



KwaZulu-Natal  
GAMING & BETTING BOARD





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## PRODUCED BY

KwaZulu-Natal Gaming and Betting Board



## PHOTOGRAPHIC CONTENT

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## DESIGN & PRINT

**AFROSPIC**  
Branding Studios

## PART A:

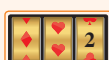
# GENERAL INFORMATION

### a. Public Entity's General Information

<b>REGISTERED NAME:</b>	KWAZULU-NATAL GAMING AND BETTING BOARD
<b>PHYSICAL ADDRESS: (PIETERMARITZBURG)</b>	GROUND FLOOR, NATALIA BUILDING 330 LANGALIBALELE STREET PIETERMARITZBURG 3201
<b>PHYSICAL ADDRESS: (DURBAN)</b>	3 NOLLSWORTH OFFICE PARK 3 NOLLSWOTH CRESCENT LA LUCIA RIDGE
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<b>BANKERS:</b>	ABSA BANK
<b>BOARD SECRETARY:</b>	MS S. SINGH

### b. List of Abbreviations/Acronyms

<b>AGSA</b>	Auditor General of South Africa
<b>MEC</b>	Member of Executive Council
<b>BBBEE</b>	Broad Based Black Economic Empowerment
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>PFMA</b>	Public Finance Management Act
<b>TR</b>	Treasury Regulations
<b>MTEF</b>	Medium Term Expenditure Framework
<b>SMME</b>	Small Medium and Micro Enterprises
<b>SCM</b>	Supply Chain Management









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## FOREWORD BY THE CHAIRPERSON

**Advocate B.S. Khuzwayo**  
Chairperson

*As a collective, we bring critical balance and a wealth of skills and experience to the Board that would complement the skills of the executive team.*

**I present the Annual Report of the Board for the year ended 31 March 2015. This document provides an overview of the Board's undertakings and will provide a comprehensive outline of the manner in which the entity has performed against its targets, and its key achievements for the period, as well as governance and the Annual Financial Statements.**

The Board's regulatory role is prescribed in various legislation and specifically defined by section 146 of the South African Constitution, the National Gambling Act, 2004 (Act No.7 of 2004), including the National regulations, the KZN Gaming and Betting Act (Act No 7 of 2010), the Public Finance Management Act 1999 (Act No. 1 of 1999) as well as the Treasury regulations.

The 2014/2015 financial year was diverse with some successes as well as challenges however, with the appointment of the new Board in April 2015 and with the assistance of this team,

the intent is to stabilise the organisation and ensure that full compliance with applicable legislation is observed.

The Board recorded another year of growth in revenue collection for the Provincial fiscus with a contribution of R520 million from gaming tax revenue. As Provincial cost control measures continue to be observed, we operate within a challenging economic climate. The entity operated in the absence of a Board between February and March during the financial year in review, A new Board was inducted on 5 May 2015 and with the appointment of a new Board there are various interventions introduced to ensure smooth regulation and effective oversight of the industry".

Good governance is the cornerstone of any public entity and the KZN Gaming and Betting Board is no exception. It is therefore essential for the long term success of the Board that effective Statutory and Governance mechanisms are observed in the upcoming financial year and I am pleased to present the governance report on page 54 which sets out how the





KZN Gaming and Betting Board conducts its operations in accordance with internationally accepted principles of good corporate governance. Whilst the Board is audited by the Auditor General, it also has an outsourced internal audit function which ensures that internal control mechanisms are in place to ensure that all processes and procedures undertaken comply with legislative frameworks. In the upcoming financial year the internal audit function will be undertaken by the KZN Treasury Internal Audit and Risk Unit.

The gaming and betting industry contributes considerably to the provincial fiscus, however, it is incumbent on the regulating authority that the interests of the patrons and the public at large are safeguarded. To that end, in the upcoming financial year, a closer working relationship will be forged by the KwaZulu-Natal Gaming and Betting Board with the National Responsible Gambling Programme (NRGP). The Board will endeavour to raise awareness relating to the services offered by NRGP as well as provide support in an effort to bolster the province-specific initiatives that are undertaken by NRGP.

Although there is currently a high level of litigation the Board is confident that the litigation regarding EBTs, will be resolved and enable the industry to achieve growth governed by a policy framework which takes all parties interests into consideration. Significant progress is being made with regards to the policy framework driven by both the honourable MEC and honourable Premier's firm commitment in ensuring the development and implementation thereof. The litigation has provided a platform for engagement and discussion with all stakeholders to address their concerns which will ultimately conclude in a sector of the gaming industry that contributes a healthy growth to the Provincial Fiscus as well as a responsible and competitive mature operations. We do aspire to cohesive interaction with the industry.

The Board is currently reviewing the proposed National Gambling Policy prepared by the Department of Trade and Industry. The Provincial Finance Portfolio Committee has recently convened Public Hearings over proposed amendments of the current Provincial legislation in the form of the KZN

Gaming and Betting Amendment Bill. These amendments arose out of legislative reviews done by the MEC and other stakeholders in order to improve the regulatory shortfalls in the current Act. The Amendment Bill will be finally passed through Provincial Legislative Processes.

The 2015/2016 financial year heralds the commencement of the three year term of office for myself as the Chairperson and Board members as the Gaming and Betting Industry Regulator. As a collective, we bring critical balance and a wealth of skills and experience to the Board that would complement the skills of the executive team. I would like to take this opportunity to express my heartfelt gratitude to the MEC for Finance: Ms B. E. Scott for the appointment of the KwaZulu-Natal Gaming and Betting Board and I, together with my fellow Board members look forward to a fruitful and productive relationship with the MEC and her Department.

As we plan for the year ahead, we expect, and are preparing for, another challenging period. However, we remain committed to bring balance between protection of the public and growth to the industry through the legislation and services for which we are responsible for.

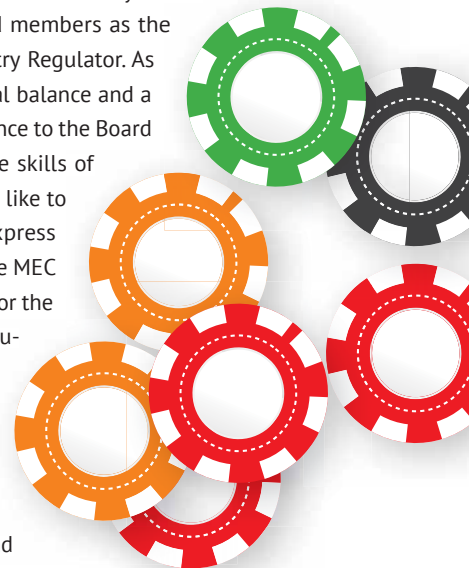


**ADVOCATE B. S. KHUZWAYO**

**Chairperson**

KwaZulu-Natal Gaming and Betting Board

25 August 2015







## CHIEF EXECUTIVE OFFICER'S OVERVIEW

**Miss Portia N. Baloyi**  
*Chief Executive Officer*

*We strive to be the premier gambling regulator in the country, consistently maintaining and enhancing public trust with integrity, transparency and credibility.*

**The KZNGBB has regulated the entire gambling sector in KZN since 2011. The sector, in many ways, is unrecognizable from when the entity was formed. New bookmaking rights have been identified, the bingo industry has commenced operation in four sites, the LPM industry has stabilized and continues to grow and the casino industry has metamorphosed and is now run by two significant operators.**

The merger of regulation (of two formerly independent sectors) of gaming and betting is a significant achievement but there is still an enormous amount of work to be done before the Board can claim that it has achieved its 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."

During the 2014/15 financial year we undertook a large number of activities to increase the number of licensed businesses in an effort to contribute to the Province's fiscus and to eradicate illegal operations. We believe that we have improved the entity's monitoring and compliance responsibilities and our level of service to our licensees despite a number of challenges, not least of which was the absence of a board for the fourth quarter. The Board continued to fulfil its mandate through achievement of strategic objectives along with a continued focus on cost cutting throughout operations. Some highlights for the 2014/15 financial year included the determination of additional bookmaking rights with a spread into outer lying areas of KwaZulu-Natal. The roll out of new gaming and betting initiatives will allow for increased job creation and employment opportunities within the sector.

A communications strategy and stakeholder engagement plan has been developed and is ripe for implementation. A new strategy to tackle illegal gambling in the Province's has been developed along with a number of new policies





to ensure fair and equitable application of corporate social responsibility, licence conditions and achievement of the Board's mandate to ensure that the industry does not cause harm to the public interest. Focus areas for the 2014/2015 financial year included seeking resolution to the accommodation issues which has plagued the entity since inception. A successful change management programme was completed, an Employee Assistance Programme was successfully implemented and critical positions are continuing to be filled. Funding and budgets for the entity remain a focus area and will be again for the 2015/16 financial year. The absence of a Board during Quarter 4 negatively impacted the achievement of targets and performance as Board approval was required in terms of the KZN Gaming and Betting Act. Provision is being made to ensure the lacuna in the legislation which allowed for the gap in delegations to hinder performance to be addressed. Staff turnover has also hindered delivery of service and performance and it is anticipated that this will be addressed in no small measure by a HR Strategy going forward.

Notwithstanding the above challenges the revenues from core activities and collection of taxes grew year in year by 6.56% from R488 million to R520 million. Own revenue grew by 53%. Spending of budget has remained significantly lower than expected and may in part be attributable to the absence of a Board to approve expenditure. However the turnover of staff and inability to fill positions due to insufficient accommodation has also contributed to the underspending. For the most part though expenditure on goods and service and capital items remains within budget, major projects such as the sourcing of accommodation and the second phase of the business process reengineering which remain key focus areas also require funding and in an environment of austerity and engagement with stakeholders will be called for.

The Board will continue its efforts to ensure job creation and socio economic development through continued monitoring

of CSI initiatives and contributions, an approach to CSI and new gambling initiatives. In the upcoming financial year, the Board's focus will include rolling out BBBEE as well as ensuring that transformation within the gaming and betting industry is implemented. As always protection of the public interest and promotion of responsible gambling will remain a forerunner of communication and compliance drives and stakeholder relations.

We welcome the appointment of a new Board and we look forward to developing a working relationship with the new members. We consider it our key role as management in ensuring good governance to support the Boards' effective and transparent decision making for the entity as a central focus area. Continued open relations with our parent department are essential to service delivery and are certain to ensure that the entity remains economically viable and able to achieve its significant mandate on behalf of the Province.

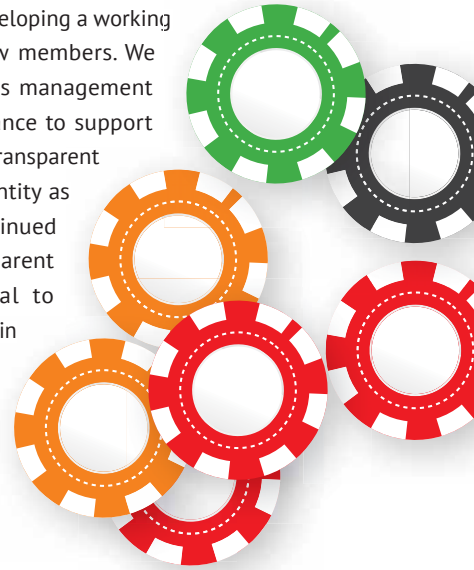


**MISS PORTIA N. BALOYI**

**Chief Executive Officer**

KwaZulu-Natal Gaming and Betting Board

25 August 2015



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

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

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

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

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

The Annual Financial Statements (Part E) have been prepared in accordance with the 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 which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

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

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

Yours faithfully



**CHIEF EXECUTIVE OFFICER  
MS P.N. BALOYI**

DATE: 25 AUGUST 2015



**CHAIRPERSON OF THE BOARD  
ADVOCATE B.S. KHUZWAYO**

DATE: 25 AUGUST 2015



## 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 legalized 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 which objectives 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 Structure





## 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



**Mr B. Wilkinson**  
MEC Representative  
at the Board



**Mr N. Nkomo**  
MEC Representative  
at the Board



## 8. MANCO



**Ms P. N. Baloyi**  
Chief Executive Officer



**Mr B.E. Radebe**  
Senior Manager:  
Licencing & Registration



**Mr R. S. Goodayle**  
Senior Manager: Gaming,  
Monitoring and Control



**Mrs P.J. Stretch**  
Head of Governance,  
Risk and Compliance



**Mr R. C. Bestel**  
Senior Manager: Betting,  
Monitoring and Control



**Mr V. Ramdas**  
Chief Financial Officer



**Mr M. Ngwenya**  
Chief Legal Advisor



**Mr S. Charles**  
Manager: ICT



**Mr T. Makhathini**  
Manager: Human  
Resources



**Ms S. Singh**  
Board Secretary



**Mrs C. Naidoo**  
Communications Manager





## PART B:

# PERFORMANCE INFORMATION

## 1. Auditor'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 75 of the Report of the Auditors Report, published as Part E: Financial Information.

## 2. Situational Analysis

### 2.1. Service Delivery Environment

The KZNGBB contributed to several key imperatives of Government which have been integrated into the new growth path. Such imperatives included the following:

- ♦ Creating jobs and improving livelihoods through new gaming and betting initiatives;
- ♦ Contribution to growth in SMME development in urban, peri-urban and rural areas in line with the spatial economic development programmes through the determination of Type "B" Independent Operator, Bingo and bookmaking operator sites;
- ♦ Contribution to BBBEE and CSI policies for licensees;
- ♦ Fighting corruption and enhancing accountability through our Gaming Monitoring and Control Department and our Betting Monitoring and Control Departments and;
- ♦ Broadening social protection through the participation in initiatives to eliminate illegal gambling and the development of a Responsible Gambling Policy.

The KZNGBB set its predetermined objectives and achieved its deliverables and budget expectations in terms of the KZN Vote 6-Provincial Treasury Budget for 2014/15, as follows:

- ♦ The Board has collected and exceeded the projected revenue for the Province for the financial year.
- ♦ Amendments to the KZN Gaming and Betting Act are in progress.
- ♦ The KZNGBB is currently meeting the objective of promotion of employment, capital investment, and corporate social investment projects and economic linkages to the wider economy notably in the area of tourism through the roll out of new gaming and betting initiatives and the development of a Corporate Social Investment Guideline (which includes aspects of Socio-Economic Development) which is awaiting Board approval.
- ♦ The roll out of new gaming and betting initiatives have commenced and will result in increased revenues for the Province, employment opportunities and Economic development in rural areas.

In the next financial year, the Board plans to further focus on the implementation of its CSI Guideline to enhance corporate social investment in this Province. In addition to this, in line with the KZNGBB's strategic outcome oriented goal to develop a growing gambling industry that promotes employment which does not cause harm to the public, it aims to implement a Responsible Gambling Policy, and Illegal Gambling Strategy.

The Board had over the past financial reporting period, reviewed its strategy and policies, with specific focus on institutional alignment following the merge between the erstwhile KZN Gambling Board and the KZN Bookmakers Control Committee. This included initiatives such as reviewing business processes and improving on financial controls and the reporting of financial and performance information. The continued implementation of the Provincial Recovery Plan remains a key objective. The Board has continued to fulfil its mandate through its strategic objectives and the 2014/15 financial year ended with 77% of its planned performance targets being achieved. The Board received an unqualified audit opinion for the 2014/15 financial period.







## PART B: Performance Information ...continued

### Operations

The KZNGBB continues to ensure the suitability of all applicants through conducting probity investigations, as well as through the processing of renewal of licences and registration certificates. As a result of the new licensing initiatives (the roll out of new Bookmaker rights, Totalisator Agents, Bingo and Type "B" LPM Independent Site Operators), there has been a significant increase in work load.

In order to ensure that service delivery is not negatively affected, the assessment of resources within the Licensing and Registration Division is ongoing and a business reengineering process project has commenced (Phase 1 has been completed, and Phase 2 is in progress) to automate and streamline operational processes. The KZNGBB continues to ensure the efficient and effective monitoring, compliance and control of the Gaming and Betting Industry through the Gaming Monitoring and Control Division and the Betting Monitoring and Control Division respectively.

Compliance and monitoring audits are conducted on all licensees to ensure compliance with regulatory and legislative requirements (licence conditions, bid commitments, corporate social investment, employment equity, BBBEE, accounting and internal control procedures, gaming equipment, LPM sites etc.) in respect of their gambling operations. Monthly tax validations are undertaken to ensure the accurate collection of gaming and betting taxes payable to the Province.

The Board strives to limit the possible negative impact of gambling on society through the eradication of illegal gambling and investigation of all reported cases of fraud and corruption within the industry. A new Illegal Gambling Strategy has been developed for implementation in the 2015/16 financial period. The Board is currently only monitoring compliance with BBBEE Codes by licensees in the horse racing and betting sector and the LPM and Bingo sectors. The Board is awaiting a directive from the Honourable MEC in regard to future transformation initiatives.

### 2.2. Organisational Environment Funding

The revenue generated by the entity in the form of application fees and license fees is fixed in accordance with Schedule 2 of

the KZN Gaming and Betting Act, and growth in own revenue is generated from an increase in number of applications that are received. It is expected that the current roll out of the new gambling initiatives (new Bingo halls, Type "B" and Independent Limited payout machine Site Operators, and additional bookmaking rights), will have a major impact on the entity's future operating expenditure. These new initiatives will increase the workload of the entity as additional investigations, inspections, audits and monitoring will be required to be conducted.

The entity's budget has been reduced by 20% over the 2015/16 MTEF period. The result is a R8,1 million reduction in 2015/16, R8,6 million reduction in 2016/17 and R9,0 million in 2017/18. In light of this, future engagement with KZN Treasury in respect of proposals for additional funding which will support our growing business operations may be necessary.

### Human Resource Matters

During the period under review and post the merger it was necessary to focus on institutional alignment and development to establish a new organisational identity and culture. The HR Strategy was developed; a Change Management Programme was successfully completed; an Employee Assistance Programme was developed and implemented; Medical Aid subsidy was established; and a review of job descriptions pending and job grading took place. Due to the absence of an HR Manager for an extended period and capacity constraints within our HR Department, several planned HR initiatives were not undertaken. Focus for the 2015/16 period will be given to the development of a Talent Management, Employment Equity Plan and a Performance Reward System.

The challenge of operating from two separate offices still exists however efforts are underway to secure suitable office accommodation for the entity.

### 2.3. Key Policy Developments and Legislative Changes

- ♦ KZNGBB Betting Rules - Following a comprehensive review of the Board Rules, the Board has developed Betting Rules and Minimum Internal Control Standards and Procedures for the Bookmaker and Totalisator sectors of the Betting industry. These Rules are to be considered and approved by the new Board which has recently taken office, prior to being published.
- ♦ Amendments to the KZN Gaming and Betting Bill were prepared and submitted to the Office of the MEC of Finance.

## 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 and the strategic outcome oriented goals of the Province in respect of the New Growth Plan. The following strategic objectives of the Board were identified:

Objective	Statement
<b>Objective 1</b> <b>Execution of the Board's Statutory mandate</b>	To ensure the effective execution of the Board's statutory mandate through the regulation of all forms of gambling thereby promoting the integrity of the gambling industry.
<b>Objective 2</b> <b>"Grow and Protect"</b>	To develop a growing gambling industry that promotes employment, and which does not cause harm to the public.
<b>Objective 3</b> <b>Transforming the Industry</b>	To promote Black Economic Empowerment through the participation and ownership of historically disadvantaged persons in the horse racing and betting industry.
<b>Objective 4</b> <b>Socio-Economic Development (Employment and Tourism)</b>	To ensure that the gambling industry promotes tourism and economic and social development in the Province.
<b>Objective 5</b> <b>Institutional Alignment and Development</b>	To maintain a culture of high performance through provision of an enhanced working environment.

## 2.5. Divisional Reports

### 2.5.1 Licensing and Registration Division

The Division is the operational gateway to the gambling industry and is mandated to investigate all applications for licenses made in terms of the KZN Gaming and Betting Act, 08 of 2010. This Division has units delegated to receive, accept, process and investigate applications for licences in the different sectors of the industry, namely casinos, race course operators, route operators, bingo, limited payout machines, bookmakers, totalisators, tote agents, manufacturers, suppliers, maintenance operators and the employees of these licensees. This is a complex task, particularly in an industry that has a significant fluctuation of role players and where financial interests in the licensees also change almost monthly as the general public becomes aware of the benefits of being involved as equity owners in this economic sector.

### Industry Statistics

#### Licensees

Sector	Total
Casinos	5
Bingo (22 Bingo Halls)	14
Independent Site Operator (inside Bingo Halls)	14
Route Operators	4
Site Operators	523
Bookmakers	83
Totalisators	2
Racecourse Operators	2
Holders of Certificates of Suitability	15
National Manufacturer Licences	1
Provincial Certificate of Registration as Manufacturer	1
Provincial Certificate of Registration as Supplier	2

#### Employee Registrations

Sector	Details	Total
<b>CASINOS</b>	Suncoast	1 022
	Sibaya	441
	Golden Horse	238
	Umfolozi	209
	Black Rock	257
	<b>Total</b>	<b>2 167</b>
<b>ROUTE OPERATORS</b>	Kingdom Slots	37
	V-Slots	16
	Luck at It	12
	KZN Slots	32
	<b>Total</b>	<b>97</b>
<b>BINGO</b>	Galaxy Amanzimtoti	98
	Galaxy Gateway	83
	Galaxy Pavilion	74
	Galaxy South Coast	34
	Poppy Ice Ladysmith	56
	<b>Total</b>	<b>345</b>
<b>BETTING</b>	Bookmakers /	1 024
	Totalisators	146
	<b>Total</b>	<b>11 170</b>
<b>GRAND TOTAL – REGISTERED EMPLOYEES</b>		<b>3 633</b>
<b>TOTAL NATIONAL EMPLOYMENT LICENCES</b>		<b>44</b>





## PART B: Performance Information ...continued

### 2.5.2 Gaming Monitoring and Control

As the Board is involved in an economic sector, it has an extended responsibility to ensure compliance, conduct investigations and issue offence notices under the Financial Intelligence Centre Act, 2001, in so far as it applies to the gambling industry. This involves conducting FICA Audits. The number of activities referred to above that require to be monitored, makes this an extensive task if one has reference to the number of licences granted in the Province and reported under the Licensing and Registration Division. Annually the Division set targets for its monitoring and control activities to ensure a compliant industry.

The Division is split into two Audit, namely: Monitoring and Gaming Audit and Gaming Control. It supports the Board in its achievement of the extensive mandate set out in Section 7 of the Act which is essentially to regulate and control gambling activities in the Province. Regulation entails that all matters connected with casino, bingo, and gaming machines activities must be monitored by the Board through its employees. In addition, the Division assists the Board with investigations into improper conduct on the part of licenced persons.

