



# ANNUAL REPORT

2015/2016

# Contents

## **Part A:**

<b>GENERAL INFORMATION/GOVERNANCE</b>	<b>2</b>
a. Public Entity's General Information	2
b. List of Abbreviations/ Acronyms	2
1. Foreword by the Chairperson	4
2. Chief Executive Officer's Overview	6
3. Statement of Responsibility and confirmation of accuracy for the Annual Report	8
4. Strategic Overview	9
4.1. Vision	9
4.2. Mission	9
4.3. Values	9
5. Legislative and other Mandates	9

## **Part B:**

<b>PERFORMANCE INFORMATION</b>	<b>12</b>
1. Auditors Report: Predetermined Objectives	12
2. Overview of KZNGBB's Performance	12
2.1. Service Delivery Environment	12
2.2. Organisational Environment	18
2.3. Key Policy Developments and Legislative Changes	18
3. Strategic Outcome Oriented Goals	19
4. Performance Information by Programme	20

**Part C:**

<b>GOVERNANCE</b>	<b>60</b>
1. Introduction	60
2. The Board	60
3. Risk Management	63
4. Internal Audit	63
5. Oversight of the Internal Audit	63
6. Compliance with Laws and Regulations	64
7. Fraud and Corruption	64
8. Minimising Conflicts of Interests	65
9. Code of Conduct	65
10. Head: Governance, Risk and Compliance and Board Secretary	65
11. Corporate Social Responsibility	65
Audit Committee Report	68

**Part D:**

<b>HUMAN RESOURCE MANAGEMENT</b>	<b>70</b>
----------------------------------	-----------

**Part E:**

<b>FINANCIAL INFORMATION</b>	<b>74</b>
1. Report of the External Auditor	80
2. Annual Financial Statements	82

# General Information

## a. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	KWAZULU-NATAL GAMING AND BETTING BOARD
REGISTRATION NUMBER (if applicable):	N/A
PHYSICAL ADDRESS: (PIETERMARITZBURG)	GROUND FLOOR, NATALIA BUILDING 330 LANGALIBALELE STREET PIETERMARITZBURG 3201
PHYSICAL ADDRESS: (DURBAN)	3 NOLLSWORTH OFFICE PARK LA LUCIA RIDGE 4320
POSTAL ADDRESS: (PIETERMARITZBURG)	PRIVATE BAG X9102 PIETERMARITZBURG 3200
POSTAL ADDRESS: (DURBAN)	P.O. BOX 555 UMHLANGA ROCKS 4320
TELEPHONE NUMBER/S:	027 33 345-2714
FAX NUMBER:	027 33 342-7853
EMAIL ADDRESS:	enquiries@kzngbb.org.za
WEBSITE ADDRESS:	WWW.KZNGBB.ORG.ZA
EXTERNAL AUDITORS:	AUDITOR GENERAL: KZN
BANKERS:	ABSA BANK
BOARD SECRETARY:	MS S. SINGH

## b. LIST OF ABBREVIATIONS/ACRONYMS

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





# Foreword by the Chairperson

*Advocate B.S. Khuzwayo  
Chairperson*

*“The Board is focused on playing a balancing act and on offering possible solutions to the problems of irresponsible gambling, as well as reckless business operations.”*

I present the KwaZulu-Natal Gaming and Betting Board's Annual Report for the financial year ended 31 March 2016.

The Board's mandate is guided by the legislative prescripts and all functions and responsibilities are performed in accordance with these prescripts.

During the 2015/2016 financial year the Board witnessed different challenges, successes and experiences, however, it remains committed to bringing sound leadership and stability to the entity. Despite the challenging economic climate it operates in, the Board recorded another year of growth in revenue collection for the Provincial fiscus with a contribution of R569,874 million from gaming and betting tax revenue.

The Board considers responsible corporate governance to be integral to the success of the entity. Such could be attributed to the Board working through Board's committees. There are five (5) established Committees which cover the fields of Audit and Risk Management, Finance, Licensing and Registration, Monitoring and Compliance, Human Resources and Discipline. The Board believes that its long term success for the upcoming financial year must be pinned upon effective Statutory and Governance mechanisms.

The Board's core responsibility is to ensure that gambling activities are effectively regulated, licensed, controlled, policed and also to highlight the dangers of irresponsible gambling with consequences. The Board is focused on playing a balancing act and on offering possible solutions to the problems of irresponsible gambling, as well as reckless business operations.

Despite the current litigation on Electronic Bingo Terminals (EBTs), the Board is hopeful that the litigation will be resolved and enable the industry to achieve growth governed by a policy framework which takes all parties' interests into consideration. 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 to better employment and/or business opportunities and corresponding healthy growth to the Provincial Fiscus.

The Board's mandate is pinned on sound policies, which is why the Board is currently reviewing the approved National Gambling Policy prepared by the Department of Trade and Industry. There are legislative amendments whereby the Provincial Finance Portfolio Committee 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 honourable MEC and other stakeholders in order to improve the regulatory shortfalls in the current Provincial legislation. The Amendment Bill will be finally passed through Provincial Legislative processes.

About the Board staff issues, the Board is implementing an approved staff establishment and will be engaging on a skills audit and development project. It is pressing ahead with resolving office accommodation and related matters. In order to respond positively to some of its processing challenges, the Board is getting Information Communication Technology (ICT) systems modernised through the development of Business Process Re-engineering Project (BPR), which costs R6 million with implementation and support for a further R5 million over a three-year period. Phase 2 of the BPR would give vast improvements in the efficiency and periods for the processing of applications. The Applicants will be able to submit applications online. The tracking of progress in the processing of applications will be monitored by the system. Licensees will be kept up to date with regard to the progress of applications throughout the process. The controls over revenue collection will also be significantly enhanced.

I hereby acknowledge the sterling support and assistance of the MEC for Finance, Ms. B. F. Scott. Her commitment is

truly unwavering. One is also enjoying great assistance from the Provincial Treasury staff, as well as staff from the Board, and also cannot forget their support and commitment to the responsibilities of the Board. The Board staff are diligently executing their duties well, hence I say **"Ningadinwa nangomuso"**. I would be remiss if I were to fail to acknowledge the honourable Chairperson and members of the Finance Portfolio Committee for their keenness to help as well as their understanding and desire to ensure adherence to legislative prescripts.

To my fellow Board members, we are together in this and I value your selfless dedication, support and professionalism in all aspects of conducting the business of the Board. This TEAM is determined to play its role for the good of the industry and the Province. I salute you all.

In conclusion, the Board has delivered on its mandate and remains committed to bringing balance between protection of the public and growth to the industry through the legislation and services for which the Board is responsible.

The affairs of the Board are safe.



**ADVOCATE B. S. KHUZWAYO**

Chairperson

KwaZulu-Natal Gaming and Betting Board

Date: 29 July 2016





# Chief Executive Officer's Overview

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

*“One of the entity’s objectives include transforming the gaming and betting industry. Progress has been made in this area. As one of the interventions in support of transformation, new bookmaking rights were determined in an effort to bring new entrants into the industry and to support transformation (60% ownership to be held by historically disadvantaged persons)”*

I am delighted to present the financial and performance results for the KwaZulu-Natal Gaming and Betting Board for the period ending 31 March 2016. Looking back on the entity’s performance over the past financial year, the Board focused on a number of interventions, which are outlined in its strategic objectives. In executing its strategy, the Board was guided by its legislative mandate and policies and has, despite challenges, continued to execute its obligations. The entity reported an increase in collection of revenue for the provincial fiscus. Tax collection has grown on average by 9.20% since 2011/12 to 2015/16, with an increase from R401,154 million in 2011/12 to R569,874 million in 2015/16.

