable assets, 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 movable assets, 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 movable assets 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 movable assets.

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

Movable assets are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of movable assets have been assessed as follows:

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of movable assets with a cost that is significant in relation to the total cost of the item is depreciated separately.

Item	Average useful life
Furniture and Fixtures	6 years
Motor Vehicles	4 years
Office Equipment	5 years
Computer Equipment	3 years

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

an item of movable assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain movable assets in the notes to the financial statements (see note 4).

#### 1.4 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.

Intangible assets acquired through an exchange transaction are initially recognised at cost.

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.

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.

Internally generated goodwill is not recognised as an intangible asset.


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

Item	Useful life
Computer software, internally generated	3 years
Computer software, other	3 years
Intangible assets under development	not amortised

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

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 an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

## 1.5 Financial instruments

### Initial recognition and measurement

Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions of the financial instrument.

Trade receivables are stated at amortised cost, net of estimates for irrecoverable amounts. These types of financial instruments arise out of the ordinary course of the entity's activities through charging customers for legislated fees as well as recovery of costs based on the work performed.

Trade payables are stated at amortised cost that is considered a reasonable approximation of the fair value thereof.

### Credit Risk

Trade receivables are susceptible to credit risk, however this is adequately minimised as the charges are legislated and the course of recovery is adequately provided for in the legislation. There has been no substantial change in this risk from the previous period.

### Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### Liquidity Risk

The entity has sufficient funds and adequate funding sources to service its financial liabilities.

## 1.6 Operating 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.

### 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.

## 1.7 Impairment of cash-generating assets

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



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

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

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

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

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

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

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

Useful life is either:

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

### 1.8 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid

vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Post retirement benefits

The entity operates a defined contribution provident fund, the assets of which are held in a separate trustee administered fund, to provide for these costs. All employees of the entity are entitled to membership of the plan, which is governed by the Pension Funds Act of 1956.

Contributions are based on a percentage of the payroll and charged to the statement of financial performance in the year to which they relate.

#### Other post retirement obligations

The entity has no obligation to fund post retirement medical benefits.

### 1.9 Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic





benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Employee entitlements to annual leave and annual bonuses are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and annual bonuses as a result of services rendered by employees up to the balance sheet date.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- ♣ 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.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- ♣ the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- ♣ the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.10 Revenue

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.

Revenue from license fees is recognised on an accrual basis in accordance with the term of the license agreement.

#### Measurement


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

#### 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.

When the outcome of the transaction involving the rendering of



services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

### **Interest, royalties and dividends**

Interest income is accrued on a time proportion basis, taking into account the principal amount and the effective interest rate. Interest is recognised, in surplus or deficit, using the effective interest rate method.

#### **1.11 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year or to improve the readability and understanding of the financial statements.

#### **1.12 Unauthorised expenditure**

Unauthorised expenditure means:

- ♣ overspending of the budget; and
- ♣ expenditure not in accordance with the mandate of the entity.

All expenditure relating to unauthorised expenditure is recognised as an asset in the statement of financial position in the year that the expenditure was incurred until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of financial performance. 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.

#### **1.13 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to 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.

#### **1.14 Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements. Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for



the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

#### 1.15 Budget information

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

The approved budget covers the fiscal period from 01/04/2016 to 31/03/2017.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>2. Trade and other receivables</b>		
Trade debtors	94 700	91 722
Deposits	301 913	51 913
Prepaid expenses	2 964	115 490
Sundry debtors	9 531	14 322
Subsistence and travel advances	1 110	-
Study assistance	116 362	165 291
Accrued income (refer to note 2.1)	1 343 101	266 425
	<b>1 869 681</b>	<b>705 163</b>

### Trade and other receivables - provision for doubtful debts

As of 31 March 2017, trade and other receivables of R 52 764 (2016: R 52 764) were provided for.

The ageing of these amounts is as follows:

Over 6 months	52 764	52 764
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### Reconciliation of provision for doubtful debts

Opening balance	52 764	182 215
Amounts written off as irrecoverable	-	(129 451)
	<b>52 764</b>	<b>52 764</b>

### 2.1 Accrued income

#### Accrued income comprises of the following:

Interest accrued	318 101	266 425
Grant receivable	1 025 000	-
	<b>1 343 101</b>	<b>266 425</b>

Interest accrued at year end represents the interest earned on the bank accounts up to 31 March but paid after year end.

Grant receivable relates to an amount not transferred from Provincial Treasury for the 2016/17 financial year.