These monitoring activities include:

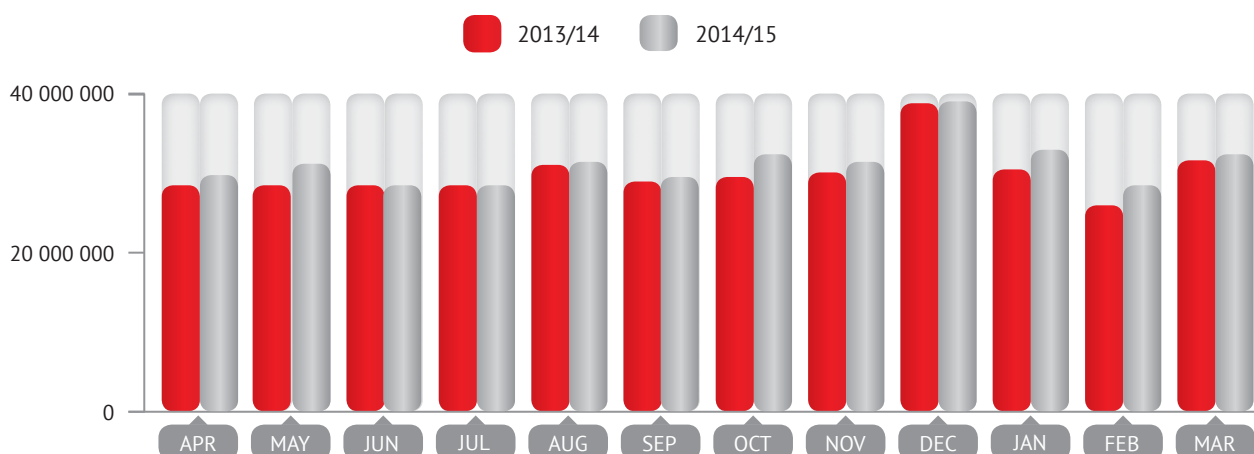
- ♦ Evaluation of gaming machine and equipment compliance with standards.
- ♦ Evaluation of security and surveillance systems compliance with standards.
- ♦ Evaluation of gaming procedures compliance with standards.
- ♦ Evaluation of premises and amendments to premises for compliance with standards.
- ♦ Evaluations of internal controls and amendments to internal controls for compliance with the Board's Minimum Standards.
- ♦ Evaluation of applications to amend existing operator licence conditions and systems for compliance with Standards.
- ♦ Monitoring and evaluation of licensed operators for compliance with licence conditions.

Casino Name	Machines		Tables	
	No. Licensed Machines	No. of Operational machines	No. of Licensed tables	No. of Operational tables
Sibaya Casino	1 200	1 200	49	49
Suncoast Casino	2 350	1 545	80	63
Umfolozo Casino	300	273	12	12
Blackrock Casino	300	300	10	10
Golden Horse Casino	450	450	23	20
<b>Total</b>	<b>4 600</b>	<b>3 768</b>	<b>174</b>	<b>154</b>

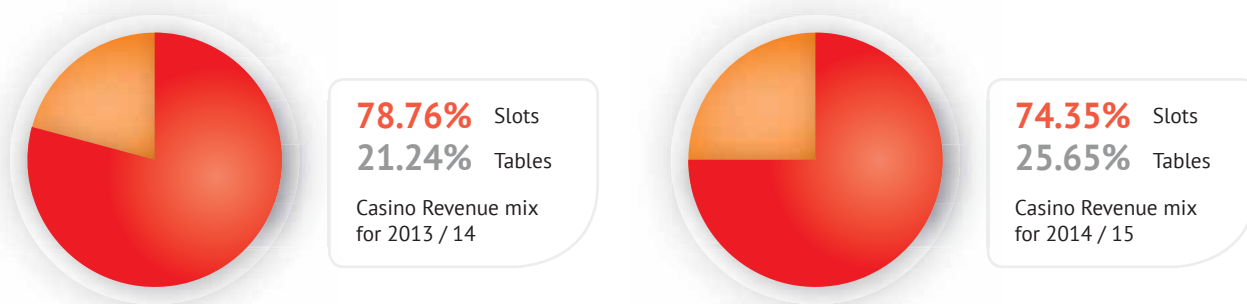
### CASINOS - TOTAL TAX REVENUE 2013/14 VERSUS 2014/15

The casino sector remains a major source of government revenue through its contribution to taxes. The casino tax increased by an amount of 4.64% from last year's amount of R360,716,931.81 to R 377,445,249.88.

Monthly Casino Taxes - 2013/14 vs 2014/15

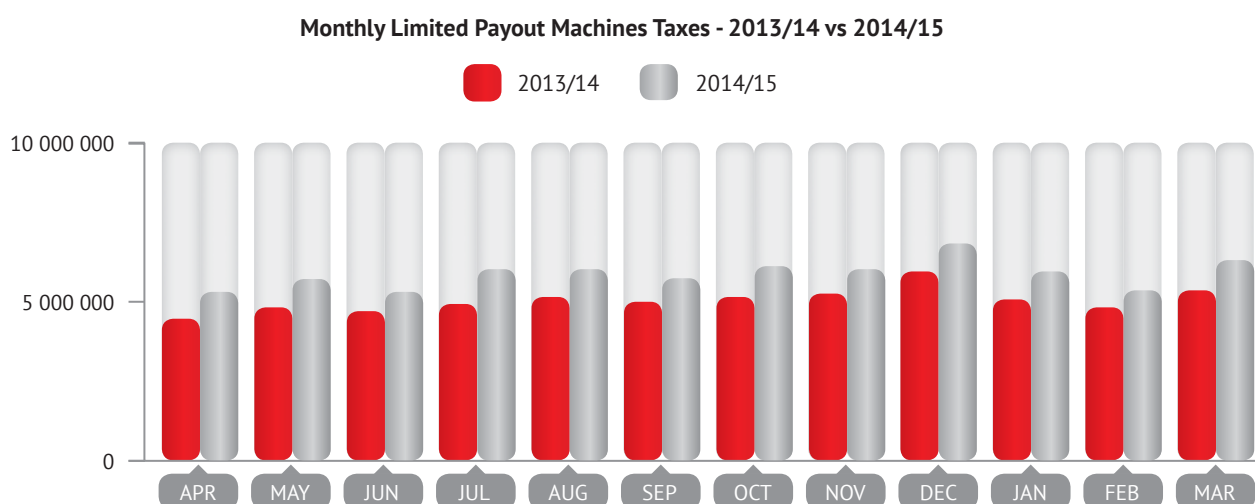


The charts below depict the casino revenue mix in respect of slot machines and tables:



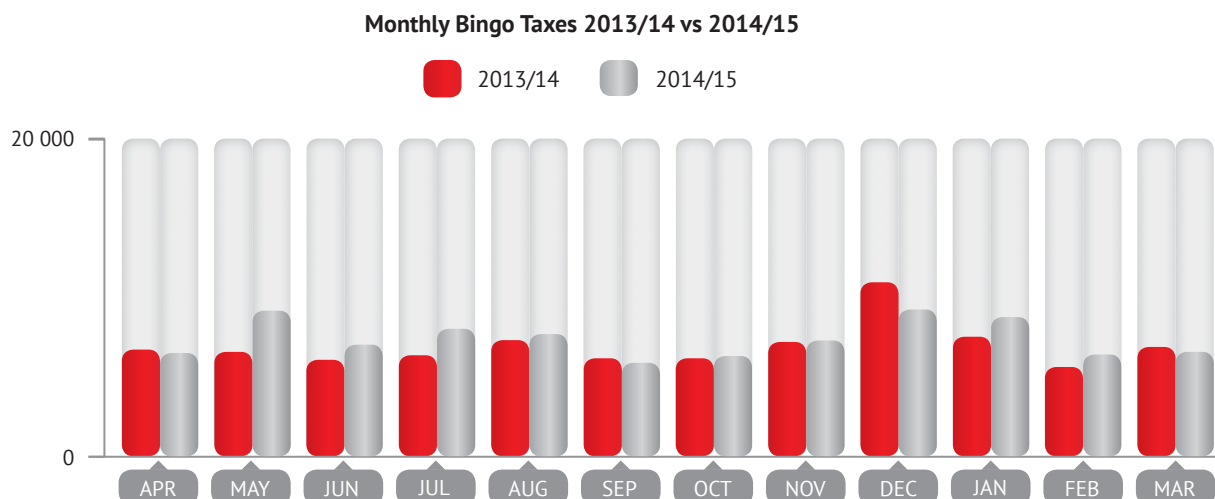
#### LIMITED PAY-OUT MACHINES (LPMS) - TOTAL TAX REVENUE 2013/14 VERSUS 2014/15

The limited payout machine tax revenue has also shown an increase of tax collected for the Province by 16.72% from R 60,554,048.70 in 2013/14 to R 70,676,910.89 in 2014/15.



#### BINGO - TOTAL TAX REVENUE 2013/14 VERSUS 2014/15

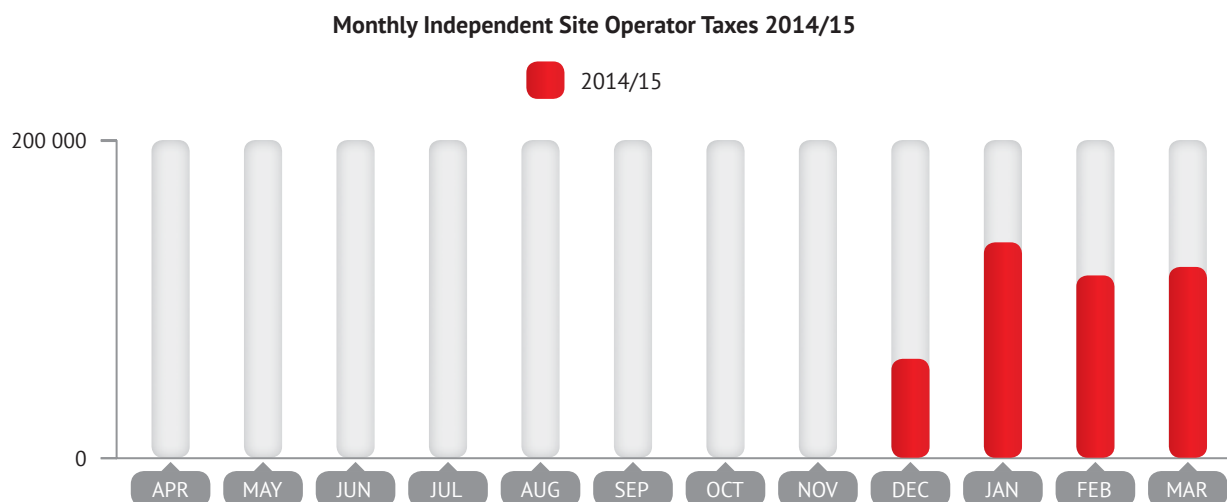
Bingo operations only commenced in September 2012. The tax revenue collected for the Province in 2013/14 amounted to R83,993.56 and in 2014/15 R89,467.51 which is a 6.52% increase.



## PART B: Performance Information ...continued

### INDEPENDENT SITE OPERATOR - TOTAL TAX REVENUE 2014/15

In December 2014, the Independent Site operations commenced. The tax revenue collected for the Province in 2014/15 amounted to R433,485.74.



### 2.5.3 Betting Monitoring and Control Division

This Division, like the Gaming Monitoring and Control Division, supports the Board 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 Division assists the Board with investigations into improper conduct on the part of licenced persons as well as reports of illegal gaming or betting in the Province.

These monitoring activities include:

- ♦ Validation of monthly revenue generated by the betting industry;
- ♦ Ensuring legislative compliance by all licensees;
- ♦ Evaluation of wagering software's compliance with National standards;
- ♦ Investigation of betting disputes;
- ♦ Evaluation of applications for new premises and amendments to existing premises;
- ♦ Evaluation of applications to amend existing operator licence conditions;
- ♦ Evaluation of licensed operators for compliance with licence conditions.

### ILLEGAL GAMBLING STATISTICS

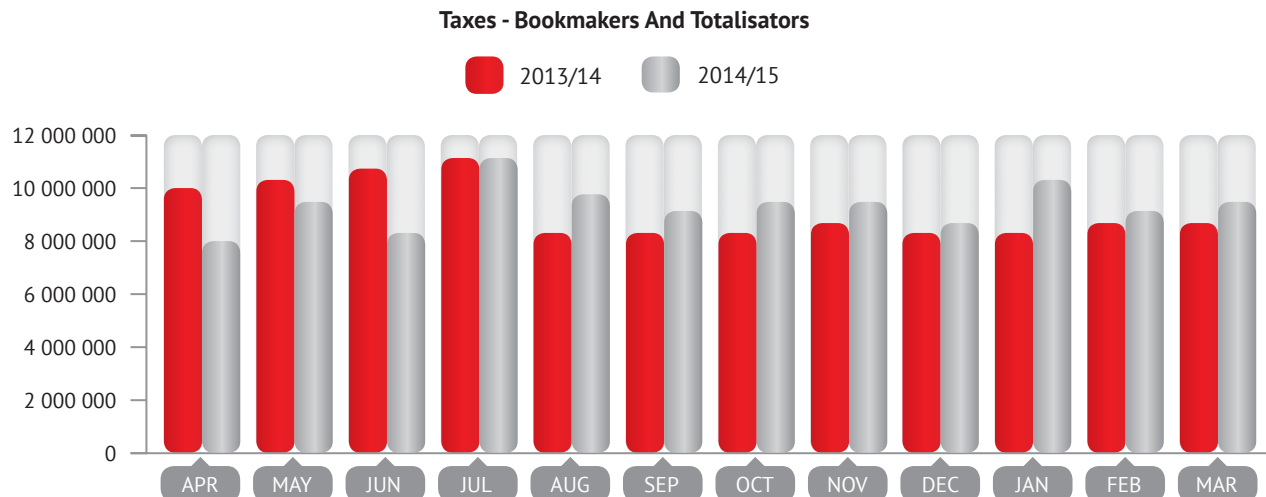
Statistics	Total
Number of raids conducted	21
Confiscated gambling machines	8
Confiscated gambling tables	0
Gambling machines destroyed	36
Gambling tables destroyed	1
Number of illegal gambling machines in custody of the Board	3
Illegal computer hardware and software confiscated	0





## BOOKMAKERS & TOTALISATORS – TOTAL TAX REVENUE 2013/14 VERSUS 2014/15

The bookmakers and totalisator tax revenue collected for the Province increased by 4.89% from R 105 635 921.67 in 2013/14 to R 110 797 934.87.

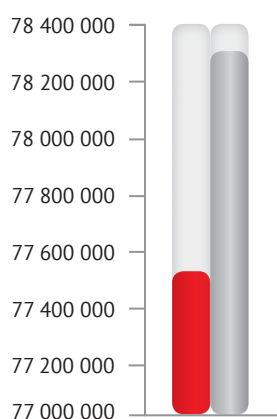


The breakdown of betting taxes paid is as follows: Bookmaker Betting Taxes, R78.24 million; Bookmaker Sport Taxes, R10.13 million; and Totalisator Betting Taxes, R22.41 million. Bookmakers Betting and Sport taxes increased while the Totalisator betting taxes showed a slight decline.

From the R78 million in taxes generated by Bookmakers on Horse racing an amount of R39 million was distributed to Gold Circle by the Board in terms of Section D1 of the Gaming and Betting Tax Act.

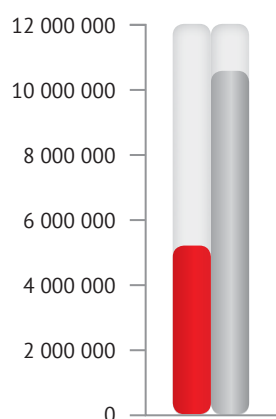
### Bookmaker - Betting Taxes

■ 2013/14   ■ 2014/15



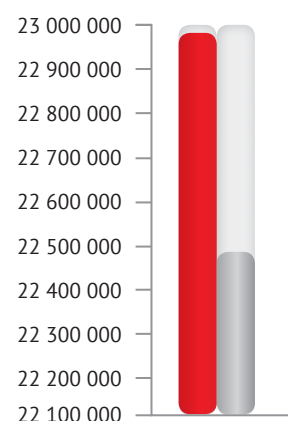
### Bookmaker - Sports Taxes

■ 2013/14   ■ 2014/15



### Totalisator - Taxes

■ 2013/14   ■ 2014/15



## PART B: Performance Information ...continued

### KZNGBB PERFORMANCE INFORMATION BY PROGRAMME FOR THE PERIOD 1 APRIL 2014 TO 31 MARCH 2015

#### PROGRAMME 1: ADMINISTRATION

**Purpose** This programme provides strategic management through the Office of the CEO and support services to the KZNGBB.

#### SUB-PROGRAMME: OFFICE OF THE CEO

**Purpose** To deliver the Board's strategic objectives through strategic management and leadership of the organisation.

Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
Delivery of the Board's strategic objectives through strategic management and leadership	Approved Strategic Plan in line with PFMA submitted to Executive Authority by no later than 1 April each year.	Approved Strategic Plan was submitted to Executive Authority before 1 April.	Approved Strategic Plan submitted to Executive Authority before 1 April each year.	Strategic Plan for 2015 - 2020 submitted to Executive Authority before 1 April 2015.	None.	None.
	Approved Annual Performance Plan in line with the KZNGBB's Strategic Plan submitted to Executive Authority by no later than 1 April each year.	Approved APP for 2014/15 submitted to Office of the Premier.	Strategy aligned and approved APP submitted to Executive Authority before 1 April each year.	Annual Performance Plan for 2015/16 submitted to Executive Authority before 1 April 2015.	None.	None.
	Procedures for quarterly reporting in place to facilitate effective performance monitoring, evaluation and corrective action i.e. quarterly performance reports and performance appraisals undertaken.	Quarterly monitoring of performance against APP undertaken. Quarterly reports prepared and submitted within prescribed timeframes.	Quarterly performance reporting to Board, Audit Committee and Executive Authority before end of the 1st month of the next quarter.	4 Quarterly performance reports were prepared and submitted to Executive Authority and KZN Treasury, Board and Audit Committee within prescribed timeframes.	None.	None.
		Performance contracts in place and performance appraisals conducted.	Manage and monitor performance through signed performance contracts between management and CEO with performance reviews every 6 months.	Performance contracts in place and performance reviews undertaken with management.	None.	None.
	70% successful completion of Board Projects as per Board Plan.	Not applicable – was not included on 2013/14 APP.	Manage completion of 70% of Board Projects as per Board Plan through monthly reporting and tracking.	71% of accumulative project activity targets were attained as per Board Project Plan as at 31 March 2015.	None.	None.





## PART B: Performance Information ...continued

### SUB-PROGRAMME: OFFICE OF THE CEO ...continued

**Purpose** To deliver the Board's strategic objectives through strategic management and leadership of the organisation.

Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
Ensure the effective administrative and financial management of the Board in accordance with the PFMA	Unqualified audit from Auditor General for period under review.	An unqualified audit was obtained from Auditor General for period under review.	Unqualified audit from Auditor General for period under review.	An unqualified audit was obtained from Auditor General for 2013/14 financial year.	None.	None.
Communicate and drive existence of internal policies and procedures.	Record of Policies and procedures in place within all divisions.	Policies register in place and maintained.	Ensure existence and maintenance of policies and procedures within all divisions.	HR, Finance, and IT Policies are in place and being implemented.	None.	None.
Ensure Socio-economic development within the industry through policy development	Corporate Social Investment Policy developed for approval by 30 June 2014.	Not applicable – was not included on 2013/14 APP.	Corporate Social Investment Policy developed for approval by 30 June 2014.	Final CSI policy has been developed and awaiting new Board approval. Monthly CSI monitoring takes place to ensure compliance by licensees with CSI commitments and licence conditions.	Corporate Social Investment Policy not yet approved by Board.	Corporate Social Investment Policy to be approved by new Board.
	Socio-economic Development Policy developed for approval by 30 June 2014.	Not applicable – was not included on 2013/14 APP.	Socio-Economic Development Policy developed for approval by 30 June 2014.	Not applicable - SED Policy has been amalgamated into CSI Policy.	None.	None.
Promote opportunities and increase ownership stakes of historically disadvantaged persons through the implementation of the Board's Transformation mandate	Transformation Fund and Project Plan established by 31 March 2015 and managed in accordance with the Act.	Transformation related objectives were placed on hold pending directive from Honourable MEC.	Transformation Fund and Project Plan established by 31 March 2015 and managed in accordance with the Act.	Transformation Fund and Project Plan not yet established.	Transformation Fund and Project Plan not yet established – no Board in place during Quarter 4.	KZN Gaming and Betting Act, No 08 of 2010 has been amended to extend the Transformation Fund beyond the horse racing and betting sector.
Keep abreast with industry regulatory best practices through attendance at relevant Forums	Record of attendance at quarterly CEOs Forums and National Gambling Regulators Forum with quarterly reports to Board.	Not applicable – was not included on 2013/14 APP.	Attendance at quarterly CEOs Forum and NGRF meetings with quarterly reports to Board.	Attended 4 CEO Forum meetings, 1 NGRF meeting and 1 National Policy Council meeting.		
<p>The Office of the CEO has contributed towards achieving the Programme's strategic goals through the following:</p> <ul style="list-style-type: none"> <li>♦ Driving strategy implementation and performance management through the implementation of performance agreements.</li> <li>♦ Monitoring, evaluating and 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.</li> <li>♦ Implementing cost discipline throughout the organisation in line with KZN Treasury's cost cutting directives.</li> <li>♦ Implementing functional organisational structure, job profiling, performance contracting, policy development, and project management.</li> </ul>						

### Strategy to Overcome Areas of Under Performance

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
Promote opportunities and increase ownership stakes of historically disadvantaged persons through the implementation of the Board's Transformation mandate	Transformation Fund and Project Plan established by 31 March 2015 and managed in accordance with the Act.	Legislation will be amended to include all sectors of the gambling industry and not just the horseracing and betting industry. The establishment and management of the Transformation Fund have been included in the 2015/16 APP.