The KZNGBB regulates the gaming and betting industry. This includes the horseracing, casino, Bingo, Betting and Totalisators.

One of the entity’s objectives include transforming the gaming and betting industry. Progress has been made in this area and currently 39 out of 59 bookmaking businesses are owned by historically disadvantaged individuals. As one of the interventions in support of transformation, new bookmaking rights were determined in an effort to bring new entrants into the industry and to support transformation (60% ownership to be held by historically disadvantaged persons). In 2014, a RFP was issued for bookmaking rights and 23 rights were awarded to businesses where 60% ownership was to be held by historically disadvantaged individuals, three of which are already operational. These new bookmaking rights will provide a platform for job creation and employment opportunities. As we enter the new financial year, we hope to continue our efforts in relation to transformation, and will develop a transformation strategy, as well as roll out the Transformation Fund. The Transformation Fund’s terms of reference are aimed at improving access to the industry by providing bursaries for historically disadvantaged persons who wish to pursue a career in the horseracing industry.

The entity continues to apply good corporate governance practice and sound financial management. We have applied austerity measures with operations and have obtained a Clean Audit for the period 2015/2016. I am truly appreciative of the unwavering commitment by staff who have been working diligently to attain the Clean Audit. Expenditure on goods and services and capital items remains within budget.



major projects such as sourcing of accommodation and the second phase of the business process re-engineering also require funding. In line with its statutory duty to protect the interest of the public and regulate the industry, the entity conducted its non-compliance hearings, adjudicated on Betting Disputes and held public hearings. The entity's organisational structure was approved on 20 January 2016 and funded critical posts to assist the administration and programmes to support the growing operations have been filled. The entity also reviewed job descriptions, the Human Resources Policy and Human Resources Plan is being implemented. The entity is undergoing full automation of the licencing process which will further enhance service delivery.

Illegal gambling remains a serious threat to licensed operations and the rule of law of the province. The entity has an illegal gambling unit, which entrenches the entity's zero tolerance stance against illegal gambling. A task team incorporating KZN Liquor Authority and South African Police Services investigates and takes legal action against illegal gambling perpetrators. The unit destroyed several illegal machines over the past financial year. There are continued plans to enhance focus and develop a multi-action working group that can focus its efforts on curtailing illegal gambling operations in the province. There is also a whistle blowing help line that has assisted in identifying illegal operations.

Corporate Social Investment contributions by licensees are directed to, amongst others, job creation, corporate social investment and contribution to SMME development. With a total

investment of approximately R14 million over the past financial year in programmes or projects aimed at improving the lives of the communities that their businesses operate in. We would like to commend all licensees for their efforts in making a difference in the lives of the less fortunate. Protection of the public interest is paramount and as such the promotion of responsible gambling will remain at the forefront of communications and compliance campaigns and stakeholder engagements.

We consider it our key role as management to ensure good governance in order to support the Board's effective and transparent decision making. Continuous open engagement with our parent department is essential to service delivery. As CEO of the KZNGBB, I would like to express my appreciation to MEC: Finance: Ms. B. E. Scott and her team for their ongoing support, to the Chairperson, Adv. B.S. Khuzwayo, and all Board members for their steadfast leadership. I would also like to commend the Senior Management and staff of the KZNGBB for their commitment and tireless efforts.



**MS. P.N. BALOYI**

Chief Executive Officer

KwaZulu-Natal Gaming and Betting Board

Date: 29 July 2016

### **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 are consistent with the annual financial statements audited by the Auditor-General.

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

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

The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2016.

Yours faithfully



**CHIEF EXECUTIVE OFFICER**

**Ms. P.N. Baloyi**

Date: 29 July 2016



**CHAIRPERSON OF THE BOARD**

**Advocate B.S. Khuzwayo**

Date: 29 July 2016

## 4. STRATEGIC OVERVIEW

### 4.1.

## 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."

### 4.2.

## Mission:

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

### 4.3.

## Values:

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

## 5. LEGISLATIVE AND OTHER MANDATES

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

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

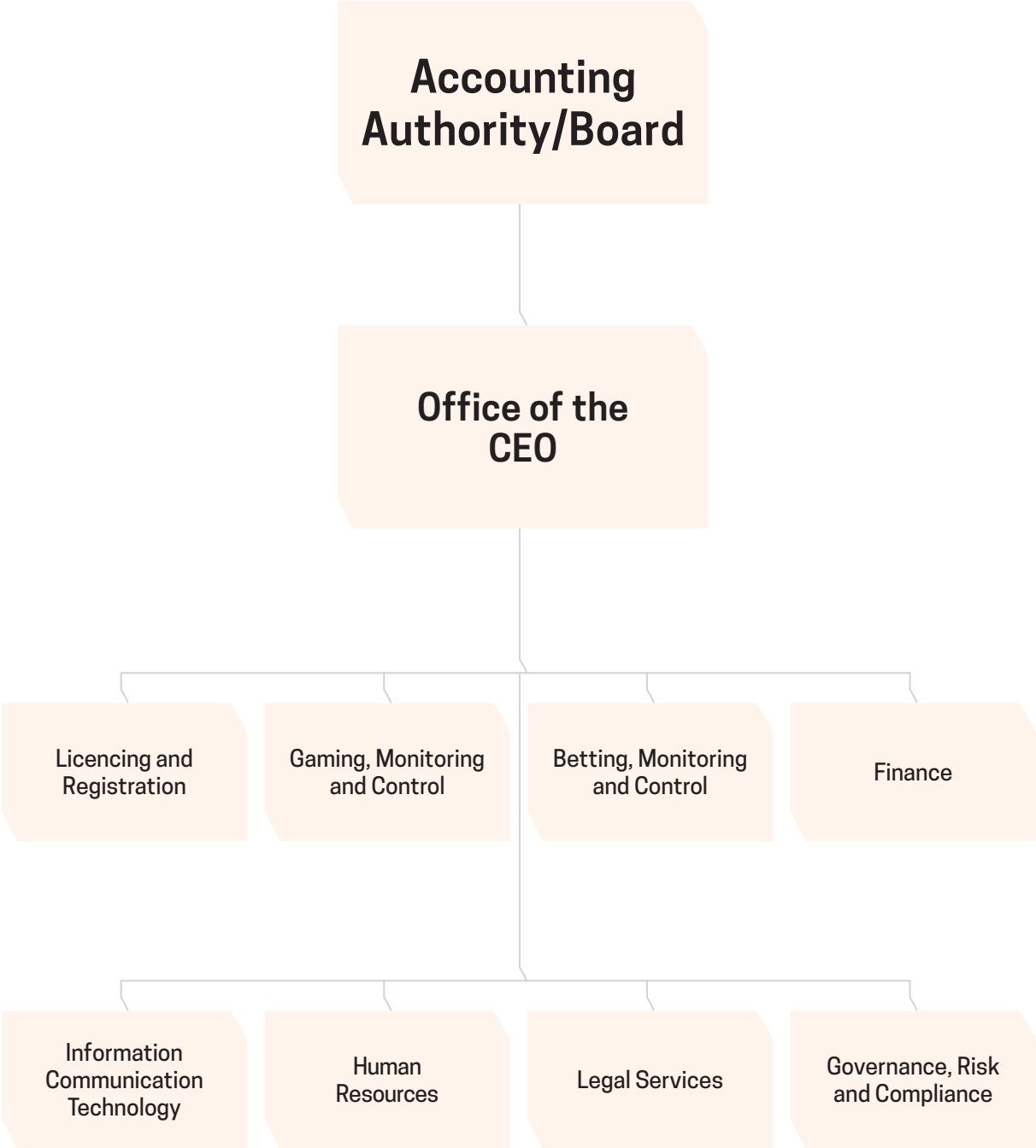
- develop appreciation for and knowledge of horse racing amongst all communities, particularly those comprised of historically disadvantaged persons; and
- limit restrictive practices, the abuse of dominant market position and mergers in the betting industry, as contemplated in the Competition Act, 1998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