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 772	428
Current accounts	56 717 793	46 669 738
Short-term deposits	10 832 727	10 168 216
Credit card	(65 930)	-
	<b>67 487 362</b>	<b>56 838 382</b>

Cash and cash equivalents are disclosed as follows on the statement of financial position:

Current assets	67 553 292	56 838 382
Current liabilities (credit card)	(65 930)	-
	<b>67 487 362</b>	<b>56 838 382</b>

The entity maintains a credit card to facilitate travel and accommodation bookings via its travel agent. The PFMA and its regulations, as issued by National Treasury, allows a public entity to obtain or retain a credit card lodged with a travel agency for the purposes of payment for travel and accommodation related expenses.

## Notes to the Annual Financial Statements

	2017 R	2016 R
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### 4. Movable assets

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	393 622	(310 987)	82 635	393 622	(251 875)	141 747
Motor vehicles	475 459	(404 140)	71 319	475 459	(404 140)	71 319
Office equipment	471 050	(329 233)	141 817	417 246	(293 267)	123 979
Computer equipment	6 779 601	(4 155 075)	2 624 526	6 328 330	(2 940 030)	3 388 300
<b>Total</b>	<b>8 119 732</b>	<b>(5 199 435)</b>	<b>2 920 297</b>	<b>7 614 657</b>	<b>(3 889 312)</b>	<b>3 725 345</b>

#### Reconciliation of movable assets - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	141 747	-	-	(59 112)	82 635
Motor vehicles	71 319	-	-	-	71 319
Office equipment	123 979	62 975	(4 218)	(40 919)	141 817
Computer equipment	3 388 300	474 668	(17 231)	(1 221 211)	2 624 526
	<b>3 725 345</b>	<b>537 643</b>	<b>(21 449)</b>	<b>(1 321 242)</b>	<b>2 920 297</b>

#### Reconciliation of movable assets - 2016

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	163 347	36 293	-	(57 893)	141 747
Motor vehicles	148 018	-	-	(76 699)	71 319
Office equipment	172 980	23 533	-	(72 534)	123 979
Computer equipment	1 177 437	3 330 390	(25 785)	(1 093 742)	3 388 300
	<b>1 661 782</b>	<b>3 390 216</b>	<b>(25 785)</b>	<b>(1 300 868)</b>	<b>3 725 345</b>

The entity received net proceeds of R 51 864 (2016: R nil) at year end in respect of claims for the loss of or damage to assets. Some of the amounts related to losses from the previous financial year.

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

##### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

General expenses	48 212	23 408
Repairs and maintenance	4 739	787
	<b>52 951</b>	<b>24 195</b>

The above represent amounts expended by the entity for the repair and maintenance of movable assets. It excludes amounts paid in terms of operating leases and general operating expenditure relating to movable assets.



## Notes to the Annual Financial Statements

2017  
R

2016  
R

### 5. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 308 974	(1 552 014)	756 960	1 819 096	(1 228 749)	590 347
Intangible assets under development	3 794 663	-	3 794 663	-	-	-
<b>Total</b>	<b>6 103 637</b>	<b>(1 552 014)</b>	<b>4 551 623</b>	<b>1 819 096</b>	<b>(1 228 749)</b>	<b>590 347</b>

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	590 347	489 878	(323 265)	756 960
Intangible assets under development	-	3 794 663	-	3 794 663
	<b>590 347</b>	<b>4 284 541</b>	<b>(323 265)</b>	<b>4 551 623</b>

#### Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	900 038	(309 691)	590 347

#### Intangible assets under development

#### Cumulative expenditure recognised in the carrying value of Intangible assets

Intangible assets under development	3 794 663	-
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The entity, with the assistance of SITA, is currently developing an integrated regulatory system (i.e. software) that will enable it to streamline the processes relating to licensing, registration, monitoring and compliance. The first phase of the development was nearing completion at year end and was due to go live in the first quarter of the new financial year.

### 6. Payables from exchange transactions

Trade payables	648 115	706 589
Income received in advanced	23 715 724	22 165 946
Cash guarantees received from licensees	1 249 107	1 037 966
Third party payments	789 796	426 628
Sundry creditors	69 193	155 846
Leave pay accrual	1 623 169	1 401 107
Accrued expenses (refer note 6.1)	4 033 118	360 004
Garnishees payable	1 555	-
	<b>32 129 777</b>	<b>26 254 086</b>

Income received in advance relates to revenue received from licensees for services to be rendered by the entity, the majority of the balance comprises of annual renewal licence fees for the next financial year. The cash guarantees received from licensees are security for any fees or penalties prescribed in terms of the KZN Gaming & Betting Act, taxes determined in terms of the KZN Gaming & Betting Tax Act, or any gambling debts payable by the licensee.