## SUB-PROGRAMME: GOVERNANCE, RISK AND COMPLIANCE

### Board Secretariat

<b>Purpose</b>	To ensure good of the organisation through compliance of the Board with applicable laws, regulations, best practice and codes of ethics; the prevention of conflicts of interest; efficient Board and Committee meetings; as well as the protection of confidential information held by the Board.
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Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
Ensure implementation of Governance best practice through implementation of Governance Framework	Board and Committee Charters reviewed and approved annually (including Charter of Expectations)	All Board and Committee Charters reviewed and approved by December 2013.	Board and Committee Charters reviewed and approved by 31 December 2014.	Partially Achieved Board and Committee Charters reviewed by 31 December 2014 but awaiting Board approval	Reviewed Board and Committee Charters require approval.	Board approval proposed for 30 Jan 2015 but Board removed so approval was delayed. Board and Committee Charters to be approved by the new Board.
	Integrated Annual Report compiled by 30 June 2014	Not applicable - was not included in 2013/14 APP.	Integrated Annual Report collated and compiled by 30 June 2014.	Integrated Annual Report was compiled and submitted to relevant parties within prescribed timeframes.	None.	None.
	Corporate Governance Report drafted for the Annual Report by 31 July 2014	Governance Report presented in Annual Report.	Corporate Governance Report drafted for the Annual Report by 31 July 2014.	Governance Report drafted within prescribed timeframe and included in Annual Report for 2013/14.	None.	None.
Ensure governance policies are reviewed annually in line with Governance best practice	Approved and reviewed governance policies in place	All Governance policies reviewed, approved and in place.	Governance policies reviewed and recommendations to Board prepared by 30 September 2014.	Governance policies reviewed and recommendations prepared to Board by 30 September 2014.	None.	None.
Ensure effectiveness of Board through provision of efficient Secretariat Administration Services to the Board and its Committees	Board and Board Committee Meetings and workshops held in accordance with Board Calendar and Minutes of Meetings recorded.	Board meetings held as per Board Calendar. Additional meetings held, as required	Board and Board Committee Meetings and workshops co-ordinated in accordance with Board Calendar and record of Minutes of Meetings maintained.	Board and Board Committee Meetings and workshops were co-ordinated in accordance with the Board Calendar and a record of Minutes of Meetings maintained.	None.	Due to the termination of the Board, no meetings took place during February and March 2015.
	Updated Board Resolutions Register.	Board Resolutions Register in place and approved.	Board Resolutions' Register updated monthly.	Board Resolutions' Register updated after each Board meeting.	None.	None.
<p>This sub-programme has ensured the successful implementation of good governance practices within the Board through the following:</p> <ul style="list-style-type: none"> <li>♦ The annual review of Board and Committee Charters.</li> <li>♦ The entity's Governance Report included in the Board's Annual Report.</li> <li>♦ The annual review of Governance Policies.</li> <li>♦ Secretariat functions performed in accordance with good governance practices.</li> </ul>						



## PART B: Performance Information ...continued

### Risk Management

<b>Purpose</b>	To establish a culture of matured risk management whereby organisational and departmental strategic objectives are informed by a risk profile.
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Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
To ensure that organisation is aware of its strategic and operational risks and an enterprise wide risk management framework in place	Risk appetite framework approved by 31 March 2015.	ERM Framework approved and implemented in Quarter 4 of 2013/14.	ERM Risk appetite framework approved by March 2015.	Risk appetites were determined in November 2014.	Risk appetites not approved by Board.	Risk appetites were not approved as no Board was in place during Quarter 4. Risk appetites to be considered and approved by new Board.
	Risk tolerance levels approved by 31 March 2015.	Not applicable - was not included in 2013/14 APP.	ERM risk tolerance levels approved by March 2015	Risk tolerance levels were determined in November 2014.	Risk tolerance levels not approved by Board.	Risk tolerance levels were not approved as no Board was in place during Quarter 4. Risk tolerance levels to be considered and approved by new Board.
	Annual Risk Assessment by 31 March 2015.	Not applicable - was not included in 2013/14 APP.	Annual Risk Assessment undertaken by 31 March 2015.	The annual strategic risk assessment was undertaken and concluded in November 2014.	None.	None.
<p>The objectives in respect of risk were undertaken by the Head of Governance, Risk and Compliance following the revision of the organisational structure during Quarter 3. These objectives established a culture of risk management through the following:</p> <ul style="list-style-type: none"> <li>♦ The determination of risk appetites and tolerance levels.</li> <li>♦ Strategic risk assessment undertaken.</li> </ul>						

### Strategy to Overcome Areas of Under Performance

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
To ensure that organisation is aware of its strategic and operational risks and an enterprise wide risk management framework in place	Risk appetite framework approved by 31 March 2015.	The proposed risk appetite and tolerance levels will be presented to the new Board for consideration and approval.
	Risk tolerance levels approved by 31 March 2015.	



## SUB-PROGRAMME: LEGAL SERVICES

<b>Purpose</b>	To ensure that regulation of the Gambling Industry in the Province complies with legislative and regulatory requirements; and to provide professional legal advice and legal support to the Board and to ensure effective legal services and processes are in place.
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Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
Maintain discipline within the Gaming and Betting industry through Section 87 enquiries and betting dispute hearings	Charge sheet issued and dates set for Section 87 Enquiries within 3 months of initiation by the Division.	18 Section 87 hearings conducted and licensees prosecuted for non-compliance.	100% of charge sheets issued and dates set for Section 87 Enquiries within 3 months of initiation by the Division.	79% of charge sheets were issued and dates set for Section 87 Enquiries within the prescribed timeframe.  19 charge sheets were prepared. 15 Section 87 Enquiry dates were set within the prescribed timeframe.	4 Section 87 Enquiry dates were not set within the prescribed timeframe.	Dates could not be set for the 4 charge sheets prepared in Q4 due to the absence of the Board.  Outstanding Section 87 Enquiry dates to be set and enquiries heard by new Board.
	Outcome of Section 87 Enquiries communicated to Division within 10 days of Board ruling.	Not applicable - was not included in 2013/14 APP.	100% of outcomes of Section 87 Hearings communicated to Division within 10 days of Board ruling.	100% of outcomes of the 11 Section 87 Enquiries conducted against licensees were communicated within the prescribed timeframe.	None.	None.
	Betting Dispute Hearings set down within 3 months of initiation by stakeholder.	4 Betting disputes adjudicated and reported: 3 disputes pending.	100% of betting disputes set down within 3 months of initiation by stakeholder.	Not applicable.	Not a function performed by Legal Services.	Betting disputes handled by Betting Monitoring and Control.
	Outcome of Betting Dispute Hearings communicated to Division within 10 days of Board ruling.	Not applicable - was not included in 2013/14 APP.	100% of outcomes of Betting Dispute Hearings communicated to Division within 10 days of Board ruling.	Not applicable.	Not a function performed by Legal Services.	Betting disputes handled by Betting Monitoring and Control.
Management of Legal and Risk Exposure through provision of legal and related advice to the Board	Internal memoranda of advice furnished to Divisions within 21 working days of receipt of request for advice.	56 Internal opinions furnished.	100% of internal memoranda of advice furnished to Divisions within 21 working days of receipt of request for advice.	100% of 34 internal memoranda of advice were furnished to Divisions within prescribed timeframe.	None.	None.
	Requests for external advice processed within 7 days of receipt of instruction.	10 external opinions sourced.	100% of requests for external advice processed within 7 days of receipt of instruction.	100% of 3 requests for external advice were processed within the prescribed timeframe.	None.	None.



## PART B: Performance Information ...continued

### SUB-PROGRAMME: LEGAL SERVICES ...continued

<b>Purpose</b>	To ensure that regulation of the Gambling Industry in the Province complies with legislative and regulatory requirements; and to provide professional legal advice and legal support to the Board and to ensure effective legal services and processes are in place.
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Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
Management of Legal and Risk Exposure through provision of legal and related advice to the Board	Monthly status reports of litigation matters prepared for Board.	Not applicable - was not included in 2013/14 APP.	Monthly reports prepared for Board on status of litigation matters.	10 monthly reports were prepared to Board on status of litigation matters.	None.	No Board in place during Feb and March 2015.
	Contracts reviewed or drafted within 30 days of request.	Not applicable - was not included in 2013/14 APP.	100% of requests to review or draft contracts are undertaken within 30 days of request.	100% of 18 requests to review or draft contracts were undertaken within prescribed timeframe.	None.	None.
Ensure effective gambling legislation through review of all proposed amendments and comments to regulations, the relevant act and rules	Record of submissions on amendments to regulations, the relevant act and rules forwarded to Office of the Premier within prescribed timeframes.	Prepared proposed amendments to KZN Gaming & Betting Act and Regulations; and comments on National Regulations on Exclusions.	100% of submissions on amendments to regulations, the relevant act and rules forwarded to Office of the Premier within prescribed timeframes.	100% of submissions were prepared within timeframes in respect of the following: Comments on the Remote Gambling Bill 2014 and Amendments to the KZN Gaming and Betting Bill.	None.	None.
Ensure efficient processing of licence conditions	Licence conditions reviewed and/or drafted within 21 days of request from Division.	Not applicable - was not included in 2013/14 APP.	100% of requests to review or draft licence conditions are undertaken within 21 days of request from Division.	100% of 42 requests to review/draft licence conditions were undertaken within the prescribed timeframes.	None.	None.

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:

- ♦ 11 Section 87 hearings held with prosecutions against licensees for non-compliance.
  1. June 2014: Route operators and Site operators were charged jointly and the following was the outcome:
    - (a) Route Operator and 7 Site Operators – 7 counts of contravening various LPM rules (they were found guilty of all 7). R14,500 fine was suspended for 12 months; R2500 payable forthwith.
    - (b) Route Operator and 8 Site Operators – 11 counts of contravening various LPM rules (they were found guilty of 11) R7 000 became payable forthwith.
    - (c) Route Operator and 5 Site Operators – 5 counts of contravening various LPM rules (they were found guilty of 4 and 1 was withdrawn) R5000 became payable forthwith.
    - (d) Route Operator and 3 Site operators – 3 counts of contravening various LPM rules (they were all 3 found guilty) all fines suspended.
  2. September 2014: Route operators and Site operators were charged jointly the following was the outcome:
    - (a) Route Operator and 1 Site Operator – 1 count of contravening various LPM rules (not guilty on 1).
    - (b) Route Operator and 2 Site Operators – 2 counts of contravening various LPM rules (they were found guilty of 2) fines suspended.
    - (c) Route Operator and 6 Site Operators – 6 counts of contravening various LPM rules (they were found guilty of 6) R22 000 became payable forthwith.
    - (d) Bookmaker was issued a warning for contravening certain provision of the Act.
    - (e) Bookmaker – case was postponed to the next quarter.
  3. September 2014: 1 Bookmaker was charged for contravention of certain provisions of the Act and the regulations and was found guilty and fined R50 000 half of which was suspended. R25 000 became payable forthwith.
- ♦ Management of legal and risk exposure through providing legal and related advice to the Board - 34 opinions prepared.
- ♦ Conducting review of gambling rules and legislative amendments.

## SUB-PROGRAMME: HUMAN RESOURCES

<b>Purpose</b>	To develop and implement an effective human resource strategy and to assist the KZNGBB to attract and retain competent personnel within a conducive working environment.
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Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
Ensure people alignment, empowerment and development through effective of HR Strategies and retention practices	Approved Human Resource Strategy by 31 July 2014	Human Resource Strategy approved in February 2014.	Human Resource Strategy (including Retention) drafted and approved by 31 July 2014.	HR Strategy was approved by the Board in February 2014 and has been partially implemented as follows: Medical Aid Subsidy approved and grading of existing positions.	Employment Equity Plan not yet developed for the entity.	Absence of HR Manager and capacity constraints within HR Dept has resulted in the partial implementation of the HR Strategy.
	Approved Change Management Programme implemented by 31 July 2014	Not applicable - was not included in 2013/14 APP.	Change Management Programme developed, approved and implemented by 31 July 2014.	Change Management Programme was approved and implementation commenced during Q1. Monthly sessions were held for staff during the year and the programme successfully completed.	None.	None.
	HR Development Plan developed with accelerated development plan by 31 July 2014	Not applicable - was not included in 2013/14 APP.	HR Development Plan developed with accelerated development plan by 31 July 2014.	Minimal training was undertaken as per the Workplace Skills Plan.	HR Development Plan with accelerated development plan has not been developed.	Absence of HR Manager and capacity constraints within HR Dept has resulted in the non-achievement of target.
	Skills Audit undertaken to identify training needs by 31 December 2014	Not applicable - was not included in 2013/14 APP.	Skills Audit undertaken by 31 December 2014.	Information collected from each employee in respect of qualifications and experience	Analysis of skills, qualifications and experience still to be undertaken.	Absence of HR Manager and capacity constraints within HR Dept has resulted in the partial achievement of target.
	Approved Performance Reward system linked to performance management implemented by 30 September 2014	Staff trained on Performance Management. Appraisal system implements – 81% of appraisals undertaken every 6 months.	Develop Performance Reward System by 30 September 2014.	Performance agreements in place with bi-annual reviews.	Performance Reward System not yet fully developed and implemented.	Absence of HR Manager and capacity constraints within HR Dept has resulted in non-achievement of targets.
	Approved Employee Assistance Programme implemented by 30 September 2014	Due to unavailability of budget, this target was carried over into 2014/15 APP.	Employee Assistance Programme developed, approved and implemented by 30 September 2014.	Employee Wellness Programme was launched in September 2014. Employee wellness initiatives through Careways have commenced.	None.	None.
	Approved Succession Plan by 31 March 2015	Succession Plan Framework was approved in February 2014 – 50% of target achieved.	Succession Plan approved by 31 March 2015.	None.	No progress on the development of a Succession Plan.	Absence of HR Manager and capacity constraints within HR Dept has resulted in the non-achievement of target.





## PART B: Performance Information ...continued

### SUB-PROGRAMME: HUMAN RESOURCES

<b>Purpose</b>	To develop and implement an effective human resource strategy and to assist the KZNGBB to attract and retain competent personnel within a conducive working environment.
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Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
Ensure the provision of effective and efficient human resource support services	All vacant posts filled within 8 weeks of date of advertisement.	50% of recruitment processes undertaken within target (Delays in 50% of recruitment due to operational constraints).	100% of vacant posts filled within 8 weeks of date of advertisement.	45% of vacant posts filled within prescribed timeframe. 22 positions were advertised. 10 positions were filled within 8 weeks of date of advertisement.	55% of vacant posts not filled within prescribed timeframe.	Removal of positions from organisational structure due to reduction in budget; limited office space; appeal in recruitment process; and capacity constraints within HR Dept has resulted in the partial achievement of target.
Develop and review HR Policies to ensure continued alignment with legislation	Three HR policies developed and approved by 31 March 2015.	All existing HR policies aligned with legislation and new policies identified for development in new financial year.	Three HR policies developed and approved by 31 March 2015.	Recruitment and Selection Policy reviewed but not finalised for Board approval.	No HR policies were developed and approved during the period under review.	Absence of HR Manager and capacity constraints within HR Dept has resulted in the non-achievement of target.
<p>During the period under review, capacity constraints were experienced within the HR Department, majorly as a result of the position of HR Manager being vacant since 1 October 2014. Notwithstanding this, several achievements were made which has enhanced the merged environment:</p> <ul style="list-style-type: none"> <li>♦ A Change Management Programme was facilitated through monthly interactive sessions for all employees.</li> <li>♦ A medical aid subsidy was established for employees wishing to participate.</li> <li>♦ A job grading exercise was undertaken for existing positions.</li> <li>♦ An Employee Wellness Programme was launched and wellness initiatives through Careways undertaken.</li> </ul>						

### Strategy to Overcome Areas of Under Performance

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
Ensure people alignment, empowerment and development through effective of HR Strategies and retention practices	HR Development Plan developed with accelerated development plan by 31 July 2014	The vacant position of HR Manager has been filled effective 1 June 2015. The new HR Manager will prioritise all outstanding targets that were not successfully achieved during 2014/15.
	Skills Audit undertaken by 31 December 2014.	
	Develop Performance Reward System by 30 September 2014.	
	Succession Plan approved by 31 March 2015.	
	100% of vacant posts filled within 8 weeks of date of advertisement.	
	Three HR policies developed and approved by 31 March 2015.	

## SUB-PROGRAMME: COMMUNICATIONS

<b>Purpose</b>	To establish a communications function that will assist the Board in engaging with stakeholders more effectively; and to assist the Board in the management of projects which has a communications component, thereby continuing to enhance the positive image of the Board.
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Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
Ensure structured communication within the organisation and effective dissemination of information to external stakeholders	Approved Communication Strategy by 30 June 2014.	Communication Strategy submitted for Board approval.	Communication Strategy developed and approved by 30 June 2014.	Communication Strategy approved on 30 April 2014 and implementation commenced.	None.	None.
	Approved Communication Plan by 30 June 2014.	Communication Plan submitted for Board approval.	Communication Plan developed and approved by 30 June 2014.	Communication Plan approved on 30 April 2014 and implementation commenced via internal newsletters, communiques, questionnaires and stakeholder engagements.	None.	None.
	Approved Stakeholders' Engagement Plan by 30 September 2014.	Not applicable - was not included in 2013/14 APP.	Stakeholders' Engagement Plan developed and approved by 30 September 2014.	Stakeholder Engagement Plan approved on 30 April 2014 and implemented as follows: Whistle blowers Communications Plan drafted; engagement with CASA regarding their illegal gambling campaign; and National Responsible Gambling Programme.	None.	None.
Ensure protection of the public and growth of the industry through Socio-Economic Impact Assessment	Socio-Economic Impact Assessment completed by 31 March 2015.	Not applicable - was not included in 2013/14 APP.	Socio-Economic Impact Assessment completed by 31 March 2015.	The initial pre-screening of the bid for the Socio-Economic Assessment was completed by 31 March 2015.	Socio-Economic Impact Assessment has not yet commenced.	Challenges within SCM process has resulted in a delay and non-achievement of target. SCM process is underway.
Ensure protection of the public through creating awareness of Responsible Gambling	Record of engagement with Responsible Gambling Programme by 31 July 2014.	Not applicable - was not included in 2013/14 APP.	Engagement with Responsible Gaming Programme by 31 July 2014.	Engagement with Acting Executive Director of the NRGP took place on 20 Feb 2015.	Target achieved after due date.	Engagement slightly delayed but achieved in Quarter 4.
	Responsible Gambling Policy and Plan developed by 31 December 2014.	Not applicable - was not included in 2013/14 APP.	Develop Responsible Gambling Policy and Plan for approval by 31 December 2014.	Draft Responsible Gambling Policy and Operational Plan have been developed.	Responsible Gambling Policy and Plan not approved within targeted timeframe.	Delay in engagement with NRGP delayed the drafting of the policy and resulted in the partial achievement of target.
The implementation of the Communication Strategy and Stakeholders' Engagement Plan aims to assist the Board in dealing with stakeholders more effectively and will enhance and maintain a positive image of the Board.						



## PART B: Performance Information ...continued

### Strategy to Overcome Areas of Under Performance

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
Ensure protection of the public and growth of the industry through Socio-Economic Impact Assessment	Socio-Economic Impact Assessment completed by 31 March 2015.	The SCM process is underway and this target has been revised and included in the 2015/16 APP.
Ensure protection of the public through creating awareness of Responsible Gambling	Develop Responsible Gambling Policy and Plan for approval by 31 December 2014.	The Draft Responsible Gambling Policy and plan will be further deliberated with other units and thereafter submitted to Board for approval.

### SUB-PROGRAMME: FINANCE

<b>Purpose</b>	To ensure that there is proper management of assets, procurement, financial controls, and financial resources and to ensure accurate and proper financial reporting.
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Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
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#### Finance Sub-component: Supply Chain Management

Ensure efficient and effective Supply Chain Management	SCM Strategy Implementation Plan developed by 30 September 2014.	SCM Strategy approved by Board in February 2014.	Develop SCM Strategy Implementation Plan by 30 September 2014.	Financial Strategy which contains the SCM Strategy was developed and implemented through the following: SCM Policy, SCM Delegations, and Bid Committee Structures approved and in place.	None.	None.
	Bid Committees established and all bidding and tender processes undertaken within prescribed timeframes.	Bid Committees established and functional.	100% of bidding and tender process undertaken within prescribed timeframes.	75% of bidding and tender process undertaken within prescribed timeframes.	25% of bidding and tender process (1 out of 4) not undertaken within prescribed timeframes.	Challenges within SCM process due to capacity constraints, amendments to Committees and tender documents; queries on bids; and delays in award validation due to the absence of the Board.
Review Finance Policies to ensure continued alignment with legislation	50% of approved policies reviewed by 31 March 2015.	SCM and Finance Delegations approved and 5 Finance policies approved (37.5% - 3 out of 8 policies were not approved due to inadequacy of resources within Department).	50% of approved policies reviewed by 31 March 2015.	50% approved policies were reviewed by 31 March 2015: SCM Policy - amended Cash & Bank Policy and Unauthorised, Irregular and Fruitless and Wasteful Expenditure Policy - no changes.	None.	None.

#### Finance Sub-Component: Asset Management

Ensure effective management and safeguarding of Board's assets through bi-annual asset counts	Two assets counts conducted during the financial year to verify assets.	Two assets counts conducted.	Two assets counts conducted during the financial year i.e. September 2014 and March 2015.	Two assets counts were conducted during the financial year i.e. September 2014 and March 2015.	None.	None.
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## SUB-PROGRAMME: FINANCE ...continued

<b>Purpose</b>	To ensure that there is proper management of assets, procurement, financial controls, and financial resources and to ensure accurate and proper financial reporting.
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Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
<b>Finance Sub-Component: Financial Management and Reporting</b>						
Ensure effective budget processes in line with MTEF	Approved budget submitted to the Officer of the Premier by 31 July 2014.	Draft budget submitted by the prescribed date. Revised final budget was submitted after aligned with strategy.	Approved budget submitted to the Officer of the Premier by 31 July 2014.	Budgets were submitted to Provincial Treasury within prescribed timeframe of 31 July 2014.	None.	None.
Ensure complete, accurate and timely reporting standards are maintained	Preparation and implementation of GRAP checklist to be used for preparation of AFS	Auditor General checklist in progress.	GRAP checklist prepared and implemented by 31 March 2015.	GRAP checklist is in place and will be completed during the Annual Financial Statements preparation process.	None.	None.
	Ensure unqualified audit from Auditor General for period under review	Unqualified audit from Auditor General for period under review.	Accounting information and reports to be GRAP compliant to achieve unqualified audit from Auditor General for period under review.	Unqualified opinion achieved for period under review i.e. 2013/14 financial year. Accounting reports prepared taking into account the standards.	None.	None.
	Submission of Unaudited Financial Statements to Auditor General and Treasury by 31 May each year	Not included in 2013/14 APP.	Unaudited Financial Statements submitted to Auditor-General and Treasury by 31 May 2014.	Unaudited Financial Statements submitted within the prescribed timeframe.	None.	None.
	Submission of Annual Financial Statements and Annual Report to OTP, Treasury and Auditor General by 31 August each year	Annual Financial Statements and Annual Report submitted to OTP and Treasury within prescribed timeframe.	AFS and Annual Report submitted to OTP, Treasury and Auditor General by 31 August 2014.	Annual Financial Statements and Annual Report submitted to Provincial Treasury and Auditor-General within prescribed timeframe.	None.	None.
	Quarterly reports submitted to the Office of the Premier as specified in the Act, Regulations, PFMA and SLA within 1 month of reporting period.	Quarterly reports submitted within prescribed timeframe.	Quarterly report submitted within 1 month of the reporting period.	4 quarterly reports were submitted within the prescribed timeframe of one month of the reporting period.	None.	None.



## PART B: Performance Information ...continued

### SUB-PROGRAMME: FINANCE ...continued

<b>Purpose</b>	To ensure that there is proper management of assets, procurement, financial controls, and financial resources and to ensure accurate and proper financial reporting.
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Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
<b>Finance Sub-Component: Financial Accounting</b>						
Ensure timely collection of all monies due to the Board	95% of monies received from customers (total receipts / total invoices).	Monies received in advance for work to be performed.	95% of monies received from customers (total receipts / total invoices).	100% of monies were collected for the period.	None.	None.
<p>This sub-programme has ensured the effective management of the Board's financial resources in line with statutory requirements through the following:</p> <ul style="list-style-type: none"> <li>♦ Implementation of an approved SCM Strategy that will ensure an effective procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective.</li> <li>♦ Safeguarding of the Board's assets.</li> <li>♦ Effective management of the budget and timely reporting to the Executive Authority.</li> <li>♦ Effective management of the Board's financial affairs.</li> </ul>						

### Strategy to Overcome Areas of Under Performance

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
Ensure efficient and effective Supply Chain Management	100% of bidding and tender process undertaken within prescribed timeframes.	Additional training will be conducted with the assistance of Provincial Treasury. We will ensure that there is sufficient capacity within the unit and that various Bid Committees are in place and effective. New Board has taken office so no delays in award validation are expected going forward.