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

The following Government Policy Frameworks are applicable to the Board:

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

PROPOSED AS AT 19<sup>TH</sup> AUGUST 2015



## 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

# 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 78 of the Report of the Auditors Report, published as Part E: Financial Information.

## 2. OVERVIEW OF KZNGBB'S PERFORMANCE

### 2.1. SERVICE DELIVERY ENVIRONMENT

During the 2015/16 financial year, the Board continued to fulfil its obligations through the Act (the KZN Gaming and Betting Act, 2010) and has continued to follow the National Gambling Policy objectives and support the development of a gambling industry which promotes tourism, employment and economic and social development in the province as it implements policy objectives:

- The protection of society from the over stimulation of latent gambling through limitation of gambling opportunities.
- The protection of players and integrity and fairness of the industry through the strict control and supervision of the

industry through our Gaming Monitoring and Control Unit and the Betting Monitoring and Control Unit.

- The uniformity and harmonisation of policy and legislation at all levels of government and across provinces through minimum norms and standards, co-operation and co-ordination.
- The generation of revenue and taxes for Provincial Government for good causes.
- The Board ensures the industry contributes to economic growth and SMME development through the establishment and monitoring of licence conditions.
- The promotion of economic growth, development and employment through the roll out of new gambling initiatives.
- The Board has assessed compliance of new incumbents into the industry in respect of BBBEE.

The Board's objectives are underpinned by statute. These include revenue collection, economic transformation and protection of the public. Since the legalization of gambling in 1996, the gambling industry in KwaZulu-Natal has grown substantially despite the slower growing economic growth rate.

With unemployment continuing to be unacceptably high, the continued negative projections in the economic growth and low disposable income availability, no further growth initiatives were undertaken in the financial year under review. The roll out of existing initiatives is aimed at supporting SMME development and job creation in the communities in which the licensed operators are located. A focal point for the Board has been to ensure criteria exist for the industry which will ensure that the industry contributes to programmes that create sustainable access to the economy for the industry and the communities in which the industry operates. This is achieved through licensee contributions to Corporate Social Investment, SMME development and job creation in the communities in which the licensed operators are located.





## PART B: Performance Information...continued

The KZNGBB set its predetermined objectives and achieved its deliverables and budget expectations, as well as contributes to the Provincial Growth and Development Plan's goals as follows:

- 1. Revenue collection** - The Board collected and verified fees and taxes payable under the KZN Gaming and Betting Tax Act to the Province. There has been an overall increase in gross gaming revenue, which contributes to the fiscus of the Province.
- 2. Job creation** - The KZNGBB promotes and encourages job creation. As at 31 March 2016, the industry has 4757 employees registered by the Board through direct employment by the various licence categories.
- 3. Transformation** - In 2014, new bookmaking rights were determined in an effort to bring new entrants into the industry and to support transformation (60% ownership to be held by historically disadvantaged persons).
- 4. Socio-economic development** - The Board imposes licence conditions (in terms of Section 53 of the National Gambling Act) which require commitments from licensees that promote community development and socio-economic development.
- 5. Protection of the public** - The Board participated in planned initiatives to reduce instances of illegal gambling, thereby contributing to the eradication of fraud and corruption within the gambling industry.
- 6. Regulation of the gambling industry** - The Board has continued to ensure compliance by the gambling industry thereby limiting potential negative impact on society and promoting the integrity of the gambling industry through the following activities: compliance and monitoring audits; gaming operation inspections; FIC audits, certification of LPM and Bingo sites and gaming equipment; processing and evaluation of operational change request from licensees; adjudication of Section 87 and betting disputes between licensees and bettors; investigation and processing of application; facilitation of public hearing in respect of licence applications received; imposition of licence conditions in relations to BEE, addictive and compulsive gambling, socio-economic development and employment on approved licences; and contributions to legislative amendments (KwaZulu-Natal Gaming and Betting Amendment Bill)

The Board has over the past financial reporting period, reviewed

its strategy and policies, with specific focus on initiatives such as reviewing business processes to streamline operational processes to enhance service delivery to stakeholders, and improvements to financial controls and the reporting of financial and performance information. The Board has continued to fulfil its mandate through its strategic objectives and the 2015/16 financial year ended with 84% of its planned performance targets being achieved. The Board received a Clean Audit opinion for the 2015/16 financial period.

### OPERATIONS OVERVIEW

The Board approved appropriate delegations in terms of Section 22 of the KZN Gaming and Betting Act which resulted in reduced turn-around times and contributed to improved service delivery. Regulation of the industry continues and all outstanding betting disputes and Section 87 hearings have been facilitated by the Board. The challenge of operating from two separate offices still exists however; the procurement process is underway to secure suitable office accommodation for the entity.

The KZNGBB continued to ensure the suitability of all applicants through conducting probity investigations and the processing of renewal of licences and registration certificates. There has been an increase in the number of applications being processed by the Board due to the increase in gaming operations.

As illegal gambling continues to be a threat to licensed gambling operations in the province, the Board strives to limit the negative impact on society through the eradication of illegal gambling and promoting investigation of all reported cases of fraud and corruption within the industry.

### OPERATIONS - LICENSING AND REGISTRATION UNIT

This unit 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 two sub-programmes 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 pay-out machines, bookmakers, totalisators, tote agents, manufacturers, suppliers, maintenance operators and the employees of these licensees.

## INDUSTRY STATISTICS: LICENSEES

Sector	Total
Casinos	5
Bingo Halls	22
Route Operators	4
Site Operators	472
Bookmaking Rights	106
Totalisators	2
Racecourse Operators	2
Holders of Certificate of Suitability	6
National Manufacturer Licence	1
Provincial Certificate of Registration as Manufacturer	1

## OPERATIONS – GAMING MONITORING AND CONTROL UNIT

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 applied to the gambling industry.