## Notes to the Annual Financial Statements

	2017 R	2016 R
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### 6. Payables from exchange transactions (continued)

Amounts due to third parties refer to payments to be made on behalf of employees to the provident fund and medical aid.

Maturity analysis of Trade and other payables

#### Liquidity Risk

Not later than a month	21 944 084	21 390 829
Later than a month and not later than three months	7 306 387	460
Later than three months and not later than a year	2 879 306	4 862 797
	<b>32 129 777</b>	<b>26 254 086</b>

The entity has sufficient cash resources to meets the above obligations.

### 6.1 Accrued expenses

#### Accrued expenses comprises of the following

Expenditure relating to Board remuneration	754 495	211 000
Capital expenditure	2 868 680	-
Current expenditure	384 211	130 613
Subsistence and travel claims	25 732	18 391
	<b>4 033 118</b>	<b>360 004</b>

Accrued expenses relating to Board members represents fees due to board members for meetings that were attended prior to year end.

Accrued expenses for capital expenditure relate to expenditure incurred for the development of the online regulatory system (refer to note 5).

Accrued expenses for current expenditure relate to goods and services rendered at year end but not yet invoiced.

Accrued expenses in respect of subsistence and travel claims relate to official trips undertaken by employees before year end that were not yet paid.

### 7. Taxes and transfers payable (non-exchange)

Betting tax payable	50 937	794 764
Statutory payables	697 867	52 759
	<b>748 804</b>	<b>847 523</b>

Betting tax payable refers to taxes collected on behalf of the Province from bookmakers and totalisators in terms of the KZN Gaming and Betting Act. The amount represents taxes received in advance, amounts due to the Province or refunds due to bookmakers and totalisators.

Statutory payables refer to the various payroll taxes and levies payable to the South African Revenue Service.

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>8. Accumulated surplus</b>		
<b>Reconciliation of accumulated surplus</b>		
2012 - Net assets acquired from previous entities	25 081 667	25 081 667
2012 - Deficit realised	(4 176 104)	(4 176 104)
2013 - Surplus realised	6 941 425	6 941 425
2014 - Surplus realised	10 430 950	10 430 950
2014 - Prior year adjustments (2012)	1 244 954	1 244 954
2015 - Surplus realised	11 684 747	11 684 747
2015 - Amount surrendered to Provincial Revenue Fund	(20 800 000)	(20 800 000)
2015 - Prior year adjustments (2013)	(37 786)	(37 786)
2016 - Prior year adjustments (2014)	(72 805)	(72 805)
2016 - Surplus realised	4 460 584	4 460 584
2017 - Surplus realised	9 192 750	-
	<b>43 950 382</b>	<b>34 757 632</b>

### Ring-fenced internal funds and reserves within accumulated surplus

#### Building investment

Opening balance	5 865 400	5 570 904
Interest earned on funds	388 425	291 141
Interest adjustment - prior year	-	3 355
Interest accrued	371	-
	<b>6 254 196</b>	<b>5 865 400</b>

In the past the Board, with the approval of Provincial Treasury, retained surpluses for the purpose of acquiring suitable office accommodation for the entity. In 2015, the MEC of Finance instructed the entity to surrender an amount of R20,8 million of the funds held for the purpose of acquiring suitable office accommodation, to the Provincial Revenue Fund where the funds will be kept for the same purpose.

The remaining funds are invested by the entity in short term deposits until such time as they are required (refer to note 3). The interest earned on these retained amounts forms part of the amount disclosed in the statement of financial performance (refer to note 10).

## 9. Revenue

Fees earned	22 252 015	23 718 421
Commissions received	603	553
Discount received	97 121	-
Sundry income	4 460	7 778
Interest received - investment	3 618 224	2 830 505
Gain on disposal of movable assets	30 415	-
Government grants & subsidies	40 391 500	32 532 000
	<b>66 394 338</b>	<b>59 089 257</b>

### The amount included in revenue arising from exchanges of goods or services are as follows:

Fees earned	22 252 015	23 718 421
Commissions received	603	553
Discount received	97 121	-
Sundry income	4 460	7 778
Interest received - investment	3 618 224	2 830 505
Gain on disposal of movable assets	30 415	-
	<b>26 002 838</b>	<b>26 557 257</b>

## Notes to the Annual Financial Statements

	2017 R	2016 R
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### 9. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

#### Transfer revenue

Government grants & subsidies	40 391 500	32 532 000
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Nature and type of services in-kind are as follows:

The entity received the following services in-kind from other departments:

**Provincial Treasury - Internal Audit Services** - the Provincial Treasury's Internal Audit Unit were the appointed internal auditors for the entity (until the end of the financial year). The entity did not pay for any of the services provided by the department. The value of the services were not considered significant to the operations of the entity. The provision of internal audit services by Provincial Treasury was discontinued from 31 March 2017.