## PART B: Performance Information ...continued

### SUB-PROGRAMME: INFORMATION AND COMMUNICATION TECHNOLOGY

**Purpose** To ensure that there is adequate IT resources and IT Governance in place to deliver the Board's objectives.

Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
Establish and implement an IT strategy that adapts to changing business needs	IT Strategy reviewed to align with changing business by 30 September 2014.	IT Strategy approved by Board. Funds received from Treasury for IT capital spend.	Review IT strategy to align with changing business needs by 30 September 2014.	IT Strategy was reviewed in Q2 however will be reviewed after the Business Processes Re-engineering roadmap has been developed. BPR Project has commenced and these outputs will directly impact the new IT Strategy.	Delays in BPR project resulted in the partial achievement of this target.	Business Process Re-Engineering Project which is in progress will determine the final IT Strategy document.
Ensure IT capacitation through development and implementation of IT governance framework	IT Steering Committee established to ensure oversight of IT Governance.	Quarterly meetings held by IT & Risk Committee and IT Steering Committee meetings held monthly.	Establishment of IT Steering Committee to ensure IT Governance within the entity.	IT Steering Committee in place and quarterly meetings held.	None.	None.
	Enterprise architecture established by 30 September 2014.	Not included in 2013/14 APP.	Enterprise architecture established by 30 September 2014.	First phase "As-Is" Business Processes Report has been completed by SITA and signed off by management.	Delay in finalisation of Business Process Re-Engineering Project has resulted in the partial achievement of this target.	Conceptual functional design of the structures and operations will be addressed in the "To-Be" of current phase of BPR project.
	Security Standards established by 31 December 2014.	Not included in 2013/14 APP.	Security Standards established by 31 December 2014.	New ICT Policy that is aligned to ISO 27001/2 standard was developed and approved.	None.	None.
	Governance Standards established by 31 March 2015.	Not included in 2013/14 APP.	Governance Standards established by 31 March 2015.	Corporate Governance for ICT (CGICT) Framework and Policy developed and approved in line with the minimum DPSA requirements.	None.	None.
Review and implementation of IT policies, ensuring that business is trained and accountable	Three IT Policies reviewed each quarter and implemented.	IT policies approved by the Board in March 2014 for implementation.	The following IT policies reviewed and amended where applicable: IT Security; End User Computing; Email and Internet use; Change and Configuration Management; IT Service Continuity Plan; Mobile Computing; Logical Access; Physical Security and Data Ownership.	Single comprehensive ICT Policy comprising of 11 sub-policies and a separate User Account Management Policy was developed and approved.	None.	None.



## SUB-PROGRAMME: INFORMATION AND COMMUNICATION TECHNOLOGY ...continued

**Purpose** To ensure that there is adequate IT resources and IT Governance in place to deliver the Board's objectives.

Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
Review and implementation of IT policies, ensuring that business is trained and accountable	Quarterly IT Policy training provided to impacted staff	Not included in 2013/14 APP.	Provision of quarterly IT Policy training to impacted staff.	IT Policy and User Account Management Policy training was provided.	None.	None.
Ensure continuity of business functions by developing and testing a DR	Developed and tested DR and backup procedures.	98% uptime.	Downtime managed within agreed recovery time objectives with business – 99% uptime.	98% uptime.	95% uptime in Quarter 2.	Generator in Durban office not fully operational and delays in procurement of Disaster Recovery Solution resulted in the partial achievement of this target. Generator fully operational and SCM process is underway for DR Solution.
		First phase of DR achieved with Durban office to fully virtualised environment.	DR testing undertaken bi-annually.	No DR testing undertaken due to not-functional system.	In Q2 it was established that the Board's DR system was non-functional and delays in the SCM process has resulted in the non-achievement of this target.	Ageing equipment not supported by Service provider. SCM process is underway to procure DR solution.
		Tests done on random files and restored in different locations.	Tested backups quarterly.	Backup tapes were tested weekly during Q1.	Tape backups working inconsistently. In Q2 it was established that the existing tape backup system was obsolete.	Challenges were experienced during Q2, 3 and 4. Delays in SCM process has resulted in the partial achievement of this target. SCM process is underway to procure DR solution.

This Programme's activities have supported business objectives through the following:

- ♦ Commencement of the business re-engineering process project.
- ♦ IT governance structures in place.
- ♦ IT security and governance standards established and approved.
- ♦ Comprehensive ICT Policy (11 policies) and User Account Management Policy developed and approved.



## PART B: Performance Information ...continued

### Strategy to Overcome Areas of Under Performance

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
Establish and implement an IT strategy that adapts to changing business needs	IT Strategy reviewed to align with changing business by 30 September 2014.	IT Strategy will be determined on completion of the Business Process Re-Engineering project.
Ensure continuity of business functions by developing and testing a DR	Developed and tested DR and backup procedures.	Disaster Recovery Solution in the process of being procured for the entity.

### PROGRAMME 2: LICENSING AND REGISTRATION

<b>Purpose</b>	To license, investigate and roll out new gambling initiatives and to ensure the suitability of all applicants for licenses and registrations within the gambling industry. In addition to ensure that the Board's transformation initiatives are implemented and monitored.
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Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
<b>Casino and Betting Unit</b>						
Ensure suitability and continuous suitability of all applicants and licensees through processing and investigating all applications received from corporate business entities in the following categories: Financial Acquisitions; Certificates of Suitability; Relocation of Premises; Manufacturers; Suppliers & Maintenance Providers; Racecourse Operators; Totalisators & Bookmakers, Totalisator Operators	80% of Financial Acquisition applications processed and investigated within 3 months of receipt.	100% Achieved 2 applications received in the year 2 applications finalised.	80% of Financial Acquisition applications processed and investigated within 3 months of receipt of application.	20% Achieved 1 application carried over from the previous period 4 applications received 1 application finalised within 3 months =20% 3 applications exceeded= 60% 1 application on hand.	60% of target not met.	Delays in finalising applications were as a result of the following: applicants' failure to submit information on time; the termination of the Board and its Committees; the processing of Bookmaker RFAs and staff vacancy within the unit.
	80% of Certificates of Suitability applications processed and investigated within 3 months of receipt.	100% Achieved 1 application received 1 application finalised 1 licence issued	80% of Certificates of Suitability applications processed and investigated within 3 months of receipt of application.	0 applications received.	None.	None.
	80% of Manufacturers, Suppliers and Maintenance Providers applications processed and investigated within 3 months of receipt of application.	2 applications received but 1 changed to an application for certificate of suitability.	80% of Manufacturers, Suppliers & Maintenance Provider applications processed and investigated within 3 months of receipt of application.	100% Achieved 1 application carried over from previous period 0 applications received 1 application finalised	None.	None.



Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
<b>Casino and Betting Unit ...continued</b>						
Ensure suitability and continuous suitability of all applicants and licensees through processing and investigating all applications received from corporate business entities in the following categories: Financial Acquisitions; Certificates of Suitability; Relocation of Premises; Manufacturers; Suppliers & Maintenance Providers; Racecourse Operators; Totalisators & Bookmakers, Totalisator Operators	80% of Bookmaker licence applications processed and investigated within 3 months of receipt.	60% Achieved 5 applications received 3 applications finalised	80% of Bookmaker licence applications processed and investigated within 3 months of receipt of application.	0% Achieved 2 applications carried over from previous period 37 applications received 3 applications finalised 36 applications on hand.	80% of target not met.	0% reflects that the applications were finalised beyond the 3 months target. Delays in finalising applications were as a result of the following: applicants' failure to submit required information on time; the termination of the Board and its Committees; the processing of Bookmaker and ISO RFAs; and staff vacancies within the unit.
	80% of Totalisator licence applications processed and investigated within 3 months of receipt.	0 applications received.	80% of Totalisator licence applications processed and investigated within 3 months of receipt of application.	0 applications received.	None.	None.
	80% of Racecourse Operator applications processed and investigated within 3 months of receipt.	0 applications received.	80% of Racecourse Operator licence applications processed and investigated within 3 months of receipt of application.	0 applications received.	None.	None.
	80% of Applications for relocations processed within 3 months of receipt of application.	Not included in 2013/14 APP.	80% of Applications for Relocations processed within 3 months of receipt of application.	73.33% Achieved 0 applications carried over from previous period 16 applications 11 applications finalised 5 applications on hand	6.67% of target not achieved.	Delays in processing applications were as a result of the following: applicants' failure to submit required information on time; the Board's suspension; and the processing of Bookmaker and ISO RFAs.



## PART B: Performance Information ...continued

Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
<b>Casino and Betting Unit ...continued</b>						
Ensure suitability and continuous suitability of all applicants through processing and investigating applications received from individuals/ natural persons for registration in the industry	80% of applications for employee registrations processed and investigated within 2 months of receipt.	68% achieved 1000 applications received 676 Certificates issued	80% of applications for employee registrations processed and investigated within 2 months of receipt of application.	21% Achieved 732 application carried over from previous period 1237 applications received 339 applications finalised 335 certificates of registrations issued 1405 applications on hand 225 Resignation /Dismissals	59% of target not achieved.	Failure to finalise applications within the prescribed period was as a result of the following: applicants' failure to submit required information on time; delays in issuing of police clearance certificates; the suspension of the Board resulted in no LRMCC meetings being held to consider finalised applications; staff vacancies within the unit; and the processing of Bookmaker and ISO RFAs.
	80% of Tote Agent and Tote Manager applications processed and investigated within 2 months of receipt.	Not included in 2013/14 APP.	80% of Tote Agent and Tote Manager applications processed and investigated within 2 months of receipt of application.	47.3% Achieved 114 application carried over from previous period 344 applications received 147 applications finalised 309 applications on hand 2 Resignations / dismissals	32.7% of target not achieved.	Failure to finalise applications within the prescribed period was as a result of the following: applicants' failure to submit required information on time; delays in issuing of police clearance certificates; the suspension of the Board resulted in no LRMCC meetings being held to consider finalised applications; and the processing of Bookmaker and ISO RFAs.
Ensure regulatory compliance through issuing licenses and certificates of registrations	100% of Licences and certificates of registration issued within 10 days of Committee/ Board approval and/or within 10 days of payment of fees.	Not included in 2013/14 APP.	100% of Licences and certificates of registration issued within 10 days of Committee/ Board approval and/or within 10 days of payment of fees.	100% Achieved 20 Licences issued 481 Certificates of Registrations	None.	None.



Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
<b>Casino and Betting Unit ...continued</b>						
Ensure regulatory compliance through processing of applications for renewal of licences and certificates	100% of Renewal of licences and certificates processed and licences and certificates issued at times prescribed in the Act	Not included in 2013/14 APP.	100% of renewal applications processed and licences and certificates issued at times prescribed in the Act.	100% Achieved 83 Bookmakers Licences 2 Totalisator Licences 2 Racecourse Operator Licences 5 Casino Licences 1 National Manufacturer Licence 2 Certificates of Registration: Manufacturer 2 Certificates of Registration: Supplier	None.	None.
Ensure regulatory compliance through processing of renewal of bookmaker managers and national certificates of registration	100% of bookmaker managers and national certificates of registration processed monthly.	Not included in 2013/14 APP.	100% of bookmaker managers and national certificates of registration processed monthly.	100% Achieved 145 Bookmaker manager registrations 24 National Employment Licences	None.	None.
Ensure regulatory compliance with BBBEE, Codes of Good Practice and Gambling legislation through reporting of status of transformation of applicants	100% of all Corporate Investigation Reports in respect of applications received contain transformation status.	100% of applications included BBBEE information and requirements of Section 54 of the National Gambling Act.	100% of all Corporate Investigation Reports contain transformation status information.	100% of investigative reports include BBBEE information and requirement of section 54 of the National Gambling Act. All applicants are assessed on their BBBEE and Codes of Good Practice compliance.	None.	None.
<b>LPM &amp; Bingo Unit</b>						
Ensure suitability and continuous suitability of all applicants and licensees through processing and investigating all applications received from corporate business entities in the following categories: Bingo; LPMs; Financial Acquisitions; Certificates of Suitability; Relocation of Premises-Manufacturers; Suppliers & Maintenance Providers	80% of Bingo applications processed and investigated within 3 months of receipt of application.	87.5% achievement	80% of Bingo applications processed and investigated within 3 months of receipt of application.	33.33% Achieved 4 applications carried over from previous period 2 applications received 2 applications processed within 3 months 3 applications processed beyond prescribed period 1 application on hand	46.67% of target not achieved.	Delays in processing applications were as a result of the suspension of the Board. No public hearings could be held and no LRMCC meetings were held to consider finalised applications.



## PART B: Performance Information ...continued

Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
<b>LPM &amp; Bingo Unit ...continued</b>						
Ensure suitability and continuous suitability of all applicants and licensees through processing and investigating all applications received from corporate business entities in the following categories: Bingo; LPMs; Financial Acquisitions; Certificates of Suitability; Relocation of Premises-Manufacturers; Suppliers & Maintenance Providers	80% of LPM applications processed and investigated within 4 months of receipt of application.	100% achieved	80% of LPM applications processed and investigated within 4 months of receipt of application.	16.56% Achieved 48 applications carried over from previous period 103 applications received 25 applications processed and investigated within 4 months 126 applications on hand  Type A: Received 55 Processed 25 Carried over 78  Type B: Received 31 Carried over 31  ISO: Received 17 Carried over 17	63.44% of target not achieved.	Failure to process and investigate applications within the prescribed period was as a result of the following: applicants' failure to submit required information on time; licensing processes by other entities (e.g. Liquor Board); change in focus to roll out of RFAs on new gaming initiatives; the termination of the Board and its Committees; and current litigation.
	80% of Financial Acquisition applications processed and investigated within 3 months of receipt of application.	100% achieved	80% of Financial Acquisition applications processed and investigated within 3 months of receipt of application.	31.82% Achieved 6 applications carried over from previous period 16 applications received 7 applications processed and investigated within 3 months 3 applications processed beyond prescribed timeframe 12 applications on hand  Type A: Received 14 Processed 6 Carried over 12  Bingo: Received 2 Processed 1 Carried over 1	48.18% of target not achieved.	Failure to process and investigate applications within the prescribed period was as a result of the following: applicants' failure to submit required information on time; licensing processes by other entities (e.g. Liquor Board); change in focus to roll out of RFAs on new gaming initiatives; the termination of the Board and its Committees; and current litigation.

Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
<b>LPM &amp; Bingo Unit ...continued</b>						
Ensure suitability and continuous suitability of all applicants and licensees through processing and investigating all applications received from corporate business entities in the following categories: Bingo; LPMs; Financial Acquisitions; Certificates of Suitability; Relocation of Premises-Manufacturers; Suppliers & Maintenance Providers	80% of Certificates of Suitability applications processed and investigated within 3 months of receipt of application.	No applications received.	80% of Certificates of Suitability applications processed and investigated within 3 months of receipt of application.	No applications received.	None.	None.
	80% of Manufacturers, Suppliers and Maintenance Providers applications processed and investigated within 3 months of receipt of application.	No applications received.	100% of Manufacturers, Suppliers & Maintenance Providers licence applications processed and investigated within 3 months of receipt of application.	No applications received.	None.	None.
	80% of Applications for relocations processed within 3 months of receipt of application.	Not included in 2013/14 APP.	80% of Applications for Relocations processed within 3 months of receipt of application.	50% Achieved 1 application carried over from previous period 1 applications received 1 application finalised 1 application on hand (Type A)	30% of target not achieved.	Failure to process applications within the prescribed period was as a result of the following: applicants' failure to submit required information on time; licensing processes by other entities (e.g. Liquor Board); change in focus to roll out of RFAs on new gaming initiatives; and the termination of the Board and its Committees.
Ensure suitability and continuous suitability of all applicants through processing and investigating applications received from individuals/natural persons for registration in the industry	80% of applications for employee registrations processed and investigated within 2 months of receipt.	100% achieved	80% of applications for employee registrations processed and investigated within 2 months of receipt.	93.3% Achieved 28 application carried over from previous period 1435 applications received 1365 applications processed and investigated within 2 months 98 applications on hand  LPM: Received 1322 Processed 1320 Carried over 30  Bingo: Received 103 Processed 39 Carried over 64  National: Employee 10 Processed 6 Carried over 4	13.3% above target.	None.



## PART B: Performance Information ...continued

Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
<b>LPM &amp; Bingo Unit ...continued</b>						
Ensure regulatory compliance through issuing licenses and certificates of registrations	100% of Licences and certificates of registration issued within 10 days of Committee/ Board approval and/or within 10 days of payment of fees.	Not included in 2013/14 APP.	100% of Licences and certificates of registration issued within 10 days of Committee/ Board approval and/or within 10 days of payment of fees.	100% Achieved 95 Licences issued 101 Certificates of Registrations	None.	None.
Ensure regulatory compliance through processing of applications for renewal of licences and certificates	100% of Renewal of licences and certificates processed and licences and certificates issued at times prescribed in the Act.	Not included in 2013/14 APP.	100% of renewal applications processed and licences and certificates issued at times prescribed in the Act.	100% Achieved 577 Licences renewed.  Type A 523 ISO 14 Route Operator 4 Bingo 14 National Employment 22	None.	None.
Ensure regulatory compliance with BBEE, Codes of Good Practice and Gambling legislation through reporting of status of transformation of applicants	100% of all Corporate Investigation Reports in respect of applications received contain transformation status.	100% of Corporate investigation reports contain transformation information (Min Standards were withdrawn)	100% of all Corporate Investigation Reports contain transformation status information.	100% of investigative reports include BBEE information and requirement of section 54 of the National Gambling Act. All applicants are assessed on their BBEE and Codes of Good Practice compliance.	None.	None.
<p>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 by means of the following achievements:</p> <ul style="list-style-type: none"> <li>♦ A total of 162 corporate license and registration applications were received.</li> <li>♦ A total of 47 corporate applications were finalised.</li> <li>♦ A total of 115 licenses were issued.</li> <li>♦ A total of 3016 employee registration applications (including tote agents and managers) received.</li> <li>♦ A total of 1851 employee registration applications finalised.</li> <li>♦ A total of 582 registration certificates issued.</li> <li>♦ A total of 843 renewal of licences/registrations applications were received and processed.</li> <li>♦ A total of 17 relocation applications were received for processing and 12 were finalised.</li> <li>♦ A total income of R2 391 880.00 for Application fees was received: Casinos &amp; Betting R1 302 300.00 and LPM/Bingo R1 089 580.00.</li> <li>♦ A total income of R6 522 435.48 for Investigation Fees was received. Casinos &amp; Betting R1 935 625.48 and LPM/Bingo R4 586 810.00.</li> <li>♦ A total income of R2 486 500.00 for Licence / Registration Fees was received. Casinos &amp; Betting R2 074 000.00 and LPM/Bingo R412 500.00.</li> <li>♦ A total income of R17 242 660.00 for Licence / Registration Renewal Fees was received. Casinos &amp; Betting R12 366 000.00 and LPM/Bingo R4 876 660.00.</li> </ul>						



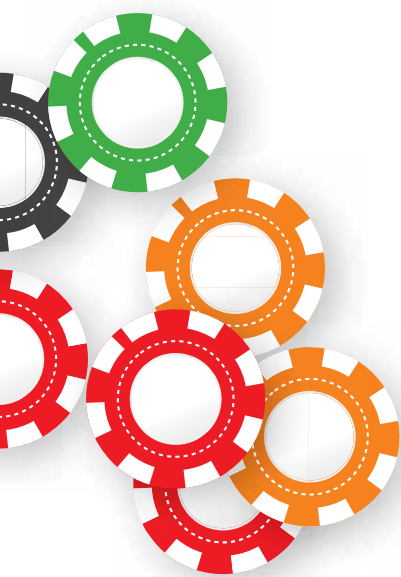




## PART B: Performance Information ...continued

### Strategy to Overcome Areas of Under Performance

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
Ensure suitability and continuous suitability of all applicants and licensees through processing and investigating all applications received from corporate business entities in the following categories: Financial Acquisitions; Certificates of Suitability; Relocation of Premises; Manufacturers; Suppliers & Maintenance Providers; Racecourse Operators; Totalisators & Bookmakers, Totalisator Operators	80% of Bookmaker licence applications processed and investigated within 3 months of receipt.	<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>♦ Ongoing engagement with relevant stakeholders as well as constant follow ups with applicants is required.</li> <li>♦ New Board is in place and outstanding applications will be presented for requisite approval.</li> <li>♦ Vacant positions within unit to be promptly filled.</li> </ul>
	80% of Applications for relocations processed within 3 months of receipt of application.	
Ensure suitability and continuous suitability of all applicants through processing and investigating applications received from individuals/natural persons for registration in the industry	80% of applications for employee registrations processed and investigated within 2 months of receipt.	
	80% of Tote Agent and Tote Manager applications processed and investigated within 2 months of receipt.	
Ensure suitability and continuous suitability of all applicants and licensees through processing and investigating all applications received from corporate business entities in the following categories: Bingo; LPMs; Financial Acquisitions; Certificates of Suitability; Relocation of Premises- Manufacturers; Suppliers & Maintenance Providers	80% of Bingo applications processed and investigated within 3 months of receipt of application.	
	80% of LPM applications processed and investigated within 4 months of receipt of application.	
	80% of Financial Acquisition applications processed and investigated within 3 months of receipt of application.	
	80% of Applications for relocations processed within 3 months of receipt of application.	
Ensure suitability and continuous suitability of all applicants through processing and investigating applications received from individuals/natural persons for registration in the industry	80% of applications for employee registrations processed and investigated within 2 months of receipt of application.	



### PROGRAMME 3: MONITORING AND COMPLIANCE

Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
<b>Monitoring and Gaming Audit</b>						
<b>Purpose</b>	Conduct revenue and compliance and monitoring audits within the Gaming industry to ensure adherence by licensees to legislative and taxation mandates of the Board.					
Ensure accurate collection and verification of taxes from gaming licensees through revenue audits	Total number of tax audits conducted annually on Casinos: 60	60 casino tax verifications conducted.	60 casinos tax audits conducted per annum.	60 casinos tax audits were conducted.	None.	None.
	Total number of tax audits conducted annually on Route Operators: 48	48 route operator tax verifications conducted.	48 Route Operator tax audits conducted per annum.	48 Route Operator tax audits were conducted.	None.	None.
	Total number of tax audits conducted annually on Bingo Operators: 12	12 bingo tax verifications conducted.	12 Bingo operator tax audits conducted per annum.	25 Bingo operator tax audits were conducted 8 New Independent Site Operator Tax Audits also conducted.	13 tax audits conducted above target.	An additional 13 Bingo Tax Audits were conducted due to 3 new Bingo Sites being opened 2 New independent Site Operators commenced operations in December 2014, this resulted in 8 additional ISO Tax Audit.
Ensure regulatory compliance by licensees through monthly gaming monitoring audits	Total number of monitoring audits conducted annually for Casinos: 60	60 casino monitoring audits conducted.	60 Casino monitoring audits conducted per annum.	60 Casino monitoring audits were conducted.	None.	None.
	Total number of monitoring audits conducted annually for Route Operators: 48	48 route operator monitoring audits conducted.	48 Route Operator monitoring audits conducted per annum.	48 Route Operator monitoring audits were conducted.	None.	None.
	Total number of monitoring audits conducted annually for Bingo Operators: 48	12 bingo monitoring audits conducted.	12 Bingo operator monitoring audits conducted per annum.	15 Bingo operator monitoring audits were conducted during 2014/15.	None.	None.
Ensure regulatory compliance by licensees through annual compliance audits on all licensed LPM sites	Total number of annual compliance audits for licensed LPM sites: 450	495 LPM site audits conducted.	450 LPM site compliance audits conducted annually.	500 LPM site compliance audits were conducted.	None.	None.