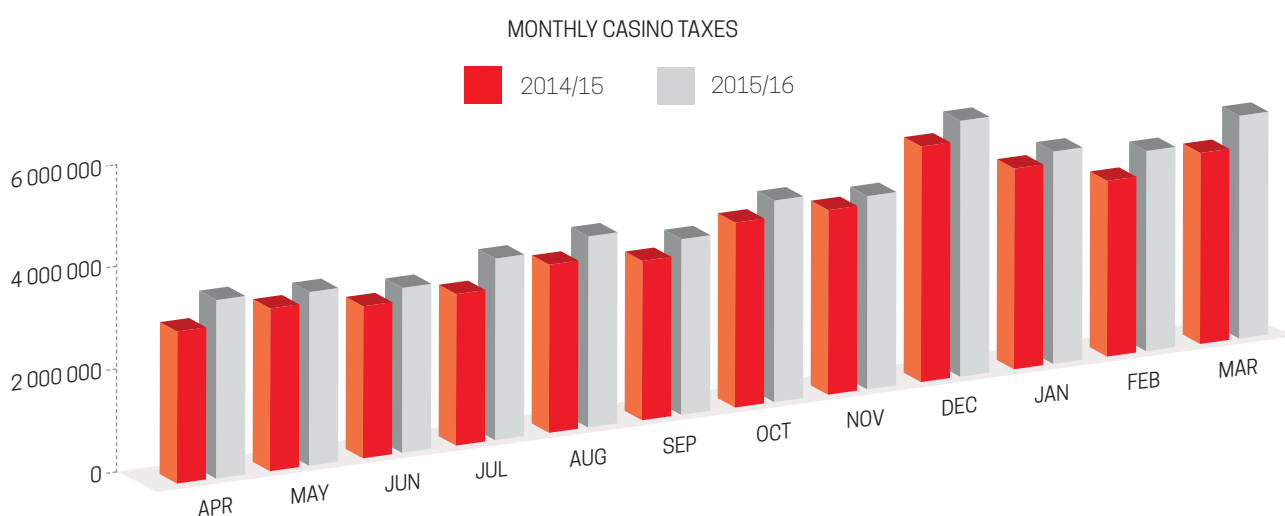
The unit supports the Board in its achievement of the extensive mandate set out in Section 7 of the Act which is essentially to regulate and control gambling activities in the province. Regulation entails that all matters connected with casino, limited payout machines, bingo, and gaming machines activities must be monitored by the Board through its employees. In addition, the unit assists the Board with investigations into improper conduct on the part of licenced persons.

## GAMING MACHINES AND TABLE STATISTICS

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

## CASINOS - TOTAL GAMBLING TAX COLLECTED 2014/15 VERSUS 2015/16

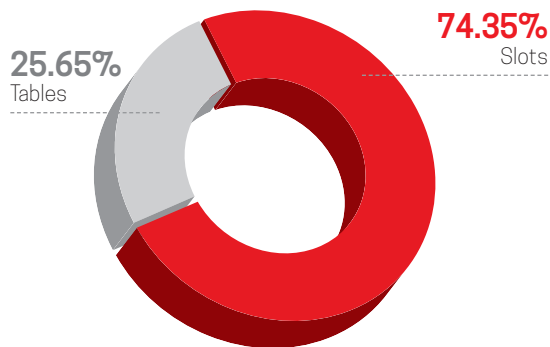
The casino sector remains a major source of Government revenue through its contribution to taxes. The industry is still growing, with a slight growth in the year on year revenues. Such growth is attributable to several factors. The first being the growth in operations and introduction of new gaming technologies which allows for more game time by players on slots machines; the introduction of additional side bets on certain tables games which make the standard games of blackjack, roulette and poker much more attractive in that patrons can now win on additional side bets; and the upgrading of gaming products to the latest versions and models. The annual casino tax increased by an amount of R29,658 million or 7.86% from R377,445 million in 2014/15 to R407,103 million in 2015/16.



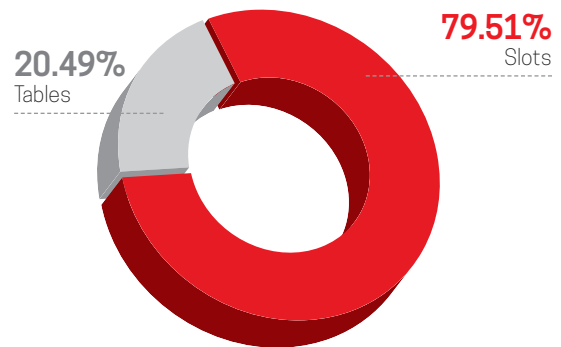
## PART B: Performance Information...continued

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

CASINO REVENUE MIX FOR 2014 / 15



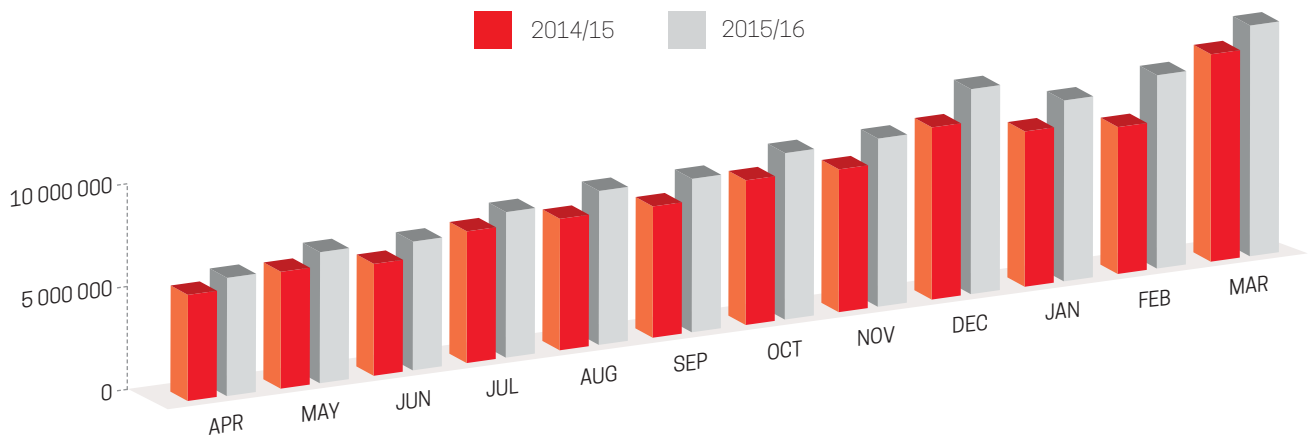
CASINO REVENUE MIX FOR 2015 / 16



### ROUTE OPERATOR (LIMITED PAY-OUT MACHINES ("LPMS")) - TOTAL GAMBLING TAX COLLECTED 2014/15 VERSUS 2015/16

The annual Route Operator tax increased by an amount of R9,978 million or 14.12% from R70,677 million in 2014/15 to R80,655 million in 2015/16.