**Department of Health - Use of Office Space** - The entity's Pietermaritzburg offices are located within the Department of Health's Natalia building. The department does not charge a fixed rental for the space but does charge the entity for its proportionate share of the operational expenditure incurred in operating the building. The value of the service was not considered material to the operations of the entity. Management has valued the space provided at R344 924 (2016: R319 374). The estimated Rand value of the rental for the space is not considered material at this stage to the operations of the entity.

### 10. Interest

#### Interest revenue

Bank and investments	3 618 224	2 830 505
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Included in interest received is an amount of R388 796 (2016: R 294 496) that accrued to the Building Investment (note 8).

### 11. Government grants

#### Operating grants

Equitable share	40 391 500	32 532 000
	40 391 500	32 532 000

The entity receives a grant from Provincial Government to subsidise its operational expenditure. The amount was reduced by 20% during the 2015/16 MTEF allocation.

During the 2016/17 financial year the entity received a portion of the reduction back in additional funding to fund critical positions and to assist with administrative expenses.

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>12. Employee related costs</b>		
Basic	29 164 094	27 593 089
Medical aid benefit	1 318 059	613 171
Unemployment insurance	128 218	128 308
Workmans compensation	64 479	132 297
Skills development levy	373 595	360 870
Leave pay accrual / expense	290 331	66 962
Provident fund contributions (refer to note 23 )	5 437 278	5 174 205
Thirteenth cheque	1 802 335	1 764 049
Acting allowances	-	72 821
Travel allowance	3 176 887	2 995 641
Cell phone allowance	233 105	238 329
	<b>41 988 381</b>	<b>39 139 742</b>

### Senior management remuneration

For the year ended 31 March 2017	Basic remuneration	Allowances	13th Cheque	Employer contributions	Total
PN Baloyi	1 120 921	224 184	96 569	168 138	1 609 812
Chief Executive Officer					
BE Radebe	702 593	167 519	58 549	114 389	1 043 050
Senior Manager - Licensing & Compliance					
RS Goodayle	727 988	136 198	60 666	109 198	1 034 050
Senior Manager - Monitoring & Compliance					
PJ Stretch	702 593	167 518	58 549	105 390	1 034 050
Head - Governance Risk & Compliance					
V Ramdas	778 288	75 000	64 857	125 743	1 043 888
Chief Financial Officer					
RC Bestel	875 695	27 000	-	131 354	1 034 049
Senior Manager - Betting Monitoring & Control					
M Ngwenya	876 425	12 000	-	131 464	1 019 889
Chief Legal Officer					
	<b>5 784 503</b>	<b>809 419</b>	<b>339 190</b>	<b>885 676</b>	<b>7 818 788</b>

For the year ended 31 March 2016	Basic remuneration	Allowances	13th Cheque	Employer contributions	Total
PN Baloyi	997 550	199 510	90 251	215 367	1 502 678
Chief Executive Officer					
BE Radebe	670 589	143 326	54 719	100 279	968 913
Senior Manager - Licensing & Compliance					
RS Goodayle	680 362	114 054	56 697	103 839	954 952
Senior Manager - Monitoring & Compliance					
PJ Stretch	656 629	143 326	54 719	100 279	954 953
Company Secretary					
V Ramdas	724 826	60 000	60 402	128 509	973 737
Chief Financial Officer					
RC Bestel	818 407	12 000	-	124 546	954 953
Senior Manager Betting Monitoring & Control					
M Ngwenya	819 090	12 000	-	124 648	955 738
Chief Legal Officer					
	<b>5 367 453</b>	<b>684 216</b>	<b>316 788</b>	<b>897 467</b>	<b>7 265 924</b>



## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>13. Depreciation and amortisation</b>		
Amortisation (refer to note 5)	323 265	309 690
Depreciation (refer to note 4)	1 321 242	1 300 868
	<b>1 644 507</b>	<b>1 610 558</b>
<b>14. Repairs and maintenance</b>		
Furniture and fittings	-	787
Office buildings	344 194	146 628
Office equipment	575	-
	<b>344 769</b>	<b>147 415</b>
<p>The expenditure in respect of the office buildings includes the entity's share of the operating costs relating to the space occupied at the Natalia building in Pietermaritzburg. Included in the current year value is once off costs for the restoration of the leased space (as required by the lease agreement) at the Umhlanga office.</p>		
<b>15. General expenses</b>		
Audit committee fees	76 207	61 091
Advertising, Publications and Public Hearings	59 673	79 609
Auditors remuneration (refer to note 17)	693 483	878 592
Bank charges	123 798	160 049
Board remuneration (refer to note 16)	3 372 012	3 628 705
Cleaning	39 301	30 152
Computer expenses	1 259 021	809 796
Conferences and seminars	48 428	77 595
Consulting and professional fees	553 281	285 713
Consumables	147	-
Electricity	598 751	567 576
Entertainment	745	-
External meeting refreshments	12 662	12 510
Fleet expenses	104 645	76 583
Insurance	336 871	216 511
Internal audit	-	7 765
Illegal gambling operations	20 673	18 253
Legal expenses	554 760	506 220
Licensing, investigation and monitoring costs	558 698	595 283
Marketing	1 485	46 532
Postage and courier	34 690	26 124
Printing and stationery	200 057	289 486
Probity and ITC checks	16 869	142 022
Security	4 800	6 098
Software expenses	297 939	476 843
Staff placement costs	100 170	160 158
Staff welfare	54 867	76 695
Storage and backup facilities	60 010	64 441
Subscriptions and membership fees	2 387	28 328
Telephone and fax	520 803	436 812
Training	410 870	594 745
Travel and subsistence	1 471 048	1 496 336
Travel - overseas	-	172 803
Venue expenses	-	2 825
	<b>11 589 151</b>	<b>12 032 251</b>

## Notes to the Annual Financial Statements

	2017 R	2016 R
16. Board remuneration		
Non-executive		
2017		
	Members' fees	Reimbursive expenses
Adv BS Khuzwayo	480 000	12 069
Mr ED Mpanza	388 000	6 975
Mr SN Chetty	344 000	12 298
Mrs H Hart	320 000	4 154
Adv ND Hollis SC	372 000	8 438
Mrs VPN Mkhize	310 000	12 338
Mr PM Miller	386 000	8 924
Mrs ST Mthembu	290 000	58 437
Ms B Zulu	342 000	16 379
	3 232 000	140 012
	3 372 012	
2016		
	Members' fees	Reimbursive expenses
Adv BS Khuzwayo	506 086	19 657
Mr ED Mpanza	420 669	9 040
Mr SN Chetty	416 478	10 638
Mrs H Hart	327 907	2 948
Adv ND Hollis SC	344 763	11 490
Mrs VPN Mkhize	262 954	14 228
Mr PM Miller	457 431	14 511
Mrs ST Mthembu	349 812	116 051
Ms B Zulu	328 717	15 325
	3 414 817	213 888
	3 628 705	
17. Auditors' remuneration		
Fees	693 483	878 592
18. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	1 366 835	1 349 485
Equipment		
• Contractual amounts	267 945	323 437
	1 634 780	1 672 922
(Loss) /Gain on disposal of movable assets	30 415	(25 785)
Depreciation and amortisation	1 644 507	1 610 558
Employee costs (refer note 12)	41 988 381	39 139 742

## Notes to the Annual Financial Statements

	2017 R	2016 R
<b>19. Cash generated from operations</b>		
Surplus	9 192 750	4 460 584
<b>Adjustments for:</b>		
Depreciation and amortisation	1 644 507	1 610 558
(Gain) / Loss on disposal of assets	(30 415)	25 785
Interest income from investing activities	(388 796)	(294 496)
Movements in operating lease assets	-	(7 937)
<b>Changes in working capital:</b>		
Trade and other receivables	(1 164 516)	1 684 094
Payables from exchange transactions	5 875 693	(1 659 917)
Taxes and transfers payable (non exchange)	(98 719)	(172 422)
	<b>15 030 504</b>	<b>5 646 249</b>

## 20. Related parties

### RELATIONSHIPS

Board Members  
Ultimate controlling body  
Parent department

Refer to Accounting Authority report and note 16  
KZN Provincial Legislature  
KZN Provincial Treasury (until 27 September 2016)  
Office of the Premier - KwaZulu-Natal (from 28 September 2016)  
Horse Racing and Betting Transformation Fund  
Details of Senior Managers are provided in note 12