## PART B: Performance Information ...continued

Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
<b>Monitoring and Gaming Audit ...continued</b>						
<b>Purpose</b>	Conduct revenue and compliance and monitoring audits within the Gaming industry to ensure adherence by licensees to legislative and taxation mandates of the Board.					
Ensure regulatory compliance by licensees through annual compliance audits on Casino, Route Operators and Bingo licensees	Total number of annual compliance audits for Casino, Route Operator and Bingo licensees: 10	10 Compliance audits conducted on bingo, route operator and casino licensees.	10 Compliance audits conducted annually on bingo, route operator and casino licensees.	10 Compliance audits were conducted. 4 Additional FICA audits were conducted.	None.	None.
Ensure regulatory compliance through processing of all operational change requests by licensees	All operational change requests processed, reported and issued to licensees within 14 days after LRMCC approval	15 operational change requests processed, reported and issued within prescribed timeframe.	100% of all operational change requests processed, reported and issued to licensees within 14 days after LRMCC approval.	88% of 41 Operational Change Requests received were processed, reported issued to licensees within 14 days of LRMCC approval.	12% could not be issued to licensees due to the absence of the Board in Q4 - 5 Change requests are awaiting LRMCC approval.	5 pending operational change requests will be considered by new Board.
Monitor licensee commitments to Socio-Economic Development through policy development	Corporate Social Investment Policy developed for approval by 30 June 2014.	Not applicable. Not included in 2013/14 APP.	Corporate Social Investment Policy developed for approval by 30 June 2014.	Final CSI policy has been developed and awaiting Board approval. Monthly CSI monitoring takes place to ensure compliance by licensees with CSI commitments and licence conditions.	Final CSI Policy not approved.	Due to the termination of the Board, the CSI policy was not approved which resulted in the partial achievement of this target. Final CSI policy to be presented to new Board.
	Socio-economic Development Policy developed for approval by 30 June 2014.	Not applicable. Not included in 2013/14 APP.	Socio-Economic Development Policy developed for approval by 30 June 2014.	Not applicable - Socio-Economic Development included in CSI Policy above.	None.	None.



Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
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#### Gaming and Betting Control Unit

**Purpose** To control all forms of gaming and betting operations through regulatory inspections, thereby ensuring that gaming and betting operations are conducted in compliance with legislation and in an honest and fair manner, thereby enhancing public confidence in legalised gaming establishments within the Province.

Ensure regulatory compliance of all gaming operations through monthly inspections	Total number of inspections conducted for all casino/ bingo licensees annually: 42	55 gaming inspections conducted.	Conduct and report on 42 inspections per annum.	86% Achieved 36 inspections were conducted. The Board noted this deviation from target as a result of capacity constraints within the unit.	6 inspections were not conducted.	The prioritization of the certification of Suncoast Centre Court and 3 new Bingo operations.
Ensure regulatory compliance of all gaming operations through certification of all LPM sites and limited pay out machines	LPM sites and limited pay out machines certified within 14 days of receipt of site compliance document from licensee.	73 sites and 260 machines certified.	100% of LPM sites and LPMs certified within 14 days of receipt of site compliance document from licensee.	100% Achieved 96 LPM sites and 402 gaming machines were certified within prescribed timeframe.	None.	None.
Ensure regulatory compliance of gaming equipment and systems through processing of all operational change requests by licensees	All operational change requests processed, reported and issued to licensees within 7 days after LRMCC approval.	236 operational change requests processed, reported and issued.	100% of all operational change requests processed, reported and issued to licensees within 7 days after LRMCC approval.	100% of 296 Operational Change Requests received were processed and reported. 80% were issued to licensees within 7 days of LRMCC approval.	20% could not be issued to licensees due to the absence of the Board in Q4 - 61 Change requests are awaiting LRMCC approval.	Outstanding change requests to be presented to new Board and issued to licensees.
Ensure that gambling equipment operates in compliance with legislation and SANS through evaluation and processing of all applications received for hardware and software changes by manufacturers	Letter of registration issued within 5 days of administrative registration approval.	630 letters of registration issued within prescribed timeframe.	100% of letters of registration issued within 5 days of administrative registration approval.	100% Achieved 416 Letters of Registration were issued within prescribed timeframe.	None.	None.
Ensure punter protection through investigations of all disputes lodged by patrons	100% of patron disputes investigated and patrons notified of outcome within 5 days of resolution.	31 patron disputes investigated and patrons notified of outcome within prescribed timeframe.	100% of patron disputes investigated and patrons notified of outcome within 5 days of resolution.	100% Achieved 29 patron disputes received were investigated and patrons notified of outcome within prescribed timeframe. Additional 3 cheating incidents were investigated and reported to LRMCC.	None.	None.



## PART B: Performance Information ...continued

Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
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### Gaming and Betting Control Unit ...continued

<b>Purpose</b>	To control all forms of gaming and betting operations through regulatory inspections, thereby ensuring that gaming and betting operations are conducted in compliance with legislation and in an honest and fair manner, thereby enhancing public confidence in legalised gaming establishments within the Province.					
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Ensure punter protection through implementation of Self-Exclusion Policy	Self-Exclusion Policy developed and implemented by 30 June 2014	Not applicable.	Self-Exclusion Policy developed and implemented by 30 June 2014.	Self-Exclusion Policy has been developed but is awaiting Board approval prior to implementation.	Self-Exclusion Policy not approved.	Due to the termination of the Board, the Self-Exclusion policy was not approved which resulted in the partial achievement of this target. Policy to be presented to new Board.
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This sub-programme's activities have supported the Board's objectives to ensure accurate gambling 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 141 tax verification audits were conducted.
- ♦ A total of 123 monitoring audits on Casinos, Route Operators and Bingo Licensees ensuring that licensees complied with licence conditions, bid commitments, corporate social investments, employment equity and BBBEE.
- ♦ A total of 337 operational change requests, which includes structural developments and internal control amendments were evaluated and processed.
- ♦ A total of 500 LPM compliance audits were conducted on LPM sites.
- ♦ A total of 10 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 4 FICA audits 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 29 patron disputes were lodged and investigated.
- ♦ 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.
- ♦ Certification of Suncoast Centre Court and 3 new Bingo sites.
- ♦ A total of 96 LPM sites and 402 limited payout machines were certified.
- ♦ 416 applications for casino gaming equipment and betting software were evaluated and approved thereby ensuring compliance with the South African National Standards 1718.
- ♦ Drafting of a Self-Exclusion Policy to ensure punter protection.

### Strategy to Overcome Areas of Under Performance

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
Ensure regulatory compliance through processing of all operational change requests by licensees	All operational change requests processed, reported and issued to licensees within 14 days after LRMCC approval	Outstanding approvals to be presented to new Board for approval and thereafter issued to licensees.
Monitor licensee commitments to Socio-Economic Development through policy development	Corporate Social Investment Policy developed for approval by 30 June 2014.	Draft CSI Policy to be presented to new Board for approval.
Ensure regulatory compliance of gaming equipment and systems through processing of all operational change requests by licensees	All operational change requests processed, reported and issued to licensees within 7 days after LRMCC approval.	Outstanding approvals to be presented to new Board for approval and thereafter issued to licensees.
Ensure punter protection through implementation of Self-Exclusion Policy	Self-Exclusion Policy developed and implemented by 30 June 2014	Draft Self-Exclusion Policy to be presented to new Board for approval.



### PROGRAMME 3: MONITORING AND COMPLIANCE

<b>Purpose</b>	To conduct revenue, compliance and monitoring audits within the Betting Industry to ensure adherence by licensees to legislative and taxation mandates of the Board. To Initiate steps to eradicate illegal gambling in the province; and to ensure criminal activities committed on licenced premises are thoroughly investigated and appropriate action is taken in the case of criminal activity.
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Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
<b>Monitoring and Betting Audit</b>						
Ensure accurate collection and verification of taxes from betting licensees through revenue audits	Total number of tax validations conducted annually on Bookmakers and Totalisators: 673	721 revenue audits conducted.	673 tax validations per annum.	100% Achieved 627 tax validations conducted on Betting Operators.	Number of licensed businesses reduced due to corporatisation so target was no longer 673 validations.	Due to the changing landscape of the betting industry in terms of corporatisation, and the closure of some bookmaking outlets the number of bookmaking businesses reduced over the quarters. The number of tax returns submitted by both Bookmakers and Totalisators were reduced, therefore tax validations required to be conducted were reduced accordingly.
Ensure regulatory compliance by licensees through monthly compliance audits on bookmaker and totalisator operators	Total number of off- site audits conducted annually: 47	372 on and off site compliance audits conducted.	47 off-site audits conducted per annum.	127% Achieved 60 off-site audits were conducted on Bookmakers.	13 above target	As planned monitoring reports could not be undertaken, additional off-site audits were conducted.
	Total number of on-site audits conducted annually: 270		270 on-site audits conducted per annum.	108,5% Achieved 293 on-site audits conducted on betting operators.	23 above target.	As planned monitoring reports could not be undertaken, additional on-site audits were conducted.
Ensure regulatory compliance by licensees through betting monitoring audits	Total number of monitoring audits conducted annually on corporate licensees: 6	2 Monitoring reports compiled and submitted to LRMCC.	6 monitoring audits conducted per annum.	33.33% Achieved 2 monitoring audits conducted on corporate licensees.	4 monitoring audits not conducted.	Monitoring audits can only be undertaken when corporatisation occurs - Corporatisation is slower than what was anticipated so target only partially achieved.
Ensure regulatory compliance through processing of all operational change requests by licensees	All operational change requests processed, reported and issued to licensees within 14 days after CEO approval.	38 operational change requests processed, reported and issued within prescribed timeframe.	100% of all operational change requests processed, reported and issued to licensees within 14 days after CEO approval.	100% Achieved 33 operational change requests processed and issued to licensees within 14 days of CEO approval.	None.	None.



## PART B: Performance Information ...continued

Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
<b>Monitoring and Betting Audit ...continued</b>						
Ensure eradication of illegal gambling through investigations of all reported cases of illegal gambling *	100% of patron disputes investigated and patrons notified of outcome within 14 days of Board resolution.	26 patron disputes; 13 complaints and 20 betting enquiries investigated.	100% of patron disputes investigated and patrons notified of outcome within 14 days of Board resolution.	100% Achieved 53 patron disputes received 46 investigated and patrons notified of outcome within 14 days of Board resolution. 3 Referred for Board Hearing - pending. 4 Still under investigation.	None.	None.
	100% of patron complaints investigated and patrons notified of outcome within 5 days of internal resolution.		100% of patron complaints investigated and patrons notified of outcome within 5 days of internal resolution.	100% Achieved 3 patron complaints investigated and patrons notified of outcome within 5 days of internal resolution.	None.	None.
	100% of patron queries investigated and patrons notified of outcome within 5 days of internal resolution.		100% of patron queries investigated and patrons notified of outcome within 5 days of internal resolution.	100% Achieved 61 patron queries investigated and patrons notified of outcome within 5 days of internal resolution.	None.	None.
Ensure regulatory compliance with FICA through FICA inspections on betting licensees	Total number of FICA inspections conducted annually: 10	20 FICA inspections conducted and reported.	Conduct 10 FICA inspections per annum.	100% Achieved 10 FICA inspections conducted during 2014/15.	None.	None.
Ensure regulatory compliance through the processing and evaluation of all wagering software applications submitted for approval	100% of applications processed, reported and issued to licensees within 14 days after CEO / Senior Manager approval.	Not included in 2013/14 APP.	100% of applications processed, reported and issued to licensees within 14 days after CEO / Senior Manager approval.	100% Achieved 7 Requests for Approvals received. 4 reported and issued to licensees within 14 days after CEO/Senior Manager approval. 2 still under investigation. 1 withdrawn.	None.	None.
Ensure eradication of illegal gambling through investigations of all reported cases of illegal gambling *	Investigations of all reported cases of illegal gambling commenced within 30 days of being reported.	42 cases reported and investigated. 32 gambling machines confiscated.	100% of investigations of reported cases of illegal gambling are commenced within 30 days of being reported.	100% Achieved 19 cases of illegal gambling were reported and investigations commenced within 30 days of being reported.	None.	None.



Strategic Objective	Performance Indicator	Actual Achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from Planned Target to Actual Achievement for 2014/2015	Comment on Deviations
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#### Monitoring and Betting Audit ...continued

Ensure eradication of illegal gambling through investigations of all reported cases of illegal gambling *	Total number of raids planned versus number of raids conducted.	22 raids conducted.	100% of planned raids are conducted.	100% Achieved 21 planned raids were conducted during the period under review.	None.	None.
	Reported offences investigated within 14 days of being reported.	13 reported offences investigated.	100% of reported offences are investigated within 14 days of being reported.	100% Achieved 14 Reported offences were investigated within 14 days of being reported. 2 reported offences received in Q4 were handed over to Gaming Monitoring and Control.	None.	None.

This sub-programme's activities have supported the Board's objectives to ensure accurate gambling 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 627 tax verification audits were conducted.
- ♦ A total of 2 monitoring audits on Bookmaker Licensees ensuring that licensees complied with licence conditions, bid commitments, corporate social investments, employment equity and BBBEE.
- ♦ A total of 33 operational change requests, which includes structural developments were evaluated and processed.
- ♦ A total of 353 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 10 FICA audits were conducted 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 53 patron disputes were lodged and investigated.
- ♦ 7 applications for wagering software were evaluated and approved thereby ensuring compliance with the South African National Standards 1718.
- ♦ A total of 19 reports of information relating to illegal gambling in the Province were investigated and a total of 21 raids were conducted.
- ♦ A total of 8 gambling machines confiscated. A total amount of R12 892.40 was deposited into the Boards account with regards to Illegal Gambling and in terms of the provisions of the Act after the cases had been finalised.
- ♦ 14 investigations conducted which related to offences committed on licensed premises.
- ♦ Illegal gambling strategy drafted.



## PART C:

# GOVERNANCE

## 1. INTRODUCTION

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

The KwaZulu-Natal Gaming and Betting Board is a Schedule 3 Public Entity. The Board is fully committed to applying sound corporate governance principles, policies and processes. Certain aspects of the King Report on governance for South Africa 2009 (King III) were applied to the extent that the Board considered them relevant to its activities. In line with the "apply or explain" approach set out in the King III Report, the Board will state the extent to which it has applied the King Code, having regard to the perceived impact on its main stakeholders. The details of the application of the King Code are dealt with in the commentary that follows hereunder.

## 2. THE BOARD

### *Introduction*

All Board Members are non-executive and are appointed in accordance with the KwaZulu-Natal Gaming and Betting Act, 08 of 2010. The Act codifies the Board's composition, appointment, authorities, responsibilities and processes. In terms of the Act, the Board should comprise nine Members. As at 21 January 2015, the Board comprised nine Members who met at least twelve times per year, and more regularly if required. The Board term ended and a newly appointed Board took office in April 2015. The Board retains effective management over the affairs of the entity and monitors management.

The roles of Chairperson and Chief Executive Officer (CEO) are separate in accordance with the recommendations of King III so as to endeavour to ensure that no single person can exercise unfettered powers of decision making.

The Board deliberates over a range of key issues to ensure proper direction and management of the entity. The Chairperson provides the Board with leadership and guidance and encourages proper deliberation on all matters requiring the Board's attention and requests relevant input from other Members. Within defined levels of authority, the Chief Executive has the responsibility to implement all decisions of the Board and is accountable to the Board for the effective functioning of the entity within Board-determined policy guidelines and a framework of delegated authority.

Members are briefed where possible in advance of meetings to facilitate meaningful deliberation and contribution. All Board Members have unhindered access to all entity records, information, documents and property and all Members, through their relevant Committees are entitled to seek independent professional advice on any matter pertaining to the entity where they deem it necessary and subject to an approved process, at the expense of the entity.

### *Board Charter*

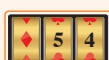
A formal Board Charter and Charter of Expectations outlines the scope of authority, responsibilities, powers, composition and functioning of the KZN Gaming and Betting Board.

### *Levels of Materiality*

The Board has adopted a Materiality Framework which is in line with the Public Finance Management Act and Treasury Regulations, which requires that the Accounting Authority to develop and agree to a framework of acceptable levels of materiality and significance with the relevant Member of the Executive Council. The materiality level for the year is R 500 306.00

### *Board Evaluation*

The Board underwent an external evaluation of performance against its mandate as set out in the Act and progress in terms of the Board and Committee Charters in 2013. The evaluation results revealed no material issues which required the urgent attention of the Board.





## PART C: Governance ...continued

### Composition of the Board

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	No. of Meetings attended	Term Ended
S.N. Zulu	Chairperson	17 January 2012	81	21 January 2015
P.D. Arnold Mfusi	Deputy Chairperson	17 January 2012	72	21 January 2015
I. Konyin	Member	17 January 2012	87	21 January 2015
N.D. Shabalala	Member	14 November 2012	91	21 January 2015
T.P. Mapipa-Ndlovu	Member	17 January 2012	82	21 January 2015
P.Z. Dlamini	Member	17 January 2012	106	21 January 2015
T.I. Nzimakwe	Member	17 January 2012	94	21 January 2015
H. Oosthuizen	Member	17 January 2012	34	21 January 2015
A.H. Trikamjee	Member	17 January 2012	24	21 January 2015

- ♦ The Board term ended on 21 January 2015;
- ♦ The number of Board meetings is attributable to the large number of new initiatives that the Board has commenced as well as, the stakeholder engagements that the Board has undertaken to ensure that the industry and role players are apprised of the Boards activities. In addition, the Board is mandated to ensure compliance with the applicable legislation which entails that enquiries are held into suspected non-compliance matters, and the Board is also available to assist with the resolution of betting disputes.

### Stakeholder Engagement

During the reporting period, stakeholder engagement was an area that required increased attention by the Board. The Board initially focused on the role players who required the urgent attention of the Board and had prioritised additional engagements.

In relation to Bingo, the Board commenced engagement with operators in order to ensure that a framework was created for the roll-out of Bingo Halls in the Province. The Board was of the view that those engagements had resulted in a sustainable plan for the Bingo industry going forward. There has been a reaction by the public to the roll-out of the EBT's, currently this matter is left to the regulatory amendments and outcomes of court procedures.

The Board has held numerous other fruitful engagements with licensees, its principal and members of the public. These engagements take the form of public hearings, one on one meetings with licensees to deal with matters of concern to licensees and allows for education and development of both the Board Members and its principal.

## Committees

Committee	Committee Function	No. of meetings held	No. of members	Name of members
Audit Committee	See below	6	4	**Professor S. Perumal **Mr V. Ramphal **Mrs S. Ngidi A.Trikamjee (internal)
Finance Committee	Oversees sound the financial management and practices within the entity	8	4	Mr H. Oosthuizen (Chairperson) Dr T.I. Nzimakwe Mr A. Trikamjee Mrs N.D. Shabalala
LRMCC Committee	Is responsible for recommending licensing or registration of new entrants to the industry	20	3	Mr P.Z. Dlamini Mrs P.D. Arnold-Mfusi Prof I. Konyon
Social Ethics and Transformation Committee	Monitors Board and entity activities in relation to social and economic development, good corporate citizenship, the environment, health and public safety, stakeholder relationships, labour, employment and transformation.	5	3	Mrs T.P. Mapipa-Ndlovu Mrs P.D. Arnold-Mfusi Prof I. Konyon
Remuneration Committee	Is responsible for human resource matters focusing on remuneration, employment equity, succession planning, training, development and retention of staff.	4	3	Dr T.I. Nzimakwe Mr P.Z. Dlamini Mr H. Oosthuizen
IT and Risk Committee	This Committee considers matters relating to the governance of IT and Risk.	4	3	Mr A. Trikamjee Mrs T.P. Mapipa- Ndlovu Mrs N.D. Shabalala

## Remuneration of Board Members

- ♦ The Board is remunerated in terms of a directive issued by the Premier. The Board is paid for attendances per meeting at a set rate.
- ♦ The Board Members are remunerated for any expenses incurred in respect of travel locally and internationally (where applicable). In addition, the Board claims a set rate for their attendances outside of meetings but at the same rate.

Name	Remuneration	Other allowance	Other re-imbursements	Total
S.N. Zulu	R428 000.00		R 82 753.00	R510 753.00
P.D. Arnold Mfusi	R315 000.00		R 33 090.00	R348 090.00
I. Konyon	R363 000.00		R 49 918.00	R412 918.00
N.D. Shabalala	R357 000.00		R 51 074.00	R408 074.00
T.P. Mapipa-Ndlovu	R342 000.00		R 24 981.00	R366 981.00
P.Z. Dlamini	R408 000.00		R 77 290.00	R485 290.00
T.I. Nzimakwe	R339 000.00		R 27 539.00	R366 539.00
H. Oosthuizen	R111 000.00		R 22 449.00	R133 449.00
A.H. Trikamjee	R 90 000.00		R 1 497.00	R 91 497.00





### 3. CHIEF EXECUTIVE OFFICER (CEO)

During the latter part of the current financial year, there was a labour dispute between the entity and the Chief Executive Officer, Ms P. N. Baloyi. The matter was resolved, the Chief Executive Officer resumed her duties during March 2015.

In the interim while the matter was being challenged, Mr B E Radebe acted as Chief Executive Officer from 01 December 2014 until year end 31 March 2015.

### 4. RISK MANAGEMENT

The entity has an approved risk management framework which includes a risk management policy and plan. In addition, the Board has a comprehensive disaster management strategy and plan.

The entity created a Governance, Risk and Compliance Division which is responsible for the management of risk within the entity. An Operational Risk Committee was established and risk management is integrated in all activities of the entity. Each Division has a risk champion responsible for reporting on the risks which are monitored in that Division and which has the oversight of Divisional Managers. Accordingly, risk assessments are conducted in respect of operational risk every three months when this Committee sits. Risk registers for each Unit have been developed and the units also identify those risks considered to be strategic in nature. Necessary controls are identified and the residual risk measured and assessed against the organisation's level of materiality. Top risks are extracted and included in a strategic risks register which is considered quarterly by the IT and Risk Committee which reports in turn to the Audit Committee and Board.

The strategic risk of the organisation is assessed both at and on completion of the strategic planning session in order to ensure that the risks associated with achievement of the organisation's strategy are comprehensively understood and that internal controls are put in place to manage them. The Board determines the materiality of each risk against the framework adopted and ensures that risk management or mitigation strategies are adopted. These are then delegated to management to implement and monitor, with the assistance of internal audit which provides assurance to the Audit Committee and Board as to the effectiveness and efficiencies of such controls.

The entity's management of risk is maturing slowly.