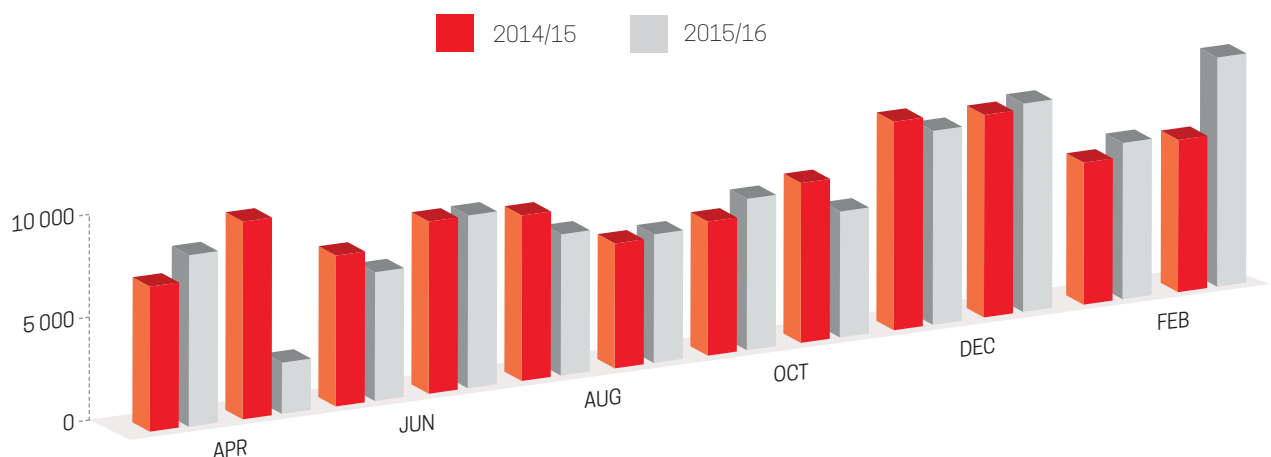
MONTHLY ROUTE OPERATOR ("LPMS") TAXES



### BINGO - TOTAL GAMBLING TAX COLLECTED 2014/15 VERSUS 2015/16

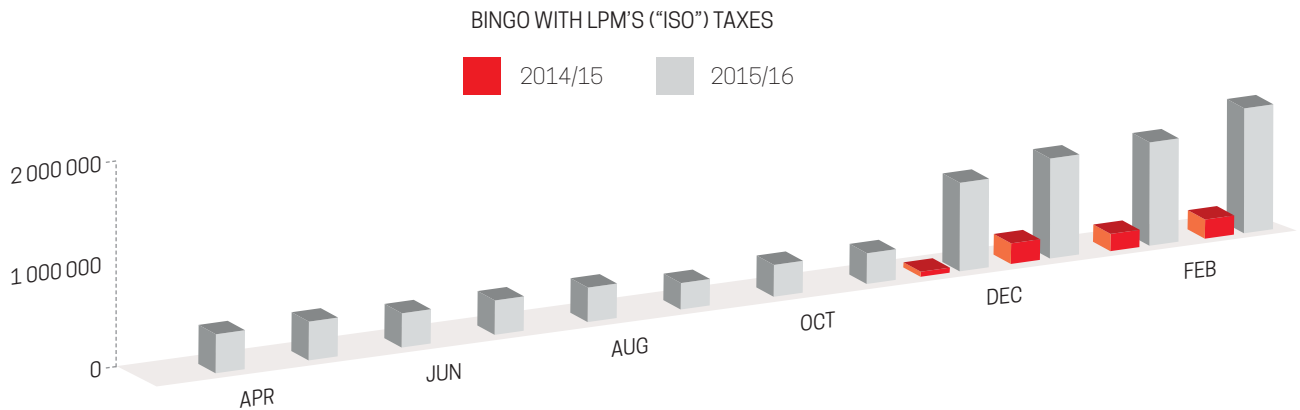
The annual Bingo tax decreased by an amount of R4 799 or 5.36% from R89 468 in 2014/15 to R84 668 in 2015/16.

MONTHLY BINGO TAXES



## BINGO OPERATING LPMs (“ISO”) - TOTAL GAMBLING TAX COLLECTED 2014/15 VERSUS 2015/16.

The annual Bingo operating LPMs (“ISO”) Operator tax increased by an amount of R2,741 million or 632.26% from R433 485 in 2014/15 to R3,174 million in 2015/16. This is as a result of the operation of an additional four sites opening during the financial year.



## OPERATIONS – BETTING MONITORING AND CONTROL UNIT

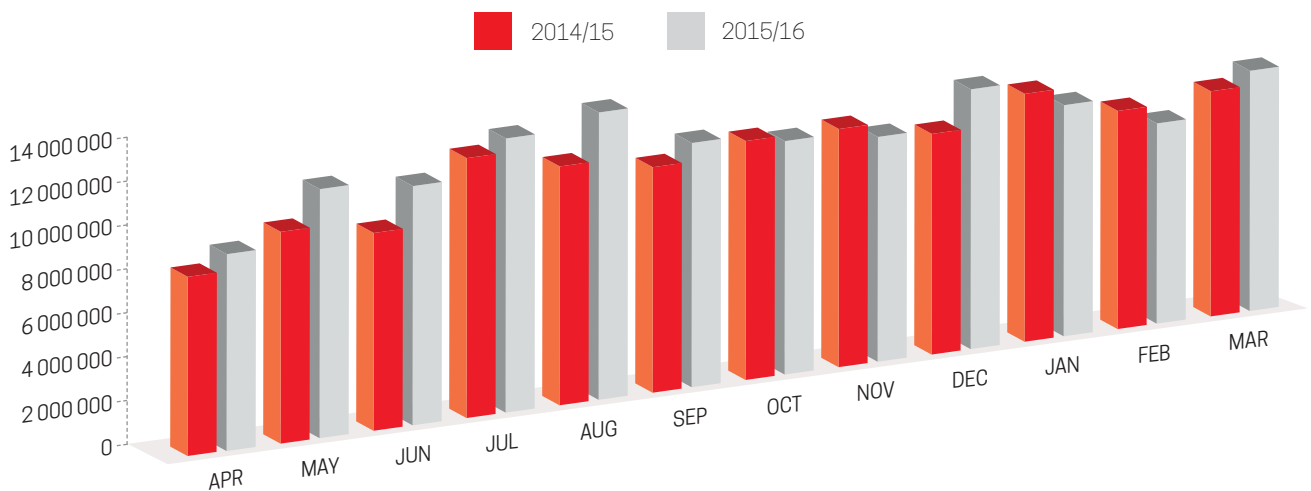
This unit, like the Gaming Monitoring and Control Unit, supports the Board in its achievement of the extensive mandate set out in Section 7 of the Act and monitors all matters connected with bookmaking, racecourse operators and totalisator betting activities. In addition, the unit assists the Board with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

The unit has participated in a number of illegal gambling inspections in conjunction with other licensing authorities and the South African Police Services during the period under

review. Reports of illegal gambling received by the Board or through the Whistle-blower Hotline are reported to SAPS for further investigation.