Related entity  
Senior management

### Related party transactions

#### Collection of betting tax on behalf of the Province

Office of the Premier	58 524 874	-
KZN Provincial Treasury	59 948 592	119 761 044

#### Grant received (refer to note 11)

Office of the Premier	19 255 000	-
KZN Provincial Treasury	21 136 500	32 532 000

The entity acts as an agent for the collection of tax revenue from the horse racing and betting sectors on behalf of the Province and the distribution thereof to beneficiaries in terms of the KZN Gaming & Betting Tax Act.

## 21. Taxation

The entity is exempted from the payment of income tax.

## 22. Comparative figures

Certain comparative figures have been reclassified to improve the readability of the financial statements.

An amount of R146 628 relating to repairs and maintenance was incorrectly reflected as Lease rentals on operating lease on the statement of financial performance, with the result that Repairs and maintenance was understated by R146 628 and Lease rentals on operating lease was overstated by R146 628. The correction of the error had no effect on the surplus as reflected on the statement of financial performance.

## Notes to the Annual Financial Statements

### Figures in Rand

#### 22. Comparative figures (continued)

##### Statement of financial performance - extract

	Comparative figures previously reported	Reclassificati on	After reclassificatio n
Repairs and maintenance	787	146 628	147 415
Lease rental on operating lease	1 819 550	(146 628)	1 672 922
<b>Total</b>	<b>1 820 337</b>	<b>-</b>	<b>1 820 337</b>

#### 23. Prior period errors

##### Prior period error 1 - Accrued income not set off against income in advance:

During the current audit the Auditor-General identified that the entity did not off set accrued income from investigations against deposits received. As a result the prior year balances in respect of Trade and other receivables and Payables from exchange transactions were overstated by R2 829 163. The effects of the changes are shown below:

##### Statement of financial position

Trade and other receivables (decrease)	-	(2 829 163)
Payables from exchange transactions (decrease)	-	2 829 163

##### Cash flow statement

##### Cash flow from operating activities

Fees earned (increase)	-	2 829 163
Suppliers (decrease)	-	(2 829 163)
	<u>-</u>	<u>-</u>

#### 24. Employee benefit obligations

##### Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees. A defined contribution provident fund which is subject to the Pensions Fund Act exist for this purpose.

The amount recognised as an expense for defined contribution plans is	<u>5 437 278</u>	<u>5 174 205</u>
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## Notes to the Annual Financial Statements

### Figures in Rand

#### 25. Commitments

##### Authorised capital expenditure

##### Amounts contracted for

• Computers and equipment	74 820	63 485
• Intangible assets	-	59 280
	<b>74 820</b>	<b>122 765</b>

##### Total capital commitments

Already contracted for but not provided for	74 820	122 765
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##### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	1 261 749	1 190 221
- in second to fifth year inclusive	3 707 579	556 848
	<b>4 969 328</b>	<b>1 747 069</b>

Operating lease payments represent the rental payable by the entity for the leasing of certain of its equipment and office property.

#### 26. Contingencies

- An application has been made by a licensee seeking damages of approximately R24,9 million from the Premier of KwaZulu-Natal and the MEC for Finance. The entity is cited as a respondent in the application but no order is sought against the entity.
- There is a review application by two licensees seeking to review the decision of the Board to refuse applications for Type B site operator licenses. In the event that the review is successful, the entity may be required to refund application fees of approximately R2,2 million which was recognised in revenue in the 2016 financial year.
- There is a further review application by a licensee seeking to review the decision of the Board to award rights to operate independent site operator limited payout machines. In the event that the review is successful, the entity may be required to refund application fees of approximately R1,3 million which was recognised in revenue in the 2016 financial year.

#### 27. Guarantees issued

Zelpy 1003 (Pty) Ltd	-	250 000
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The entity issued a guarantee in favour of Zelpy 1003 (Pty) Ltd for the rental of the building located at 3 Nollsworth Park, Nollsworth Crescent, Umhlanga. The guarantee was replaced with a cash guarantee during the financial year (refer to note 2). The lease for the building expired on 31 March 2017 and the amount is expected to be refunded after year end.