### 5. OVERSIGHT OF THE INTERNAL AUDIT

The internal audit is the on-going responsibility of the Audit Committee. Due to the active involvement of the IT and Risk Committee, the Operational Risk Committee as well as the size of the entity, a permanent internal audit function has not been established.

The "outsourced" Internal Audit function completed the work determined in its annual work plan and had the responsibility of monitoring risk, the accuracy of information within the entity, compliance with standard operating procedures, regulatory compliance by the Board and its employees and the economic and efficient use of resources. The Internal Auditors have been appointed on a three year contract which terminates at the end of the 2015 financial year. This appointment was made after a stringent competitive competence tendering process was followed and assessed by the Audit Committee. The structure of internal audit will be assessed prior to the completion of this contract.

The Kwazulu Natal Gaming and Betting Board falls under the ambit of Provincial Treasury, who will now perform the internal audit function for the Board.

### 6. THE AUDIT COMMITTEE

During the financial year the Audit Committee consisted of the members listed hereunder and met six (6) times. The Committee exceeded the number of meetings per annum by two (2) as required by its terms of reference approved in the Audit Committee Charter. The two (2) additional meetings were held to review the Annual Financial Statements for the financial year end 2014.

Information on the Audit Committee is included in the Audit Committee Report, which has been incorporated in the annual financial statements as required by the PFMA. The objectives and functions of the Audit Committee are:

- ♦ To ensure the maintenance of adequate accounting records and effective financial reporting and internal control systems.
- ♦ To ensure compliance of published financial reports with relevant legislation, reporting standards and good governance.
- ♦ To ensure organisational assets are safeguarded.
- ♦ To exercise oversight of fraud and IT risks in far as these impact on the financial reporting process.
- ♦ To confirm the nomination and appointment of the external auditor.

- ♦ To approve the terms of engagement and fees paid to the external auditor.
- ♦ To monitor the functioning and approves the coverage plan of internal audit.
- ♦ To define and consider the non-audit services that may be rendered by the internal auditor.
- ♦ To consider the findings arising from the annual financial statement audit.
- ♦ To review risk management programmes and initiatives.
- ♦ To review the expertise and resources of the finance function and the expertise and experience of the Chief Financial Officer.
- ♦ To recommend to the Board the approval of the Annual Report.

## Internal Audit

The Audit Committee is responsible for ensuring that the Internal Audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties. The Audit Committee also oversees the interaction between Internal Audit, External Auditor and Management, and ensures that the relationships are productive and add value to the organisation.

The Audit Committee reviewed and approved the Internal Audit Charter. The Audit Committee also approved the audit plan and the work carried out by Internal Audit to ensure that the action plans in place mitigate the risks on matters reported to the Audit Committee.

Internal Audit reports on and provides assurance to the Audit Committee on the effectiveness of internal financial controls, internal controls and the management of risk across the organisation, and has provided such assurance that they have no reason to believe that any material breakdowns within the internal controls system and risk management, as identified, have not been addressed or are in the process of being addressed.

Furthermore it was confirmed that the Internal Audit scope was risk based and included management recommendations.

The Audit Committee has received and reviewed the quarterly internal audit reports and concur that internal audit has addressed risks pertinent to the Board in its internal audit reviews. The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity in its audit.

The table below discloses relevant information on the audit committee members

Name	Internal or external	If internal, position in the public entity	Date Resigned	No. of Meetings attended
Prof S. Perumal (Chairperson)	External	N/A	N/A	4
Mrs S. Ngidi	External	N/A	N/A	2
Mr V. Ramphal	External	N/A	N/A	4
Mr A. Trkamjee	Internal	Non Executive Board Member	Term ended 21 January 2015	3

## 7. COMPLIANCE WITH LAWS AND REGULATIONS

The Chief Executive Officer is responsible for ensuring compliance with relevant legislation and regulations. KZNGBB has appointed a Chief Legal Officer and Legal Advisor to assist with monitoring its compliance with all relevant laws and regulations. This compliance is considered by the Internal Audit Function and the Audit Committee, with the creation of the Governance Risk and Compliance Division this function will be handled here.

## 8. FRAUD AND CORRUPTION

The KZNGBB has an approved fraud prevention plan. Compliance therewith is monitored by the Legal Services Division. In addition, all employees as well as the Board are required to declare any personal financial interests that they may have.

The Board is subject to the provisions of the Prevention and Combating of Corrupt Activities Act 12 of 2004 and the Financial Intelligence Centre Act, 2001. The members of the Board have an obligation under the respective Acts to report any corrupt activities, fraud or suspected fraud involving an amount of R100 000.00 or more to the South African Police Services. During the period under review the Board was not required to report any corrupt activities in respect of amounts that met or



## PART C: Governance ...continued

exceeded that materiality level. Two very minimal fines were imposed by FIC against bookmakers.

In December 2013, the Board approved the implementation of a Whistle Blowers Hotline. The implementation has been finalised and the Hotline is operational.

A policy has been developed and approved by the Board. No cases have yet been reported thus far. The entity together with Internal Audit is in the process of developing a procedure on how to deal with reports from the Hotline. Should reports be received in the absence of the formal procedure, such investigation will be escalated to the SET Committee and ultimately the Audit Committee. Employees will be trained on the policy and procedure. Employees who intend to make disclosures will be given an assurance by the Board that it takes such disclosures very seriously and that in compliance with the Protected Disclosure Act 2002, no one who makes a bona fide disclosure will be victimised in any way.

### 9. MINIMISING CONFLICTS OF INTEREST

The nature of the Board and entity's activities and operations require surveillance of compliance with professional ethics. The Board has adopted two Codes of Ethical Conduct Policies, one for itself and one for employees. These codes aim to facilitate the enforcement of ethical standards through disciplinary procedures. The Codes require that all actual or potential conflicts of interest, outside activities and employment which are in existence must be declared immediately and disclosed in writing to the responsible MEC or Board Secretary. All activities that are so disclosed must be suspended with immediate effect until the member has received approval to continue the activity. The Codes support sound and ethical business practices and stipulate operational standards to which all employees are required to subscribe. They further support good corporate governance and responsibility.

Board members and employees are required to maintain professional independence and to ensure confidentiality when dealing with sensitive information.

Procedures for investigating contraventions of the Codes exist which ensure that findings can be reported to the SET or Audit Committee.

### 10. HEAD: GOVERNANCE, RISK & COMPLIANCE AND THE BOARD SECRETARY

The Head: Governance, Risk and Compliance, the Board Secretary and the Chief Legal Advisor work to ensure that Board procedures and relevant legislation and regulation is observed. They provide guidance to the Members on governance, compliance and fiduciary responsibilities. The Board Secretary is responsible for preparing meeting agendas and recording minutes.

### 11. SOCIAL RESPONSIBILITY

Principle 1.2 of King III addresses the social aspect of corporate governance and states that the Board should ensure that the company is and is seen to be a responsible corporate citizen. As a responsible corporate citizen, the Board should protect, enhance and invest in the well-being of the economy, society and the natural environment. The Board is in a position to promote equality, prevent unfair discrimination, combat corruption and ensure the development of communities in which it operates.

The Board has a mandate as a regulator to ensure that its licensees comply with applicable legislation such as the BEE Act and Codes and with licence conditions imposed. Both this legislation and the conditions specify obligations which the licensees must adhere to in regard to corporate social investment. Certain levels of compliance are required and the Board monitors the achievements of its licensees.

During the financial year, the Board has ensured the following:

- ♦ Monthly monitoring of socio economic development in the area of job creation by the Licensing, Registration, Monitoring & Compliance Committee.
- ♦ To date there are 3 591 permanent employees registered with the Board as gaming and betting employees.



Below is an overview of the gambling industry job creation at a Provincial Level for the past 3 years:

Casino	2012/13	2013/14	2014/15
Suncoast	980	967	1022
Sibaya	591	575	441
Golden Horse	261	231	238
Umfoloji	206	214	209
Blackrock	211	237	257
<b>TOTAL</b>	<b>2249</b>	<b>2224</b>	<b>2167</b>

Route Operator	2012/13	2013/14	2014/15
Kingdom Slots	36	38	37
V-Slots	16	18	16
Luck at It	13	12	12
KZN Slots	25	29	32
<b>TOTAL</b>	<b>90</b>	<b>97</b>	<b>97</b>

The above figures exclude ancillary jobs at LPM sites where site operators and staff are registered with the Board.

Bingo	2012/13	2013/14	2014/15
Galaxy Amanzimtoti	75	83	98
Galaxy Pavilion	N/A	N/A	77
<b>TOTAL</b>	<b>75</b>	<b>83</b>	<b>175</b>

Independent Site Operator (ISO)	2012/13	2013/14	2014/15
Galaxy Gateway	N/A	N/A	82
Great Bingo	N/A	N/A	54
<b>TOTAL</b>			<b>136</b>

Betting	2012	2013	2014
Bookmakers/Tote	626	843	1024
<b>TOTAL</b>	<b>626</b>	<b>843</b>	<b>1024</b>



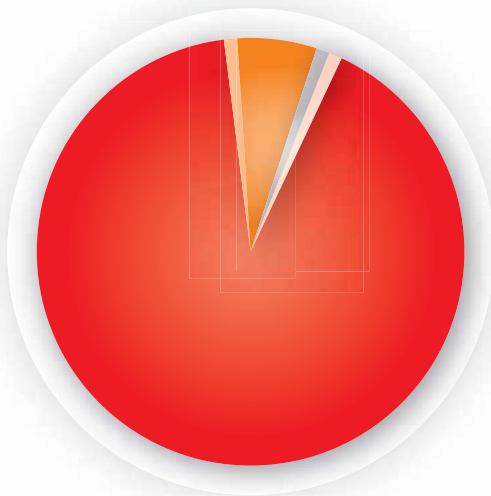
## PART C: Governance ...continued

### Corporate Social Investment

CSI spend of the licensed casinos for the year is reflected below and in our Value Add Statement:

#### Casino Corporate Social Investment

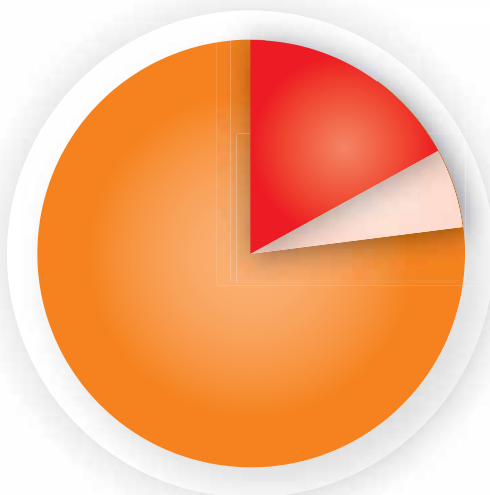
Category	2013/14	2014/15	Variance
Health and Welfare	2 497 935.49	564 132.54	-1 933 802.95
Education	3 732 690.18	7 421 911.90	3 689 221.72
Community Upliftment	430 517.35	632 081.31	201 563.96
Sports and Recreation	683 825.65	474 580.42	-209 245.23
Other Donations	150 000.00	100 149 204.32	99 999 204.32
<b>Total</b>	<b>7 494 968.67</b>	<b>109 241 910.49</b>	<b>101 746 941.82</b>



- 1%** Health and Welfare
- 6%** Education
- 1%** Community Upliftment Project
- 1%** Sports and Recreation
- 91%** Other Donations

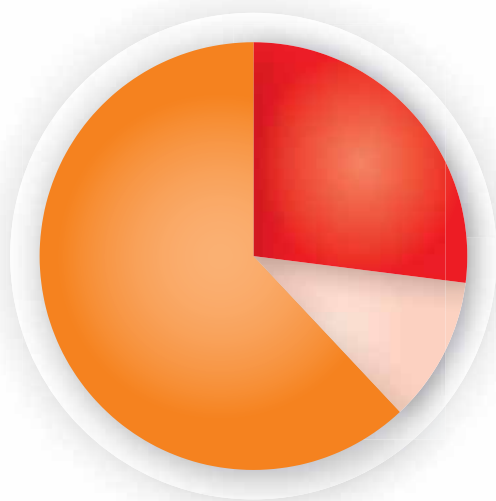
#### Route Operators CSI

Category	2013/14	2014/15	Variance
Health and Welfare	263 665.40	285 633.00	21 967.60
Education	-	100 000.00	100 000.00
Community Upliftment	-	1 300 000.00	1 300 000.00
Sports and Recreation	-	-	-
Other Donations	-	-	-
<b>Total</b>	<b>263 665.40</b>	<b>1 685 633.00</b>	<b>1 421 967.60</b>



- 17%** Health and Welfare
- 6%** Education
- 77%** Community Upliftment Project
- 0%** Sports and Recreation
- 0%** Other Donations





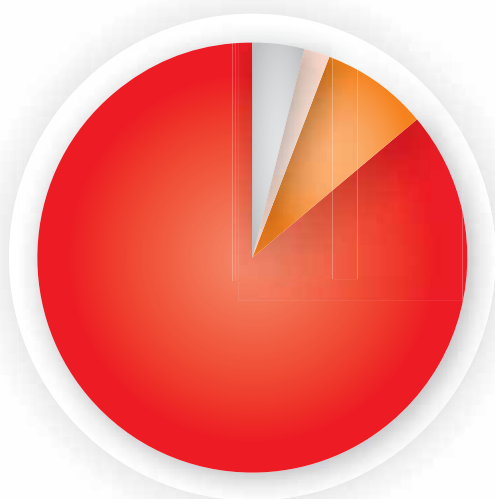
**27%** Health and Welfare  
**62%** Education  
**11%** Community Upliftment Project  
**0%** Sports and Recreation  
**0%** Other Donations

#### Bingo and Independent Site Operators CSI

Category	2013/14	2014/15	Variance
Health and Welfare	57 332.89	17 808.70	-39 524.19
Education	-	65 418.00	65 418.00
Community Upliftment	35 992.46	24 076.00	-11 916.46
Sports and Recreation	-	-	-
Other Donations	-	-	-
<b>Total</b>	<b>93 325.35</b>	<b>107 302.70</b>	<b>13 977.35</b>

#### CSI Spend by the Betting Industry

The CSI contributions by the Betting Industry is undertaken on an entirely voluntary basis and the figures illustrated herein are as reported to the Board.



**4%** 106 578,16 Hollywood Sportsbook KZN (Pty) Ltd  
**2%** 60 000,00 Krugerbets (Pty) Ltd  
**8%** 222 206,16 Marshalls World of Sports (Pty) Ltd  
**0%** 12 379,00 East Coast Racing (Pty) Ltd  
**0%** 2 686,85 United Bets (Pty) Ltd  
**0%** - Track and Ball (Pty) Ltd  
**86%** 2 473 232,00 Gold Circle (Pty) Ltd



### AUDIT COMMITTEE REPORT

We are pleased to present our report for financial year, ended 31 March 2015.

#### Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

#### Audit Committee Members and Attendance

During the financial year the Audit Committee consisted of the members listed hereunder and met six (6) times during the financial year. The terms of reference approved in the Audit Committee Charter is that the Committee meet four (4) times during the financial year, two (2) additional meetings were convened to review the Annual Financial Statements 2013/14.

#### Dates of Audit Committee Meeting

23 May 2014, 29 May 2014, 28 July 2014, 8 September 2014, 1 December 2014 and 4 March 2015.

#### 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, it was noted that some matters were reported indicating deficiencies in the systems of internal control. The Audit Committee noted significant progress being made to improve the internal control system in the organisation. It 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. Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the entity.

The following internal audit work was completed during the year under review:

- ♦ Human Resources: Completed and report submitted.
- ♦ Illegal Gambling: Completed and report submitted.
- ♦ Stakeholder Management: Completed and report submitted.
- ♦ Follow Up audit on all internal audit findings

The following were areas of concern:

The audit highlighted findings that required management's immediate attention. Due to the capacity constraints in the HR department there has been a compromise on compliance in terms of policies and procedures.

#### In-Year Management Quarterly Report

The public entity has reported quarterly to the Treasury as is required by the PFMA. The Audit Committee is pleased with the contents and quality of monthly and quarterly reports prepared and issued by the Accounting Authority of the Board during the year under review.

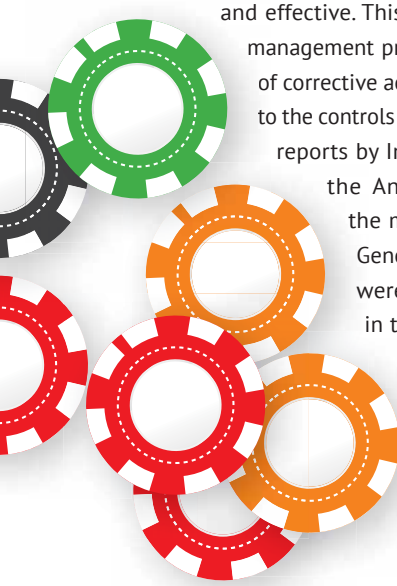
#### Number of meetings attended in new financial year

Prof S. Perumal (Chairperson) 4 out of 6  
Mrs S. Ngidi 2 out of 6  
Mr V. Ramphal 4 out of 6  
Mr A. H. Trikamjee 3 out of 6

#### Evaluation of Financial Statements

The Audit Committee has:

- ♦ Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor General and the Accounting Officer.
- ♦ Reviewed the information on the predetermined objectives to be included in the annual report.
- ♦ Reviewed the entity compliance with legal and regulatory provisions.
- ♦ Reviewed the Auditor General's management report and management's response thereto.



We have reviewed the entity's implementation plan for audit issues raised in the prior year and we are satisfied that all matters have been adequately resolved.

### Internal Audit

The Audit Committee is responsible for ensuring that the Internal Audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties. The Audit Committee also oversees the interaction between Internal Audit, External Auditor and Management, and ensures that the relationships are productive and add value to the organisation. The Audit Committee reviewed and approved the Internal Audit Charter. The Audit Committee also approved the audit plan and the work carried out by Internal Audit to ensure that the action plans in place mitigate the risks on matters reported to the Audit Committee. Internal Audit reports on and provides assurance to the Audit Committee on the effectiveness of internal financial controls, internal controls and the management of risk across the organisation, and has provided such assurance that they have no reason to believe that any material breakdowns within the internal controls system and risk management, as identified, have not been addressed or are in the process of being addressed.

Furthermore it was confirmed that the Internal Audit scope was risk based and included management recommendations.

The Audit Committee has received and reviewed the quarterly internal audit reports and concur that internal audit has addressed risks pertinent to the Board in its internal audit reviews. The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity in its audit. The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.



**PROFESSOR S PERUMAL**

**Chairperson of the Audit Committee**

KwaZulu-Natal Gaming and Betting Board

22 July 2015



## PART D:

# HUMAN RESOURCE MANAGEMENT

## 1. INTRODUCTION

The Human Resources Division provides services such as Training and Development, Preparation of Workplace Skills Plan and Annual Training Report, Payroll Management, Recruitment Selection and Placement, Employee Relations, Change Management programmes and Performance Management. The Division set a number of priorities for the year under review which included the following:

- ♦ Development, approval and implementation of Change Management programme – this was approved by Board and implemented in March 2014. Monthly facilitations for all staff were held each month.
- ♦ Employee Assistance Programme was developed, approved and implemented – implementation in 2014, Careways was appointed as a service provider.
- ♦ Medical aid subsidy for the staff of the Board was approved and implemented in January 2015.
- ♦ The Workplace Skills Plan and Annual Training Report was submitted to the relevant SETA.
- ♦ Job Grading of existing and new positions was undertaken and the committee was trained on the Paterson grading methodology.
- ♦ Succession Planning not achieved and this has been carried over to the 2015/16 FY.
- ♦ Employment Equity Plan for the entity not achieved.
- ♦ Performance Reward System not yet fully developed and implemented.
- ♦ Skills Audit – target not met but tasks have been partially achieved, the department has record of all staff qualifications and work experience (skills), however, analysis of these still needs to be undertaken.

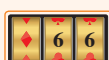
Some of the targets were not achieved due to inadequate resourcing within the Division.

The Division is still facing some challenges and these include:

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

## 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		403 734	1.13%	56	7 209.54







## PART D: Human Resource Management ...continued

### Employment and vacancies

Programme/ activity/objective	2013/2014 No. of employees	2014/15 Approved Posts	2014/15 No. of employees	2014/15 vacancies	% of vacancies
Office of the CEO	4	4	3	1	0.25
Licensing Registration & Law Enforcement	12	18	12	6	33.33
Gaming, Monitoring and Control	31	24	19	5	20.83
Betting Monitoring & Control		12	13	1	8.33
Finance	8	14	8	6	42.86
Human Resources	6	9	4	5	55.55
ICT	2	9	5	4	44.44
Legal Services	3	4	3	1	25
Governance Risk & Compliance	4	7	4	3	42.85
<b>TOTAL</b>	<b>70</b>	<b>101</b>	<b>71</b>	<b>32</b>	

The Board resolved to separate betting from Monitoring and Compliance to be a stand-alone division in July 2014 and Law Enforcement was also moved to Licensing and Registration in June 2014 and again in February 2015 they were moved to Betting, Monitoring and Control

Employment Level	2013/2014 No. of employees	2014/15 Approved Posts	2014/15 No. of employees	2014/15 vacancies	% of vacancies
Top Management	1	1	1	0	0
Senior Management	4	7	6	2	28.57
Professional qualified	10	16	10	6	37.50
Skilled	43	58	44	16	27.59
Semi-skilled	11	17	9	8	47.06
Unskilled	1	2	1	1	50.00
<b>TOTAL</b>	<b>70</b>	<b>101</b>	<b>71</b>	<b>34</b>	

In the period under review the division has supported efforts to fill senior management positions. One post of CIO was vacated during June 2013 and was filled in May 2014. It became vacant again in February 2015 and the position was advertised nationally, however, the Board resolved that the position be converted into a 3 year fixed term contract and applicants were advised of Board decision. Subsequently, to that the position was removed from the structure.

The Board takes pride in developing its employees to fill vacancies where appropriate and during the period the following positions were filled by internal candidates.