Illegal Gambling Statistics	Total
Number of illegal gambling inspections conducted in conjunction with:	
Other Licensing Authorities	21
South African Police Services	7
Number of positive raids for the period under review	3
Number of illegal gambling machines confiscated by the South African Police Services	7

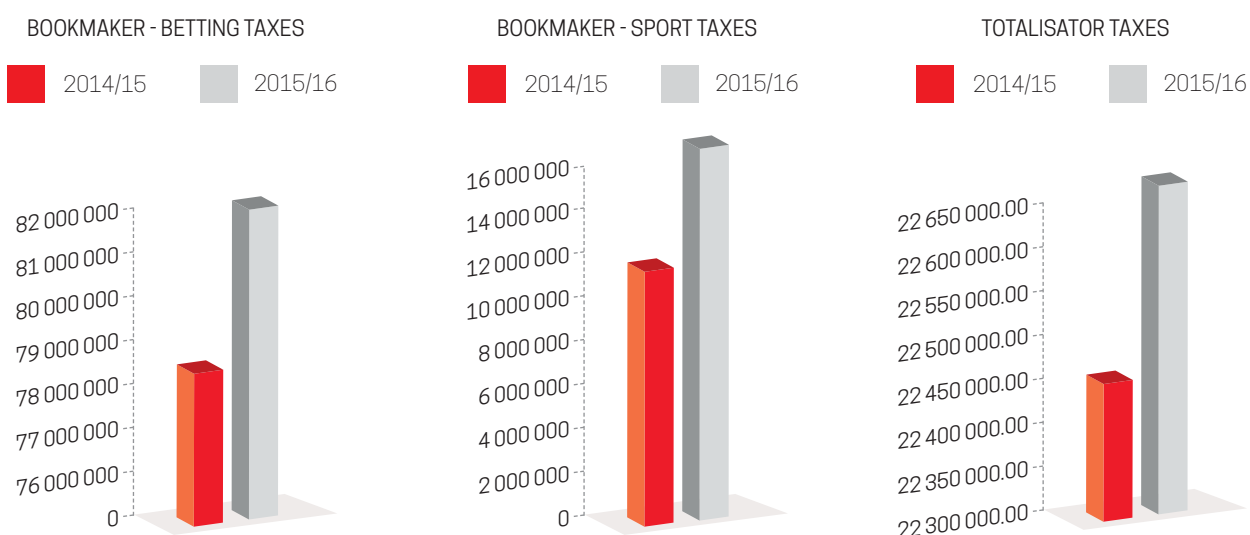
## TAXES - BOOKMAKERS AND TOTALISATORS



## PART B: Performance Information...continued

The breakdown of betting taxes paid is as follows: Bookmaker betting taxes, R81,809 million; Bookmaker sport taxes, R15,317 million; and Totalisator betting taxes, R22,635 million. There was an increase across all three betting sectors, with Sports taxes showing the highest percentage growth of 51%.

From the R81,809 million in taxes generated by Bookmakers on Horseracing, an amount of R40,905 million was distributed to Gold Circle by the Board in terms of Section D1 of the Gaming and Betting Tax Act.



## 2.2. ORGANISATIONAL ENVIRONMENT

After the new Board was appointed, its focus was on stabilising the entity. Priorities were identified, one of which was the review of the organisational structure of the entity to meet the changing operational demands. The current organisational structure has vacant posts, however in keeping in line with cost cutting measures by Provincial Treasury, (Treasury Circular No PT10 of 2016-17) these positions will only be filled upon obtaining the necessary approvals. The Board has maintained the National Government's focus in respect of austerity measures and in accordance with Treasury's directives, has implemented, and will continue to implement cost-cutting measures in its planning and daily operations.

- Vacant posts frozen and critical posts that have become vacant through natural attrition are motivated in line with Provincial Treasury Circular No PT (10) of 2016-17.
- Assessment of entity personnel and skills audit is planned as part of the strategic review process.
- Catering and event costs - no events are hosted by the entity.
- Travel related costs and S&T are in line with Treasury's circular.

- Advertising – all costs for notices are recoverable from applicants and no marketing adverts are placed by the entity.

## HUMAN RESOURCE MATTERS

During the period under review, several HR initiatives were not undertaken due to capacity constraints within the HR unit. The HR Manager position was vacant for an extended period which resulted in insufficient HR support to the entity. The HR Manager position was filled in June 2015. The organisational structure that was approved by the responsible MEC allows for two additional HR Practitioner posts to support the implementation of the HRD Plan going forward. Only one of the positions has been approved by the MEC to be filled at this time. HR initiatives had to be prioritised and a review of HR policies and Conditions of Service and job descriptions were undertaken.

## 2.3. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

- Amendments to the KZN Gaming and Betting Bill were prepared and submitted to the Office of the MEC of Finance.

- The Board developed Betting Rules in terms of Section 7(2) (e) of the KZN Gaming and Betting Act, which were published for public consultation as required by PAJA. Comments received have been considered and the finalisation of the Betting Rules is in progress.
- Following a stakeholder consultation process, it was necessary to make certain amendments to the Board's Gaming Rules. The amended Gaming Rules have been published for public consultation as required by PAJA.

### 3. 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 outcome oriented goals of the Board were identified:

Strategic Outcome Oriented Goal	Goal Statement	Progress towards Achievement of Goals
<b>1. Execution of the statutory mandate</b>	To ensure the Board executes its statutory mandate through the regulation of all forms of gambling thereby collective revenue for the Province and promoting the integrity of the gambling industry.	The Board has continued to promote accountability and regulatory compliance in accordance with legislation through the achievement of planned objectives, targets and initiatives as outlined in the Board's Strategic Plan and Annual Performance Plan.
<b>2. Revenue collection</b>	To ensure all fees and taxes payable under the KZN Gaming and Betting Tax Act are verified and paid timeously to the province.	The Board has ensured compliance of the KZN Gaming and Betting Tax Act by the gambling industry through validation of taxes and payment of taxes to the Provincial Revenue Fund and Racecourse Operator.
<b>3. "Grow and Protect"</b>	To develop a growing gambling industry that promotes employment and which does not cause harm to the public.	The Board has implemented the roll out of gambling initiatives which increases economic growth, spatial economic development and tourism within the province; and has implemented awareness initiatives in respect of illegal and responsible gambling.
<b>4. Industry Transformation</b>	To promote Black Economic Empowerment through the participation and ownership of historically disadvantaged persons in the horse racing and betting industry.	The Board has continued to promote BEE with the participation and ownership of historically disadvantaged persons in the Horseracing and Betting sector through the roll out of the additional determined bookmaking rights.
<b>5. Socio-Economic Development</b>	To ensure that the gambling industry promotes tourism and economic and social development in the Province.	The Board monitors job creation, economic growth, corporate social investment and social development initiatives by licensees and licence conditions are developed for licensees to support the Board's socio-economic development goal.
<b>6. Institutional Alignment and Development</b>	To maintain a culture of high performance through the provision of an enhanced working environment.	This is achieved through the provision of support by the Administration Programme (Office of the CEO, HR, Governance, Risk and Compliance, Legal Services and Communications); Finance and ICT Programmes.

## 4. PERFORMANCE INFORMATION BY PROGRAMME

### 4.1 DESCRIPTION OF PROGRAMME 1: ADMINISTRATION

PROGRAMME 1: ADMINISTRATION	
<b>Purpose</b>	The main purpose of the Administration Programme is to provide administrative support to the KZNGBB and it incorporates support functions of the entity. The support functions within this Programme include the following Sub-Programmes: 1.1 Office of the CEO 1.2 Governance, Risk and Compliance 1.3 Legal Services 1.4 Human Resources 1.5 Communications The strategic objective of the Administration Programme is to provide strategic management through the Office of the CEO and various support functions to the KZNGBB through five sub-programmes.
4.1.1 PROGRAMME 1.1: OFFICE OF THE CEO	
<b>Purpose</b>	To provide leadership, oversight of operations, co-ordination of projects and strategic support to Board and Management.

PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 1.1.1: Provide leadership, support, oversight, co-ordination and strategic management of the Board's operations.</b>						
1.1.1.1	Compliance with Treasury Regulation 30.1.1 - Proposed Strategic Plan submitted within prescribed timeframe.	Not applicable – not included in 2014/15 APP	Proposed Strategic Plan submitted to the Executive Authority at least six months before the start of the financial year in accordance with Treasury Regulation 30.1.1.	Proposed 2016/17 Strategic Plan submitted to the Executive Authority in accordance with Treasury Regulation 30.1.1.	Not applicable.	Not applicable.
1.1.1.2	Compliance with Treasury Regulation 30.1.2 - Final Strategic Plan submitted.	Strategic Plan for 2015 - 2020 submitted to Executive Authority before 1 April 2015.	Produce and submit Final Strategic Plan in accordance with Treasury Regulation 30.1.2.	Final 2016/17 Strategic Plan produced and submitted in accordance with Treasury Regulation 30.1.2.	Not applicable.	Not applicable.
1.1.1.3	Annual Performance Plan submitted to the Executive Authority within prescribed timeframe.	Annual Performance Plan for 2015/16 submitted to Executive Authority before 1 April 2015.	Produce and submit APP to Executive Authority by no later than 1 April each year.	Annual Performance Plan produced and submitted to Executive Authority within prescribed timeframe.	Not applicable.	Not applicable.
1.1.1.4	Number of quarterly performance reports to Board and Audit or Management Committee.	4 Quarterly performance reports were prepared and submitted to Executive Authority and KZN Treasury, Board and Audit Committee within prescribed timeframes.	Produce and submit 4 Quarterly performance reports to the Board and Audit or Management Committee.	4 Quarterly Performance Reports produced and submitted: Q4 2014/15 Q1; Q2 and Q3 for 2015/16.	Not applicable.	Not applicable.



PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 1.1.1: Provide leadership, support, oversight, co-ordination and strategic management of the Board's operations ...continued</b>						
1.1.1.5	Compliance with Treasury Regulations 30.2.1 and Regulation 3 of the KZN Gaming and Betting Regulations.	4 Quarterly performance reports were prepared and submitted to Executive Authority and KZN Treasury, Board and Audit Committee within prescribed timeframes.	Produce and submit 4 Quarterly performance reports to the Executive Authority in terms of Treasury Regulation 30.2.1 and Portfolio Committee in terms of Regulation 3 of the KZN Gaming and Betting Regulations.	4 Quarterly performance reports and 4 Regulation 3 Reports prepared and submitted in compliance with Treasury Regulations 30.2.1 and Regulation 3 of the KZN Gaming and Betting Regulations.	Not applicable.	Not applicable.
1.1.1.6	Number of signed management performance contracts, bi-annual performance reviews and monthly management meetings.	Performance contracts in place and performance reviews undertaken with management.	Manage and monitor programmes' performance through signed performance contracts, bi-annual performance reviews between CEO and Management and monthly management meetings.	9 Signed performance contracts for senior management; 9 bi-annual performance reviews undertaken; and 12 monthly management meetings held.	Not applicable.	Not applicable.
1.1.1.7	Percentage of successfully completed Board project activities as per Board Project Plan.	71% of accumulative project activity targets were attained as per Board Project Plan as at 31 March 2015.	70% of planned Board project activities (as per Project Plan) successfully completed.	65% of planned Board project activities successfully completed during the period.	5% shortfall in achievement of target.	Backlogs and operational priorities resulted in the partial achievement of Q1 target.
<b>Strategic Objective 1.1.2: Provide administrative and financial management to the Board.</b>						
1.1.2.1	Percentage achievement in respect of performance achievements against planned performance targets.	Not applicable – not included in 2014/15 APP	80% overall entity achievement against planned performance targets.	84% entity achievement against planned performance targets during Q3 and Q4.	New performance measure and target implemented for last two quarters.	Percentage achievement in respect of Q3 and Q4 performance results.
1.1.2.2	Percentage of regulatory fora attended by CEO.	Attended 4 CEO Forum meetings, 1 NGRF meeting and 1 National Policy Council meeting.	75% attendance at CEO fora.	91% attendance at CEO / regulatory fora.	16% above target in respect of attendance at CEO / regulatory fora.	Minimal declinations to scheduled fora meetings resulted in a higher percentage attendance during the period.

## PART B: Performance Information...continued

### Synopsis on Achievements

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

- Ensured rolling out of new bookmaking rights to enhance revenue collection for the Province thereby contributing to socio-economic development within KZN.
- Ensured compliance with the PFMA through accurate and timely reporting to the MEC of Finance, Portfolio Committee and Provincial Treasury.
- 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.
- Embarked on developing an organisation wide approach to understanding and committing to performance management.
- Implementing Board's authorized delegations of Authority to improve service delivery and turnaround times.

<b>4.1.2 SUB-PROGRAMME 1.2 – GOVERNANCE RISK AND COMPLIANCE</b>						
<b>Purpose</b>	To implement governance, risk and compliance programmes to ensure that the entity continues to operate within the boundaries of relevant legislation and regulation and governance best practice.					
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 1.2.1: Provide guidance to the Board on their responsibilities, duties, powers and good governance.</b>						
1.2.1.1	Percentage of Board and Committee Charters reviewed within prescribed timeframe.	Board and Committee Charters reviewed by 31 December 2014 but awaiting Board approval.	100% of Board and Committee Charters reviewed and updated by 31 December 2015.	100% of 8 Board and Committee Charters updated and reviewed by 31 December 2015.	Not applicable.	Not applicable.
1.2.1.2	Number of Board induction/ training sessions or briefing reports per annum.	Not applicable – not included in 2014/15 APP.	Co-ordinate 8 Board induction/ training sessions and briefing reports for Board.	Induction session; strategic planning session; and 12 briefing reports co-ordinated for the Board during the period.	6 briefing reports above target.	The number of Briefing Notes and memoranda was significantly higher than normal due to the ongoing litigation against the Board as well as developments with regard to BEE and other policy matters at a National level.
<b>Strategic Objective 1.2.2: Ensure Board's compliance with governance best practice.</b>						
1.2.2.1	Governance Strategy developed and approved within prescribed timeframe.	Not applicable – Not included in 2014/15 APP.	Governance Strategy developed and approved by 30 September 2015.	Governance Strategy developed and approved by Manco on 17 September 2015.	Not applicable.	Not applicable.