#### 28. Fruitless and wasteful expenditure

Opening balance	9 401	286 475
Amounts written off as irrecoverable or condoned	(6 171)	(269 533)
Amounts transferred to receivables for recovery	-	(1 064)
Amount incorrectly classified as fruitless and wasteful expenditure	(3 230)	(6 477)
<b>Fruitless and wasteful expenditure closing balance</b>	<b>-</b>	<b>9 401</b>

During the 2015/16 financial year, the accounting authority approved the write off of an amount of R269 533 as irrecoverable. The amount resulted from interest and penalties levied by the South African Revenue Service for late payment of taxes by the erstwhile KZN Gambling Board.



## Notes to the Annual Financial Statements

### Figures in Rand

#### 28. Fruitless and wasteful expenditure (continued)

Various amounts totaling R6 171, relating to previous financial years, were written off during the year as irrecoverable due to insufficient information or employees no longer being in the employ of the entity.

The opening balance was adjusted by R3 230 to reflect the correct balance in respect of fruitless and wasteful expenditure relating to SARS interest and penalties.

#### 29. Irregular expenditure

Opening balance	6 528 766	3 510 799
Irregular Expenditure - current year (Incident 1)	-	3 017 967
Less: Amounts condoned	(4 729 982)	-
	<b>1 798 784</b>	<b>6 528 766</b>

#### Analysis of expenditure awaiting condonation per age classification

Current year	-	3 017 967
Prior years	1 798 784	3 510 799
	<b>1 798 784</b>	<b>6 528 766</b>

#### Details of irregular expenditure

	Disciplinary steps taken/criminal proceedings	
Incident - Fees paid to former board members. Provincial Treasury conducted an audit into the remuneration paid to former board members and the number of meetings held. The report identified a potential over payment of R1,798,784 to members. The report recommended that the MEC of Finance implement procedures for the recovery of the amounts. At this stage the matter is still on-going	The matter is with the MEC of Finance and the Provincial Treasury to implement the steps as recommended per the report.	1 798 784

#### Details of irregular expenditure condoned

	Condoned by (condoning authority)	
Employee remuneration - the MEC of Finance condoned the irregular expenditure incurred by the entity prior to the approval of the organisational structure.	MEC of Finance	4 729 982

#### 30. Budget differences

##### Material differences between budget and actual amounts

The over collection in respect of revenue can be attributed to the following:

- ♣ Fees earned - The entity budgeted to receive and finalise a number of new license applications during the year. However this did not materialise resulting in the shortfall in budgeted revenue from fees. This was offset by the interest received. Grants received - the over collection relates to an amount due from the Department but was never received.
- ♣ Interest received - Part of the variance is attributable to the entity not budgeting for the interest on the building investment (refer to note 10) which is regarded as an investment activity and not operating activity. The bulk of the variance was due to increased interest rates and larger cash balances.
- ♣ Personnel - the entity underspent on its budget by approximately R2,3 million due to the recruitment process taking close to 10 months to complete. The austerity measures implemented by the provincial government along with the recruitment processes resulted in positions not being filled timeously. Furthermore, the function of Gaming and Betting in the Province was moved during the year and this caused further delays in obtaining approvals to fill vacant positions.

## Notes to the Annual Financial Statements

### Figures in Rand

#### 30. Budget differences (continued)

- ♣ **Goods and services** - The entity experienced under expenditure for the year amounting to approximately R5,4 million due to the following reasons:

(a) Training - capacity constraints within the HR division impacted the rollout of the training programme for the year.

(b) Investigation costs - the non-processing of applications received in respect of previous requests for applications, due to challenges, resulted in under expenditure under this item.

(c) Marketing and advertising - delays in the roll out of the marketing plan for the year and outreach programmes. The entity did not spend its budget on adverts for vacancies due to the delays referred to above.

(d) Legal fees - due to the litigious nature of the industry, the entity is required to budget for these expenses. At year end a number of matters were in progress and costs were still to be incurred on attending to them.

(e) Travel and subsistence - part of the core functions of the entity is to conduct licensing and monitoring of licensees. The entity planned to undertake such activities at new applicants during the year which did not materialise. The entity budgeted to undertake international travel to ensure it is up to date with international regulators, however this did not materialise during the year.

(f) General reductions in levels of expenditure were realised with the improvement of current contracts and by implementation of stringent controls over expenditure.

- ♣ **Capital expenditure** - The entity is busy with the implementation of an online regulatory system, the majority of expenditure related to this item. The entity has retained previous surpluses to fund the development and support for the system. A portion of the costs was covered from the current rollovers and the remainder from retained surpluses. The entity is also busy upgrading its financial systems and this was still in progress at year end.