No	Name	Old Job Title	New Job Title	Effective Date
1.	Mpume Maduna	Inspector	Senior Compliance Officer	January 2015
2.	Njabulo Mavuso	IT Technician	Systems Engineer	September 2014
3.	Vishal Ramdas	Finance Manager	Chief Financial Officer	October 2014
4.	Sandiso Thutshini	Senior Compliance Officer	Manager: Risk & Compliance	October 2014
5.	Siyabonga Gcabashe	Senior Finance Officer	Finance Manager	October 2014
6.	Agrippa Magwaza	Senior Compliance Officer	Manager: Betting Monitoring & Control	October 2014
7.	Octavia Mtshali	Receptionist	Registry Officer	October 2014
8.	Nandi Ngema	Executive Assistant to CEO	Compliance Officer	October 2014
9.	Sarisha Singh	Junior Company Secretary	Company Secretary	December 2014
10.	Jane Stretch	Company Secretary	Head: Governance Risk & Compliance	November 2014
11.	Robert Bestel	Manager: Monitoring & Betting Audit	Senior Manager: Betting Monitoring & Control	July 2014

The Board made several amendments to the organisational structure this financial year. The following are amendments made:

- ♦ The Board considered the capacity and skills within the Law Enforcement unit as it appears that the unit was not delivering on its mandate. It was resolved that it amalgamate with Licensing and Registration Division and later Law Enforcement was moved to Betting Monitoring and Control Division.
- ♦ The Board approved the proposal to amend the organisational structure for a Senior Compliance Administrator reporting to the Senior Manager: Monitoring and Compliance reports to the CEO. The job title was changed to Project Management Coordinator.
- ♦ The Finance structure was amended to add more positions

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

- ♦ Chief Information Officer
- ♦ Procurement Officer
- ♦ Systems Engineer
- ♦ Chief Legal Advisor
- ♦ Chief Financial Officer
- ♦ Human Resources Manager
- ♦ Executive Assistant – Secretariat
- ♦ IT Technician
- ♦ Senior Compliance Officer (Gaming & Monitoring Audit)
- ♦ Senior Compliance Officer (Betting Monitoring & Control)
- ♦ Licensing & Registration Officer
- ♦ Compliance Officers
- ♦ Risk and Compliance Officer
- ♦ Inspector

The above positions became vacant as a result of resignations,



## PART D: Human Resource Management ...continued

### Employment Changes

Industry Norm	KZNGBB 2013/2014 FY	KZNGBB 2014/15 FY
7.5% per annum	4.3% (3)	10% (8)

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

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top Management	1	0	1	0
Senior Management	3	4	1	6
Professional qualified	10	3	2	11
Skilled	43	2	1	44
Semi – Skilled	11	1	3	9
Unskilled	1	0	0	1
<b>TOTAL</b>	<b>70</b>	<b>9</b>	<b>8</b>	<b>71</b>

The organisational structure was amended several times during the year under review to accommodate the demands of operations requirements.

### Reasons for staff leaving

Salary Band	Employment at beginning of period	Appointments
Top Management	1	0
Senior Management	3	4
Professional qualified	10	3
Skilled	43	2
Semi – Skilled	11	1
Unskilled	1	0
<b>TOTAL</b>	<b>70</b>	<b>9</b>

In this period there were five resignations, all left for better salary, benefits and higher level positions. Two employees were discharged. One retired. Two of the eight positions have been filled already.

### Labour Relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	3
Final written warning	0
Dismissal	2
<b>Total</b>	<b>5</b>



### Equity Targets and Employment Equity Status

There is no Board approved Employment Equity Plan for the entity

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	3	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	16	N/A	0	N/A	3	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
TOTAL	27	N/A	0	N/A	5	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	2	N/A	0	N/A	1	N/A	0	N/A
Skilled	17	N/A	1	N/A	6	N/A	3	N/A
Semi-skilled	4	N/A	0	N/A	2	N/A	1	N/A
Unskilled	1	N/A	0	N/A	0	N/A	0	N/A
TOTAL	25	N/A	1	N/A	9	N/A	5	N/A



## PART E:

# FINANCIAL INFORMATION

## Index

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

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## 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 financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

The 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 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 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 2016 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 financial statements. The financial statements have been examined by the entity's external auditors and their report is presented on page 75.

The financial statements set out on pages 80 to 109, which have been prepared on the going concern basis, were approved by the accounting authority on 28 May 2015 and were signed on its behalf by:



Adv BS Khuzwayo  
Chairperson

# AUDITOR-GENERAL'S REPORT

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

### Report on the financial statements

#### INTRODUCTION

1. I have audited the financial statements of the KwaZulu-Natal Gaming and Betting Board set out on pages 80 to 109, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, cash flow statement, and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

#### ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

#### AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### OPINION

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the KwaZulu-Natal Gaming and Betting Board as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.

#### EMPHASIS OF MATTER

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

#### IRREGULAR EXPENDITURE

8. As disclosed in note 32 to the financial statements, irregular expenditure to the amount of R2,56 million was incurred as a result of non-compliance with KwaZulu-Natal Gaming and Betting Act, 2010 (Act no. 08 of 2010).

#### Report on other legal and regulatory requirements

9. 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 report the following findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

#### PREDETERMINED OBJECTIVES

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for programme 2: licensing and registration on pages 38 to 46 as well as programme 3: monitoring and compliance on pages 47 to 53, presented in the annual performance report of the entity for the year ended 31 March 2015.



## PART E: Financial Information ...continued

11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPI).

13. I 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 selected objectives are as follows:

### LICENSING AND REGISTRATION

#### Reliability of reported performance information

15. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Overall, 22% of the significantly important targets were not reliable because I was unable to obtain sufficient appropriate audit evidence for these targets. This was due to a lack of review and monitoring of the validity, accuracy and completeness of source documentation in support of actual achievements.

### COMPLIANCE AND MONITORING

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

### ADDITIONAL MATTERS

17. I draw attention to the following matters:

### ACHIEVEMENT OF PLANNED TARGETS

18. Refer to the annual performance report on pages 14 to 53 for information on the achievement of the planned targets for the year.

### ADJUSTMENT OF MATERIAL MISSTATEMENTS

19. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for licence and registration. As

management subsequently corrected only some of the misstatements, I identified material findings on the reliability of the reported performance information.

### COMPLIANCE WITH LEGISLATION

20. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT

21. Effective, efficient and transparent systems of risk management and internal controls with respect to performance information and management was not maintained as required by section 51(1)(a)(i) of the PFMA.

### EXPENDITURE MANAGEMENT

22. The accounting authority did not take effective steps to prevent fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

### CONSEQUENCES MANAGEMENT

23. Sufficient appropriate audit evidence could not be obtained that effective and appropriate disciplinary steps were taken against officials who incurred or permitted fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA.

### INTERNAL CONTROL

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and non-compliance with legislation included in this report.

### LEADERSHIP

25. The accounting authority did not exercise oversight responsibility regarding performance reporting and compliance and related internal controls due to instability in key positions.

### PERFORMANCE MANAGEMENT

26. Senior management did not implement proper record keeping in a timely manner to ensure that complete, relevant and reliable information is accessible and available to support performance reporting.





## **OTHER REPORTS**

### **INVESTIGATIONS**

27. At the request of the Member of the Executive Council responsible for KwaZulu-Natal Gaming and Betting Board, Provincial Treasury's Forensic Investigation Unit is performing five investigations.

28. These investigations are still in progress, and are based on allegations of the possible misappropriation of the entity's assets regarding fruitless and wasteful expenditure, the abuse of international travel, allegations of fraud, corruption, mismanagement, unethical and unprofessional behaviour, and misuse of the entity's computer equipment and awarding of licences.

*Auditor - General*

**Pietermaritzburg**

29 July 2015



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*





## Accounting Authority's Report

The members submit their report for the year ended 31 March 2015.

### 1. Establishment

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

### 2. Review of activities

#### Main business and operations

The KwaZulu-Natal Gaming and Betting Board was established on 01 April 2011 in terms of Section 5 of the KwaZulu-Natal Gaming and Betting Act, 2010 (Act No. 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 which objectives 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.

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 11 493 167 (2014: surplus R 10 430 950).

With effect from 01 April 2014, the controlling department of the entity changed from the Office of the Premier to Provincial Treasury.

The entity had no Board of members in place for February and March 2015. The term of the previous members ended on 21 January 2015 and the new members were appointed after year end. During this period a task team, which was established by the honourable Minister of Finance, oversaw the administrative functioning of the entity.

### 3. Going concern

We draw attention to the fact that at 31 March 2015, the entity had an accumulated surplus of R 30 178 264 and that the entity's assets exceed its total liabilities by R 30 178 264.

The 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 appointment of new members to the Board was gazetted on 31 March 2015 with members being sworn in after year end. Refer to paragraph 6 below for the effective date of appointment of each member.

### 5. Accounting policies

The financial statements have been prepared in accordance

### 6. Accounting Authority

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

Name	Nationality
Changes	
Mrs SN Zulu	South African
Term ended 21 January 2015	

## Accounting Authority's Report ...continued

Mrs PD Arnold-Mfusi	South African	Term ended 21 January 2015
Mr AH Trikamjee	South African	Term ended 21 January 2015
Prof. IE Konyin	South African	Term ended 21 January 2015
Mr H Oosthuizen	South African	Term ended 21 January 2015
Adv TP Mapipa-Ndlovu	South African	Term ended 21 January 2015
Mr PZ Dlamini	South African	Term ended 21 January 2015
Dr TI Nzimakwe	South African	Term ended 21 January 2015
Mrs ND Shabalala	South African	Term ended 21 January 2015
Adv BS Khuzwayo	South African	Appointed 02 April 2015
Mr ED Mpanza	South African	Appointed 02 April 2015
Mr SN Chetty	South African	Appointed 24 April 2015
Mrs H Hart	South African	Appointed 24 April 2015
Adv ND Hollis SC	South African	Appointed 02 April 2015
Mrs VPN Mkhize	South African	Appointed 02 April 2015
Mr PM Miller	South African	Appointed 08 April 2015
Mrs ST Mthembu	South African	Appointed 02 April 2015
Ms B Zulu	South African	Appointed 24 April 2015

## 7. Chief Executive Officer

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

## 8. Board secretary

The secretary of the entity is Ms S Singh of:

Business address  
330 Langalibalele Street  
Pietermaritzburg  
3201

Postal address  
Private Bag X9102  
Pietermaritzburg  
3200

## 9. Auditors

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



## PART E: Financial Information ...continued

### Statement of Financial Position as at 31 March 2015

		2015	2014 Restated*
	Note(s)	R	R
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables	2	2 200 211	2 633 933
VAT receivable	3	-	38 817
Cash and cash equivalents	4	54 287 853	57 575 531
		<b>56 488 064</b>	<b>60 248 281</b>
<b>Non-Current Assets</b>			
Movable assets	5	1 661 782	2 059 474
Intangible assets	6	900 038	237 235
		<b>2 561 820</b>	<b>2 296 709</b>
<b>Total Assets</b>		<b>59 049 884</b>	<b>62 544 990</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	7	7 937	95 033
Payables from exchange transactions	8	27 869 212	21 963 797
Taxes and transfers payable (non-exchange)	9	994 471	1 001 062
		<b>28 871 620</b>	<b>23 059 892</b>
<b>Total Liabilities</b>		<b>28 871 620</b>	<b>23 059 892</b>
<b>Net Assets</b>		<b>30 178 264</b>	<b>39 485 098</b>
Accumulated surplus	10	30 178 264	39 485 098



## Statement of Financial Performance

for the year ended 31 March 2015

		2015	2014 Restated*
	Note(s)	R	R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Fees earned	11	23 705 597	15 324 419
Commissions received	11	374	-
Discount received	11	162	75
Sundry income	11	31 298	-
Interest received	11&12	2 901 350	2 085 572
<b>Total revenue from exchange transactions</b>		<b>26 638 781</b>	<b>17 410 066</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	11&13	39 276 000	41 881 000
<b>Total revenue</b>	11	<b>65 914 781</b>	<b>59 291 066</b>
<b>Expenditure</b>			
Employee related costs	14	35 847 909	32 157 582
Depreciation and amortisation		1 041 101	1 163 638
Interest and penalties	15	6 171	-
Lease rentals on operating lease		1 665 029	1 787 090
Debt impairment	16	52 764	(45 549)
Repairs and maintenance		-	6 426
General expenses	17	15 815 686	13 977 113
Major events	20	-	222 991
<b>Total expenditure</b>		<b>54 428 660</b>	<b>49 269 291</b>
<b>Operating surplus</b>	21	<b>11 486 121</b>	<b>10 021 775</b>
Gain on disposal of assets		7 046	409 175
<b>Surplus for the year</b>		<b>11 493 167</b>	<b>10 430 950</b>



## Statement of Changes in Net Assets

for the year ended 31 March 2015

	Accumulated surplus	Total net assets
	R	R
Opening balance as previously reported	29 091 938	29 091 938
Prior year error (note 25)	(37 790)	(37 790)
<b>Balance at 01 April 2013 as restated*</b>	<b>29 054 148</b>	<b>29 054 148</b>
Changes in net assets		
Surplus for the year	10 430 950	10 430 950
<b>Total changes</b>	<b>10 430 950</b>	<b>10 430 950</b>
<b>Restated* Balance at 01 April 2014</b>	<b>39 485 098</b>	<b>39 485 098</b>
Changes in net assets		
Surplus for the year	11 493 166	11 493 166
Amount surrendered to the Provincial Revenue Fund	(20 800 000)	(20 800 000)
<b>Total changes</b>	<b>(9 306 834)</b>	<b>(9 306 834)</b>
<b>Balance at 31 March 2015</b>	<b>30 178 264</b>	<b>30 178 264</b>



## Cash Flow Statement

for the year ended 31 March 2015

		2015	2014 Restated*
	Note(s)	R	R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fees earned		29 987 076	21 335 242
Grants		39 276 000	41 881 000
Interest income		2 042 562	1 197 674
Other income		31 834	75
		<b>71 337 472</b>	<b>64 413 991</b>
<b>Payments</b>			
Employee costs		(35 847 909)	(32 157 582)
Suppliers		(17 530 692)	(16 560 971)
Interest and penalties		(6 171)	-
		<b>(53 384 772)</b>	<b>(48 718 553)</b>
<b>Net cash flows from operating activities</b>	22	<b>17 952 700</b>	<b>15 695 438</b>
<b>Cash flows from investing activities</b>			
Purchase of movable assets	5	(397 783)	(1 241 932)
Proceeds from claims	5	8 592	521 549
Purchase of intangible assets	6	(909 975)	(65 496)
Interest income from investing activities		858 788	887 898
<b>Net cash flows from investing activities</b>		<b>(440 378)</b>	<b>102 019</b>
<b>Cash flows from financing activities</b>			
Surrender of amounts to Provincial Revenue Fund	10	(20 800 000)	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3 287 678)</b>	<b>15 797 457</b>
Cash and cash equivalents at the beginning of the year		57 575 531	41 778 074
<b>Cash and cash equivalents at the end of the year</b>	4	<b>54 287 853</b>	<b>57 575 531</b>



## Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2015

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note(s)
	R	R	R	R	R	R
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Fees earned	20 164 950	650 000	<b>20 814 950</b>	23 705 597	<b>2 890 647</b>	33
Commissions received	-	-	-	374	<b>374</b>	33
Discount received	-	-	-	162	<b>162</b>	33
Other income	-	6 000	<b>6 000</b>	31 298	<b>25 298</b>	33
Interest received	1 236 000	464 000	<b>1 700 000</b>	2 901 350	<b>1 201 350</b>	33
Gains on disposal of assets	-	-	-	7 046	<b>7 046</b>	33
<b>Total revenue from exchange transactions</b>	<b>21 400 950</b>	<b>1 120 000</b>	<b>22 520 950</b>	<b>26 645 827</b>	<b>4 124 877</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	39 276 000	-	<b>39 276 000</b>	39 276 000	-	33
Business Process & IT System (rollover)	-	4 450 000	<b>4 450 000</b>	-	<b>(4 450 000)</b>	33
<b>Total revenue from nonexchange transactions</b>	<b>39 276 000</b>	<b>4 450 000</b>	<b>43 726 000</b>	<b>39 276 000</b>	<b>(4 450 000)</b>	
<b>Total revenue</b>	<b>60 676 950</b>	<b>5 570 000</b>	<b>66 246 950</b>	<b>65 921 827</b>	<b>(325 123)</b>	
<b>Expenditure</b>						
Personnel	(36 759 430)	(884 500)	<b>(37 643 930)</b>	(35 847 909)	<b>1 796 021</b>	33
Depreciation and amortisation	(990 000)	-	<b>(990 000)</b>	(1 041 101)	<b>(51 101)</b>	33
Finance costs	-	-	-	(6 171)	<b>(6 171)</b>	33
Lease rentals on operating lease	(1 818 000)	68 000	<b>(1 750 000)</b>	(1 665 029)	<b>84 971</b>	33
Bad debts written off	-	-	-	(52 764)	<b>(52 764)</b>	33
General Expenses	(19 509 520)	(303 500)	<b>(19 813 020)</b>	(13 757 711)	<b>6 055 309</b>	33
Business Process & IT systems	-	(2 294 500)	<b>(2 294 500)</b>	(2 057 975)	<b>236 525</b>	33
<b>Total expenditure</b>	<b>(59 076 950)</b>	<b>(3 414 500)</b>	<b>(62 491 450)</b>	<b>(54 428 660)</b>	<b>8 062 790</b>	
<b>Surplus before capital expenditure</b>	<b>1 600 000</b>	<b>2 155 500</b>	<b>3 755 500</b>	<b>11 493 167</b>	<b>7 737 667</b>	
Capital expenditure	(1 600 000)	(2 155 500)	<b>(3 755 500)</b>	(1 307 758)	<b>2 447 742</b>	33
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 185 409</b>	<b>10 185 409</b>	

# Accounting Policies

## 1. Presentation of Financial Statements

The 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 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 financial statements, are disclosed below.

### 1.1 Government grants

Government grants received relating to expenditure are recognised as income over the periods necessary to match the related costs that they are intended to compensate.

### 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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in movable assets. In addition, spare parts and stand by equipment which can only be used in connection with an item of movable assets are accounted for as 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



## Accounting Policies ...continued

the previous inspection are derecognised.

Movable assets is carried at cost less accumulated depreciation and any impairment losses.

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:

Item	Average useful life
Furniture and fixtures	6 years
Motor vehicles	4 years
Office equipment	5 years
Computer equipment	3 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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.

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.

### 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 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	3 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

## 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





## Accounting Policies ...continued

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 those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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 held with the primary 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 of 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.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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 recognised when it is probable that economic benefits will flow to the entity and the amount can be measured reliably. Revenue from license fees is recognised on an accrual basis in accordance with the term of the license agreement. Interest income is accrued on a time proportion basis, taking into account the principal amount and the effective interest rate.

## INTEREST, ROYALTIES AND DIVIDENDS

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.11 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.12 Comparative figures

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



## Accounting Policies ...continued

### 1.13 Unauthorised expenditure

Unauthorised expenditure means:

- ♦ overspending of a vote or a main division within a vote; and
- ♦ expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised 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 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.

### 1.15 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.

### 1.16 Budget information

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

The approved budget covers the fiscal period from 01/04/2014 to 31/03/2015.

The 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 Financial Statements

### for the year ended 31 March 2015

	2015	2014 Restated*
	R	R
<b>2. Trade and other receivables</b>		
Trade receivables	155 286	175 642
Deposits	35 300	35 300
Sundry debtors	47 196	16 814
Study assistance	414 082	215 774
Accrued income	1 548 347	2 190 403
	<b>2 200 211</b>	<b>2 633 933</b>
<b>Trade and other receivables impaired</b>		
As of 31 March 2015, trade and other receivables of R 182 215 (2014: R 129 451) were impaired and provided for.		
The ageing of these balances is as follows:		
Over 6 months	182 215	129 451
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	129 451	308 264
Provision for impairment	13 947	129 451
Provision for impairment - VAT receivable	38 817	-
Amounts written off as irrecoverable	-	(133 264)
Unused amounts reversed	-	(175 000)
	<b>182 215</b>	<b>129 451</b>
<b>3. VAT receivable</b>		
VAT	-	38 817
The amount reflected as receivable in the prior year, relates to a refund from South African Revenue Service (SARS) that was due to the previous KwaZulu-Natal Bookmakers Control Committee. The entity is not required to be registered for VAT.		
<b>4. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	4 436	2 421
Current accounts	44 609 364	35 474 248
Short-term deposits	9 674 053	22 098 862
	<b>54 287 853</b>	<b>57 575 531</b>



## Notes to the Financial Statements

for the year ended 31 March 2015

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R	R	R	R	R	R
<b>5. Movable assets</b>						
Furniture and fixtures	357 329	(193 982)	163 347	345 605	(141 287)	204 318
Motor vehicles	475 459	(327 441)	148 018	475 459	(226 406)	249 053
Office equipment	393 712	(220 732)	172 980	377 005	(150 972)	226 033
Computer equipment	3 031 259	(1 853 822)	1 177 437	2 677 376	(1 297 306)	1 380 070
<b>Total</b>	<b>4 257 759</b>	<b>(2 595 977)</b>	<b>1 661 782</b>	<b>3 875 445</b>	<b>(1 815 971)</b>	<b>2 059 474</b>

	Opening balance	Additions	Disposals	Depreciation	Total
	R	R	R	R	R
<b>Reconciliation of movable assets - 2015</b>					
Furniture and fixtures	204 318	11 724	-	(52 695)	163 347
Motor vehicles	249 053	-	-	(101 035)	148 018
Office equipment	226 033	16 707	-	(69 760)	172 980
Computer equipment	1 380 070	369 352	(1 546)	(570 439)	1 177 437
	<b>2 059 474</b>	<b>397 783</b>	<b>(1 546)</b>	<b>(793 929)</b>	<b>1 661 782</b>
<b>Reconciliation of movable assets - 2014</b>					
Furniture and fixtures	305 186	31 213	(75 960)	(56 121)	204 318
Motor vehicles	350 088	-	-	(101 035)	249 053
Office equipment	206 462	83 797	(768)	(63 458)	226 033
Computer equipment	939 848	1 126 922	(35 646)	(651 054)	1 380 070
	<b>1 801 584</b>	<b>1 241 932</b>	<b>(112 374)</b>	<b>(871 668)</b>	<b>2 059 474</b>

The entity received net proceeds of R8 592 (2014: R521 549) in respect of claims for the loss of or damage to assets.

	2015	2014 Restated*
	R	R
<b>Other information</b>		
<b>Movable assets fully depreciated and still in use (gross carrying amount)</b>		
Computer equipment	1 028 373	5 360
Motor vehicles	114 522	-
	<b>1 142 895</b>	<b>5 360</b>



## Notes to the Financial Statements

for the year ended 31 March 2015

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R	R	R	R	R	R
<b>6. Intangible assets</b>						
Computer software	1 819 096	(919 058)	900 038	909 121	(671 886)	237 235

	Opening balance	Additions	Amortisation	Total
	R	R	R	R
<b>Reconciliation of intangible assets - 2015</b>				
Computer software	237 235	909 975	(247 172)	900 038
<b>Reconciliation of intangible assets - 2014</b>				
Computer software	463 706	65 496	(291 967)	237 235

	2015	2014 Restated*
	R	R
<b>Other information</b>		
Fully amortised intangible assets still in use (gross carrying value)	671 425	-
<b>7. Operating lease accrual</b>		
<b>Current liabilities</b>		
Operating lease accrual	7 937	95 033
<b>8. Payables from exchange transactions</b>		
Trade payables	53 894	9 436
Income received in advanced	24 197 548	18 335 844
Cash guarantees received from licensees	743 402	296 377
Third party payments	129 033	394 236
Sundry creditors	39 688	35 688
Leave pay accrual	1 403 296	1 178 185
Accrued expenses	1 302 351	1 714 031
	<b>27 869 212</b>	<b>21 963 797</b>

Income received in advance relates to revenue received from licensees for services to be rendered by the entity, the majority of the of 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.

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



## PART E: Financial Information ...continued

### Notes to the Financial Statements for the year ended 31 March 2015

	2015	2014 Restated*
	R	R
<b>8. Payables from exchange transactions ...continued</b>		
<b>Maturity analysis of Trade and other payables</b>		
<b>Liquidity Risk</b>		
Not later than a month	22 152 314	18 065 953
Later than one month and not later than three months	5 346 398	3 897 844
Later than three months and not later than one year	370 500	-
	<b>27 869 212</b>	<b>21 963 797</b>
The entity has sufficient cash resources to meets its financial liabilities.		
<b>9. Taxes and transfers payable (non-exchange)</b>		
Betting tax payable	480 573	449 710
Statutory payables	513 898	551 352
	<b>994 471</b>	<b>1 001 062</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.		
<b>10. Accumulated surplus</b>		
<b>Reconciliation of accumulated surplus</b>		
2012 - Net assets acquired from previous entities	25 081 663	25 081 663
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	11 493 167	-
2015 - Amount surrendered to the Provincial Revenue Fund	(20 800 000)	-
2015 - Prior year adjustment (2013)	(37 791)	(37 791)
	<b>30 178 264</b>	<b>39 485 097</b>
During the current year, the MEC of Finance requested the entity to surrender an amount of R20,8 million, held for the purpose of acquiring suitable office accommodation, to the Provincial Revenue Fund where it will be kept for the same purpose.		



## Notes to the Financial Statements

### for the year ended 31 March 2015

	Building investment	Total
	R	R
<b>10. Accumulated surplus ...continued</b>		
<b>Ring-fenced internal funds and reserves within accumulated surplus - 2015</b>		
Opening balance	20 910 759	20 910 759
Amount surrendered to the Provincial Revenue Fund	(20 800 000)	(20 800 000)
Amount approved by Provincial Treasury for retention	4 601 357	4 601 357
Interest earned on investment	567 718	567 718
Interest accrued to be transferred to investment	291 070	291 070
	<b>5 570 904</b>	<b>5 570 904</b>
In 2012, the entity obtained approval from Provincial Treasury to retain the surpluses of the erstwhile KZN Gambling Board for the purpose of acquiring suitable office accommodation for the entity. Further approval was obtained for each of the subsequent years in which the entity realised a surplus. These funds are invested in short term deposits until such time as required (refer to note 4). The interest earned on these retained amounts forms part of the amount disclosed in the statement of financial performance (note 12).		
<b>Ring-fenced internal funds and reserves within accumulated surplus - 2014</b>		
Opening balance	13 951 920	13 951 920
Amount approved by Provincial Treasury for retention	6 070 940	6 070 940
Interest earned on investment	602 536	602 536
Interest accrued to be transferred to investment	285 363	285 363
	<b>20 910 759</b>	<b>20 910 759</b>
	<b>2015</b>	<b>2014 Restated*</b>
	R	R
<b>11. Revenue</b>		
Fees earned	23 705 597	15 324 419
Interest received	2 901 350	2 085 572
Commissions received	374	-
Discount received	162	75
Sundry income	31 298	-
Government grants & subsidies	39 276 000	41 881 000
	<b>65 914 781</b>	<b>59 291 066</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Fees earned	23 705 597	15 324 419
Interest received	2 901 350	2 085 572
Commissions received	374	-
Discount received	162	75
Sundry income	31 298	-
	<b>26 638 781</b>	<b>17 410 066</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	39 276 000	41 881 000



## Notes to the Financial Statements

for the year ended 31 March 2015

	2015	2014 Restated*
	R	R
<b>12. Investment revenue</b>		
<b>Interest revenue</b>		
Bank and investments	2 901 350	2 085 572
Included in interest received is an amount of R 858 788 (2014: R887 898) that accrued to the Building Investment (note 10).		
<b>13. Government grants</b>		
<b>Operating grants</b>		
Equitable share	39 276 000	37 431 000
IT System Improvement Grant	-	4 450 000
	<b>39 276 000</b>	<b>41 881 000</b>
The entity receives a grant allocation from Provincial Treasury (previously the entity reported to the Office of the Premier) to subsidise its operational expenditure. During the previous financial year, the entity was allocated an additional R4,45 million to assist with the revamp of the IT systems and business processes.		
<b>14. Employee related costs</b>		
Basic Salary	24 915 264	22 748 578
Medical aid benefit	139 353	556 070
Unemployment insurance	123 454	120 007
Workmans compensation	120 270	-
Skills development levy	341 660	306 099
Leave pay accrual / expense	403 027	203 497
Provident fund contributions (refer to note 26)	4 643 997	3 171 632
Overtime payments	3 289	16 548
Long-service awards	-	500
13th Cheque	1 699 380	1 568 323
Acting allowances	821 006	228 870
Travel allowance	2 324 332	2 820 826
Housing allowances	-	189 392
Cell phone allowance	312 876	227 240
	<b>35 847 908</b>	<b>32 157 582</b>

## Notes to the Financial Statements

### for the year ended 31 March 2015

	Basic remuneration	Allowances	13th Cheque	Employer contributions	Total
	R	R	R	R	R
<b>14. Employee related costs ...continued</b>					
<b>Senior management remuneration</b>					
<b>For the year ended 31 March 2015</b>					
PN Baloyi - Chief Executive Officer	1 189 138	205 117	85 465	153 837	1 633 557
BE Radebe - Senior Manager - Licensing & Compliance (i)	742 385	124 362	51 817	93 271	1 011 835
RS Goodayle - Senior Manager - Monitoring & Compliance	644 282	96 642	53 690	96 642	891 256
PJ Stretch - Head - Governance Risk & Compliance	621 807	124 362	51 817	93 271	891 257
MBS Mthiyane - Chief Legal Officer (ii)	262 788	51 817	21 591	38 863	375 059
V Ramdas - Chief Financial Officer (iii)	705 507	48 000	49 329	93 292	896 128
N Zulu - Chief Information Officer (iv)	496 843	93 271	38 863	71 453	700 430
RC Bestel - Senior Manager - Betting Monitoring & Control (v)	581 255	-	-	87 188	668 443
M Ngwenya - Chief Legal Officer (vi)	408 706	-	-	58 174	466 880
	<b>5 652 711</b>	<b>743 571</b>	<b>352 572</b>	<b>785 991</b>	<b>7 534 845</b>

- (i) -Ms Baloyi was dismissed on 30 November 2014. The dismissal was challenged and the CCMA reinstated her to the position effective 01 December 2014.
- (ii) -Mr Radebe acted as Chief Executive Officer from 01 December 2014 until year end.
- (iii) -Mrs Stretch was appointed as Head - Governance, Risk & Compliance from 01 December 2014.
- (iv) -Mr Mthiyane resigned on 30 September 2014.
- (v) -Mr Ramdas acted as Chief Financial Officer until 30 September 2014 and was appointed to the position from 01 October 2014.
- (vi) -Mr Zulu was appointed as Chief Information Officer from 01 May 2014 and resigned on 31 January 2015.
- (vii) -Mr Bestel was appointed as Senior Manager - Betting, Monitoring & Control from 01 July 2014.
- (viii) -Mr Ngwenya was appointed as the Chief Legal Officer from 15 September 2014

	Basic remuneration	Allowances	13th Cheque	Employer contributions	Total
	R	R	R	R	R
<b>For the year ended 31 March 2014</b>					
PN Baloyi - Chief Executive Officer	1 057 866	211 573	88 155	112 408	1 470 002
BE Radebe - Senior Manager - Licensing & Compliance	607 162	119 483	49 784	70 967	847 396
RS Goodayle - Senior Manager - Monitoring & Compliance	621 748	93 262	51 812	70 826	837 648
PJ Stretch - Company Secretary	604 959	120 992	50 413	61 284	837 648
MBS Mthiyane - Chief Legal Officer	597 413	119 483	49 784	70 968	837 648
V Ramdas - Acting Chief Financial Officer	707 780	48 000	41 194	40 674	837 648
M Zakwe - Chief Information Officer	179 926	31 238	13 015	14 057	238 236
	<b>4 376 854</b>	<b>744 031</b>	<b>344 157</b>	<b>441 184</b>	<b>5 906 226</b>





## Notes to the Financial Statements

for the year ended 31 March 2015

	2015	2014 Restated*
	R	R
<b>15. Interest and penalties</b>		
Interest for late payment	6 171	-
<b>16. Debt impairment</b>		
Debt impairment provision	52 764	(45 549)
<b>17. General expenses</b>		
Audit committee fees	159 873	107 212
Advertising, publications and public hearings	163 622	427 188
Auditors remuneration	755 094	472 049
Bank charges	180 169	251 290
Board remuneration	3 123 591	3 023 649
Cleaning	37 057	25 644
Computer expenses	2 733 791	557 235
Conferences and seminars	286 130	210 513
Consulting and professional fees	325 277	579 472
Consumables	-	953
Electricity	448 394	371 425
External meeting refreshments	35 542	38 571
Fleet expenses	83 963	105 999
Gifts	300	-
Insurance	192 440	168 287
Internal audit fee	315 592	175 714
Illegal gambling operations	8 477	15 278
Legal expenses	203 105	2 283 760
Licensing, investigation and monitoring costs	1 407 433	823 725
Marketing	29 818	77 201
Postage and courier	20 309	18 900
Printing and stationery	246 467	238 787
Probity and ITC checks	227 919	130 367
Security	5 852	6 125
Software expenses	236 361	307 130
Staff placement costs	286 122	134 193
Staff welfare	126 737	50 394
Storage and backup facilities	82 276	69 976
Subscriptions and membership fees	12 868	29 611
Telephone and fax	470 149	501 708
Training	796 821	607 753
Travel and subsistence	1 896 671	1 619 583
Travel - overseas	917 467	542 762
Uniforms	-	4 308
Venue expenses	-	350
	<b>15 815 687</b>	<b>13 977 112</b>

Included in computer expenses is a once off amount of R1 846 705 that was for the completion of the first phase of the business-process re-engineering process.

## Notes to the Financial Statements

### for the year ended 31 March 2015

	Fees	Reimbursive Expenses	Total
	R	R	R
<b>18. Members' emoluments</b>			
<b>Executive</b>			
<b>2015</b>			
Mrs SN Zulu	428 000	82 753	510 753
Mrs PD Arnold-Mfusi	315 000	33 090	348 090
Mr AH Trikamjee	90 000	1 497	91 497
Prof. IE Konyin	363 000	49 918	412 918
Mr H Oosthuizen	111 000	22 449	133 449
Adv TP Mapipa-Ndlovu	342 000	24 981	366 981
Mr PZ Dlamini	408 000	77 290	485 290
Dr TI Nzimakwe	339 000	27 539	366 539
Mrs ND Shabalala	357 000	51 074	408 074
	<b>2 753 000</b>	<b>370 591</b>	<b>3 123 591</b>
<b>2014</b>			
Mrs SN Zulu	332 000	59 829	391 829
Mrs PD Arnold-Mfusi	378 000	40 361	418 361
Mr AH Trikamjee	138 000	2 289	140 289
Prof. IE Konyin	372 000	52 382	424 382
Mr H Oosthuizen	243 000	-	243 000
Adv TP Mapipa-Ndlovu	237 000	8 631	245 631
Mr PZ Dlamini	384 000	69 271	453 271
Dr TI Nzimakwe	312 000	27 502	339 502
Mrs ND Shabalala	336 000	31 384	367 384
	<b>2 732 000</b>	<b>291 649</b>	<b>3 023 649</b>

	2015	2014 Restated*
	R	R
<b>19. Auditors' remuneration</b>		
Fees	755 094	472 049
<b>20. Major events</b>		
Expenditure for hosting event	-	383 156
Recoveries from ticket sales and sponsorships	-	(160 165)
	-	<b>222 991</b>

Major events refers to the Vodacom Durban July. The entity hired a venue at the event and invited other gambling boards and stakeholders to show case the Province's biggest horse racing event.



## Notes to the Financial Statements

for the year ended 31 March 2015

	2015	2014 Restated*
	R	R
<b>21. Operating surplus</b>		
Operating surplus for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Premises		
♦ Contractual amounts	1 303 907	1 377 090
Equipment		
♦ Contractual amounts	361 121	410 000
	<b>1 665 028</b>	<b>1 787 090</b>
Gain on disposal of movable assets	7 046	409 175
Depreciation and amortisation	1 041 101	1 163 638
Employee costs	35 847 909	32 157 582
<b>22. Cash generated from operations</b>		
Surplus	11 493 166	10 430 950
<b>Adjustments for:</b>		
Depreciation and amortisation	1 041 101	1 163 638
Gain on disposal of assets	(7 046)	(409 175)
Interest income from investing activities	(858 788)	(887 898)
Debt impairment change	52 764	(45 549)
Movements in operating lease liability	(87 096)	10 065
<b>Changes in working capital:</b>		
Trade and other receivables	433 724	(415 006)
Change in provision for doubtful debts	(52 764)	45 549
Payables from exchange transactions	5 905 415	6 526 928
VAT	38 817	-
Taxes and transfers payable (non exchange)	(6 593)	(724 064)
	<b>17 952 700</b>	<b>15 695 438</b>
<b>23. Related parties</b>		
RELATIONSHIPS		
Board Members	Refer to Accounting Authority report and note 18	
Ultimate controlling body	KZN Provincial Legislature	
Parent department	KZN Provincial Treasury	
Related entity	Horse Racing and Betting Transformation Fund	
Senior management	Refer to note 14	
<b>Related party transactions</b>		
<b>Collection of betting tax on behalf of Province</b>		
Office of the Premier	-	105 635 922
KZN Provincial Treasury	110 797 935	-
<b>Grant received</b>		
Office of the Premier	-	41 881 000
KZN Provincial Treasury	39 276 000	-
The entity acts as an agent for the collection of tax revenue from the horse racing and betting sector on behalf of the Province and distribution to beneficiaries in terms of the KZN Gaming & Betting Tax Act.		

## Notes to the Financial Statements

### for the year ended 31 March 2015

	2015	2014 Restated*
	R	R
<b>24. Taxation</b>		
The entity is exempted from the payment of tax.		
<b>25. Comparative figures</b>		
Certain comparative figures have been reclassified.		
Guarantees received from licensees has been reflected separately in the notes (refer to note 8) to the annual financial statements to enhance the readability and understanding of the financial statements. Amounts were reclassified from Sundry creditors and Income received in advance.		
Lease rentals on operating leases have been shown separately on the face of the statement of financial performance and is no longer shown in general expenses. This was done to enhance the readability and understanding of the financial statements.		
The effects of the reclassification are as follows:		
<b>Statement of financial performance</b>		
Lease rentals on operating leases (increase)	-	1 787 090
General expenses (decrease)	-	(1 787 090)
<b>Statement of financial position</b>		
Income received in advance (decrease)	-	(200 000)
Sundry creditor (decrease)	-	(46 751)
Guarantee received from licensees (increase)	-	246 751
The above reclassifications had no effect on the cash flow statement		
<b>26. Prior period errors</b>		
Interest payable on cash guarantees received from licensees was not accounted for since 2011, this was corrected during the current year. An amount of R37 790 related to periods prior to 2014 and R11 835 for the prior year.		
The disclosure of the building investment reflected in note 10 was amended to correct the interest accrued in the previous years (R21 272 prior to 2014 and R3 392 in 2014). This adjustment did not affect the statement of financial position, statement of financial performance and cash flow statement.		
The correction of the above errors resulted in adjustments as follows:		
<b>Statement of financial position</b>		
Payables from exchange transactions (decrease)	-	(49 625)
Accumulated Surplus (decrease)	-	37 790
<b>Statement of financial performance</b>		
Interest received (decrease)	-	11 835
<b>Cash flow statement</b>		
<b>Cash flow from operating activities</b>		
Interest received (decrease)	-	11 835
Suppliers (decrease)	-	(11 835)
	-	-



## Notes to the Financial Statements

for the year ended 31 March 2015

	2015	2014 Restated*
	R	R
<b>27. Employee benefit obligations</b>		
<b>Defined contribution plan</b>		
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 entity is under no obligation to cover any unfunded benefits.		
The amount recognised as an expense (refer to note 14)	4 643 997	3 171 632
<b>28. Commitments</b>		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	1 581 184	1 467 381
- in second to fifth year inclusive	234 345	420 166
	<b>1 815 529</b>	<b>1 887 547</b>
Operating lease payments represent rentals payable by the entity for certain of its equipment and office property.		
<b>29. Contingencies</b>		
♦ Litigation is in the process against the entity relating to a member of the public who alleges that the entity has infringed his rights and is seeking damages of approximately R60 000. The entity's lawyers and management consider the likelihood of the action against the entity being successful as unlikely.		
♦ The entity has been cited as a respondent, together with former Board members, in an application made by the Premier of KwaZulu-Natal and the MEC of Finance to set aside the decision made by the Board to amend the licence conditions of bingo operators for the use of Electronic Bingo Terminals (EBT's). In addition that the entity is interdicted from issuing such licenses and processing them. A cost order is also sought against the entity in conjunction with co-respondents. At this stage the entity cannot reliably quantify the costs should such an order be made against it.		
<b>30. Guarantees issued</b>		
Zelpy 1003 (Pty) Ltd	250 000	250 000
The entity has issued a guarantee in favour of Zelpy 1003 (Pty) Ltd for the rental of the building located at 3 Nollsworth Park, Nollsworth Crescent, Umhlanga.		



## Notes to the Financial Statements

### for the year ended 31 March 2015

	2015	2014 Restated*
	R	R
<b>31. Fruitless and wasteful expenditure</b>		
Opening balance	273 826	272 762
Fruitless and wasteful expenditure incurred	12 649	1 064
<b>Amounts to be recovered</b>	<b>286 475</b>	<b>273 826</b>
In the 2012/13 financial year, the entity settled the outstanding liabilities of R272 762 of the erstwhile KwaZulu-Natal Gambling Board. The liabilities related to amounts owing to the South African Revenue Services for previous financial years. The entity assumed responsibility for all outstanding liabilities of the previous entities. The availability of supporting documents is hindering the finalisation of the matter.		
The current matters relate to the late payment of amounts to suppliers and are under investigation. Pending the outcome of the investigation, the amounts will be recovered from the relevant officials.		
<b>32. Irregular expenditure</b>		
Irregular Expenditure - current year	2 559 215	-
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Current year	2 559 215	-

		2014 Restated*
		R
<b>Disciplinary steps taken/criminal proceedings</b>		
<b>Details of irregular expenditure – current year</b>		
Incident 1 - The entity appointed six employees in terms of section 25(1) of its Act without the remuneration, conditions of service, pension and retirement benefits being determined in terms of section 27(4) of the Act. The latter section requires the Board to consult with the responsible Member of the Executive Council to determine the remuneration, conditions of service, pension and retirement benefits of the Chief Executive Officer and members of staff of the entity.	Pending outcome of the investigation	1 712 015
Incident 2 - Fees paid to board members. The members resolved to be paid a meeting rate instead of an hourly rate for meetings which was not approved by the responsible MEC. The irregular expenditure has been estimated to be R847 200.	Matter under investigation	847 200
		<b>2 559 215</b>



## Notes to the Financial Statements for the year ended 31 March 2015

### 33. Budget differences

#### Material differences between budget and actual amounts

The excess of actual revenue collected versus the budget revenue can be attributed to increased applications received by the entity for licensing and registration. In addition to this the entity revised the fees charged in terms of the Act with effect from September 2013, the amendments had a positive effect on the revenue for the year.

- ♦ **Fees earned** - the entity received more applications for licensing and registration than anticipated which contributed positively to the revenue generated. In addition a casino operator expanded its operations which resulted in additional revenue.
- ♦ **Interest received** - the variance is the result of the entity not budgeting for the interest on the building investment (refer to note 10) which is regarded as an investment activity and not an operating activity. In addition the larger cash balances contributed to the budget being exceeded.
- ♦ **Personnel** - the entity underspent on compensation of employees due to unplanned resignations during the year. In addition, the filling of new positions took longer than expected which resulted in some savings being realised.
- ♦ **Goods and services** - Capacity constraints within the HR division had a major impact on the low levels of spending on training during the year. The under expenditure was also compounded by delays in the finalisation of investigations by the licensing division as a result of there being no Board from 21 January 2015 to 31 March 2015.
- ♦ **Capital expenditure** - the majority of the difference relates to the roll over of the additional allocation of R4,45 million for the purposes of improving the Business Process and IT systems of the entity. The entity committed R2,8 million of the special allocation for Phase 1 of the project, website design and document scanning projects. There were further delays encountered with the replacement of laptops and desktops which did not take place before year end.

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

The changes between the approved and final budget are a consequence of changes in the overall budget parameters.

The changes made to the approved budget were as follows:

- ♦ **Fees earned** was increased by R1,1 million for the additional applications received by licensing and registration as well as financial acquisitions. The entity continued to roll out initiatives which contributed positively to revenue generated. **Interest received** was increased by R464 000 in line with the larger cash balances held by the entity. **Transfers received** was increased by R4,45 million for the year, this amount was rolled over from the previous financial year for the Business Process & IT systems project. The funds were allocated for projects under general expenses and capital expenditure.
- ♦ **Compensation of employees** - during the second quarter the budget for compensation of employees was increased by R884 500 to accommodate the amendments made to the structure.
- ♦ **General expenses** were increased by R235 000 to cater for the increased expenditure associated with legal expenses, audit fees, computer expenses, electricity & water and general administrative expenses. A further allocation of R2,3 million was made from roll-over funds to cover the costs related to the Business Process & IT systems project.
- ♦ **Capital expenditure** the budget was increased by R2,3 million as a result of the Business Process & IT systems project to be used to develop the website and IT system development.

### 34. New standards and interpretations

#### 34.1 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 2015 or later periods:

#### 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.

## Notes to the Financial Statements for the year ended 31 March 2015

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 in 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 for years beginning on or after 01 April 2015.

The entity expects to adopt the standard for the first time in the 2015 financial statements.

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

### **GRAP 105: Transfers of functions between entities under common control**

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The entity expects to adopt the standard for the first time in the 2015 financial statements.

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

### **GRAP 106: Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement



## Notes to the Financial Statements for the year ended 31 March 2015

and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The entity expects to adopt the standard for the first time in the 2015 financial statements.

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

### GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The entity expects to adopt the standard for the first time in the 2015 financial statements.

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

### GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's 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 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);

## Notes to the Financial Statements for the year ended 31 March 2015

- 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 for years beginning on or after 01 April 2016.

The entity expects to adopt the standard for the first time in the 2016 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 financial statements.

### **IGRAP 11: Consolidation – Special purpose entities**

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development

activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.





## Notes to the Financial Statements for the year ended 31 March 2015

The entity expects to adopt the interpretation for the first time in the 2015 financial statements.

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

### **IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures**

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities (JCEs).

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- ♦ when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- ♦ how additional consideration should be accounted for by the venturer; and
- ♦ how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The entity expects to adopt the interpretation for the first time in the 2015 financial statements.

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

### **GRAP 8 (as revised 2010): Interests in Joint Ventures**

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The entity expects to adopt the amendment for the first time in the 2015 financial statements.

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

### **GRAP32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, 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 expects to adopt the standard for the first time when the Minister set the effective date for the standard.

# Notes to the Financial Statements

## for the year ended 31 March 2015

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

### **GRAP108: 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 expects to adopt the standard for the first time when the Minister set the effective date for the standard.

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

### **IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

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 set the effective date for the standard.

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

### **DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP**

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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

The entity expects to adopt the standard for the first time in the 2016 financial statements.

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



# NOTES









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