#### 31. Financial instruments disclosure

##### Categories of financial instruments

2017

##### Financial assets

Trade and other receivables from exchange transactions  
Cash and cash equivalents

### Changes from the approved budget to the final budget

The changes between the approved and final budget were a consequence of changes in the overall budget parameters. The changes made to the approved budget were as follows:

- ♣ **Transfers received** - The entity received additional allocations of R5,1 million to cater for the filling of three critical vacant positions and for expenditure relating to board remuneration. The entity also received approval for the rollover of R866 367 from the previous year to cater for commitments. A further R1,682 million was approved for retention for specific projects during the year, namely, financial system upgrade, regulatory system and skills audit. An amount of R1,025 million was not included in the budget as this amount was with held by the department and never transferred to the entity, the revenue was recognised based on the AG's findings.
- ♣ **Compensation of employees** - additional funding of R804 000 was received to cater for the filling of three critical vacant positions. An amount of R297 700 was transferred to goods and services to cater for temporary employment agencies to assist with the functions of vacant positions.
- ♣ **General expenses** - Additional funding of R3,4 million was received to cater for board remuneration and depreciation. Further allocations were made to goods and services to cater for the skills audit and additional costs of temp workers. Funds were also moved within the classification in line with changes to operating plans.
- ♣ **Capital expenditure** - the budget was increased by the additional allocation of R1,272 million to cater for the financial system upgrade and the regulatory system development. An amount of R122 765 was rolled over from the previous year to cater for costs and a further R459 000 was allocated to account for additional expenditure.

At amortised cost	Total
1 869 681	1 869 681
67 553 292	67 553 292
<b>69 422 973</b>	<b>69 422 973</b>

## Notes to the Annual Financial Statements

### Figures in Rand

#### Financial liabilities

##### Financial instruments disclosure (continued)

Trade and other payables from exchange transactions  
Taxes and transfers payable (non-exchange)  
Cash and cash equivalents (credit card)

At amortised cost	Total
32 129 777	32 129 777
748 804	748 804
65 930	65 930
<b>32 944 511</b>	<b>32 944 511</b>

2016

#### Financial assets

Trade and other receivables from exchange transactions  
Cash and cash equivalents

At amortised cost	Total
705 163	705 163
56 838 382	56 838 382
<b>57 543 545</b>	<b>57 543 545</b>

#### Financial liabilities

Trade and other payables from exchange transactions  
Taxes and transfers payable (non-exchange)

At amortised cost	Total
26 254 086	26 254 086
847 523	847 523
<b>27 101 609</b>	<b>27 101 609</b>



## Notes to the Annual Financial Statements

### 32. New standards and interpretations

#### GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity has adopted the standard for the first time when the Minister sets the effective date for the standard. The impact of the standard is not material.

#### GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- ♣ Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- ♣ Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- ♣ Clarify the wording related to the use of external valuers.
- ♣ Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- ♣ Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- ♣ Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- ♣ Indicator-based assessment of the useful lives of assets
- ♣ Use of external valuers

- ♣ Encouraged disclosures

- ♣ Capital work-in-progress

- ♣ Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The entity has adopted the standard for the first time in the 2017 annual financial statements.

The adoption of this standard has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

#### GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- ♣ Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- ♣ Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- ♣ Clarify the wording related to the use of external valuers.
- ♣ Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- ♣ Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- ♣ Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016. The entity has adopted the standard for the first time in the 2017 annual financial statements. The impact of the standard is set out in note Changes in Accounting Policy.



### 32.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods:

#### Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The entity expects to adopt the standard for the first time in the 2019 annual financial statements.

The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the annual financial statements.

#### GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- ♣ identifying related party relationships and transactions;

- ♣ identifying outstanding balances, including commitments, between an entity and its related parties;
- ♣ identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- ♣ determining the disclosures to be made about those items.


This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:

- ♣ A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- ♣ An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity





related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;

- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:  
Close member of the family of a person;

- ♣ Management;
- ♣ Related parties;
- ♣ Remuneration; and
- ♣ Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- ♣ Control;
- ♣ Related party transactions; and
- ♣ Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the annual financial statements.

#### **GRAP 26 (as amended 2015): Impairment of cash-generating assets**

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- ♣ simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cashgenerating;
- ♣ assessing the feasibility of one measurement approach for non-cash-generating assets; and

- ♣ assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The entity expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

#### **GRAP 109: Accounting by Principals and Agents**

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principalagent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.



The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

#### **GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no

comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions on the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The impact of this standard is currently being assessed.



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