#### 4.1.2 SUB-PROGRAMME 1.2 – GOVERNANCE RISK AND COMPLIANCE ...continued

<b>Purpose</b>						
To implement governance, risk and compliance programmes to ensure that the entity continues to operate within the boundaries of relevant legislation and regulation and governance best practice.						
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 1.2.2: Ensure Board's compliance with governance best practice. ...continued</b>						
1.2.2.2	Percentage of Board governance policies reviewed and updated within prescribed timeframe.	Governance policies reviewed and recommendations to Board prepared by 30 September 2014.	100% of Governance polices reviewed and updated for recommendation by 31 December 2015.	100% Achieved 5/5 Governance policies reviewed, updated and submitted for approval to necessary structures: Board Code of Ethical Conduct, Risk Management Policy, Board Remuneration Policy, ICT Policy and SCM Policies. In addition, Board Remuneration Policy was reviewed by MEC and implemented	Not applicable.	Not applicable.
1.2.2.3	Number of governance assessment reports per annum.	Not applicable – Not included in 2014/15 APP.	2 Governance Assessment Reports to Board per annum.	2 Governance Reports to Board/Committee:  1 Governance GAP analysis submitted to SET Committee on 26 August 2015 and 1 Governance Assessment Report to Manco on 25 February 2016.	Annual target achieved, however Quarter 1 target delayed and achieved in Quarter 2.	The Board was appointed in May and the first SET Committee meeting was held in August 2015.  Quarter 4 report produced for Manco and not Board.
1.2.2.4	Percentage of updated Resolution Registers for every Board and Board Committee meeting held within prescribed timeframe.	Board and Board Committee Meetings and workshops co-ordinated in accordance with Board Calendar and record of Minutes of Meetings maintained. Board Resolutions' Register updated after each Board meeting.	100% record of updated Resolutions registers within one month of approval of minutes for every Board and or Committee meeting held.	100% of resolutions registers updated for every Board and Board Committee meeting held within prescribed timeframe.	Not applicable.	Not applicable.
<b>Strategic Objective 1.2.3: Management of enterprise risk in line with relevant legislation.</b>						
1.2.3.1	Number of Annual Enterprise Risk Assessment Reports within prescribed timeframe.	Annual strategic risk assessment undertaken and conducted in November 2014.	Annual Risk Assessment undertaken by 30 September 2015.	Annual Enterprise Risk Assessment undertaken on 10 September 2015 and report tabled at Board on 22 September 2015.	Not applicable.	Not applicable.
1.2.3.2	Reviewed Enterprise Risk Management Policy, process and plan within prescribed timeframe.	Not applicable – Not included in 2014/15 APP.	Annual review of ERM policy, processes and plan by 31 December 2015.	Enterprise Risk Management Framework and Risk Management and Support Plan reviewed and submitted to Manco on 10 December 2015.	Not applicable.	Not applicable.

## PART B: Performance Information...continued

4.1.2 SUB-PROGRAMME 1.2 – GOVERNANCE RISK AND COMPLIANCE ...continued						
Purpose		To implement governance, risk and compliance programmes to ensure that the entity continues to operate within the boundaries of relevant legislation and regulation and governance best practice.				
PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 1.2.4: Management of enterprise compliance in line with relevant legislation.</b>						
1.2.4.1	Compliance Framework developed and presented within prescribed timeframe.	Not applicable – not included in 2014/15 APP.	Compliance Framework developed and presented to Manco by 31 March 2016.	Compliance Framework including Policy and Procedures developed and presented to Manco on 31 March 2016.	Not applicable.	Not applicable.
1.2.4.2	Compliance Plan developed within prescribed timeframe.	Not applicable – not included in 2014/15 APP.	Compliance Plan developed by 31 March 2016.	Compliance Plan and Focus Area Schedule produced and submitted to Manco on 31 March 2016.	Not applicable.	Not applicable.

### Synopsis on Achievements

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

- The annual review of Board and Committee Charters and Governance policies.
- Provision of secretariat functions performed in accordance with good governance practices.
- Strategic risk assessment undertaken and Compliance Framework and Plan developed.

4.1.3 SUB-PROGRAMME 1.3 LEGAL SERVICES ...continued						
Purpose		To provide legal guidance and support to all components of the organisation and manage legal risks; to ensure that the Board's regulation of the gambling industry in the province complies with and conforms to legislation and regulatory requirements; and to develop processes to achieve effective and compliant regulation of gambling.				
PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 1.3.1: Provide legal and related advice to the Board.</b>						
1.3.1.1	Percentage of Internal memoranda of advice furnished to Divisions within prescribed timeframe.	100% of 34 internal memoranda of advice furnished to Divisions within prescribed timeframe.	100% of internal memoranda of advice furnished to Divisions within 21 working days of receipt of request for advice.	100% Achieved. 38 requests for internal opinions received and 38 legal opinions (memorandum of advice) furnished within prescribed timeframe.	Not applicable.	Not applicable.

#### 4.1.3 SUB-PROGRAMME 1.3 LEGAL SERVICES ...continued

PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Purpose</b>						
To provide legal guidance and support to all components of the organisation and manage legal risks; to ensure that the Board's regulation of the gambling industry in the province complies with and conforms to legislation and regulatory requirements; and to develop processes to achieve effective and compliant regulation of gambling.						
<b>Strategic Objective 1.3.1: Provide legal and related advice to the Board. ...continued</b>						
1.3.1.2	Percentage of Board or CEO instructions to obtain external legal opinions processed within prescribed timeframe.	100% of 3 requests for external advice were processed within prescribed timeframe.	100% of Board or CEO instructions to obtain external legal opinions processed within 7 working days of receipt of instruction.	Not applicable.	Not applicable.	No instructions for external legal opinions received during the period.
1.3.1.3	Percentage of Legal Status Reports prepared for formal Board meetings.	10 Monthly reports prepared for Board on status of litigation matters.	Legal Status Reports prepared for 100% of formal Board meetings.	100% Achieved. 10 monthly Legal reports submitted for 100% of formal Board meetings held.	Not applicable.	Not applicable.
<b>Strategic Objective 1.3.2: Ensure effective Board regulation of the industry.</b>						
1.3.2.1	Percentage of charge sheets issued within prescribed timeframe.	79% of charge sheets were issued and dates set for Section 87 Enquiries within prescribed timeframe. 19 charge sheets prepared.	100% of charge sheets issued within 1 month of initiation.	100% Achieved. 13 charge sheets prepared and issued within prescribed timeframe.	Not applicable.	Not applicable.
1.3.2.2	Percentage of outcomes of Section 87 Enquiries communicated to Division within prescribed timeframe.	100% of outcomes of the 11 Section 87 Enquiries conducted against licensees were communicated within prescribed timeframe.	100% of outcomes of Section 87 Hearings communicated to Division within 21 working days of Board ruling.	100% Achieved 11 outcomes of Section 87 Hearings communicated to Divisions within prescribed timeframe.	Not applicable.	Not applicable.
1.3.2.3	Percentage of submissions on amendments to regulations, the relevant act and rules drafted and forwarded to Gaming and Betting Directorate 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.	100% of submissions on amendments to regulations, the relevant act and rules drafted and forwarded to Gaming and Betting Directorate within prescribed timeframes.	100% Achieved. 1 submission on KZN Amendment Bill was drafted and submitted within prescribed timeframe.	Not applicable.	Not applicable.

## PART B: Performance Information...continued

4.1.3 SUB-PROGRAMME 1.3 LEGAL SERVICES...continued						
Purpose		To provide legal guidance and support to all components of the organisation and manage legal risks; to ensure that the Board's regulation of the gambling industry in the province complies with and conforms to legislation and regulatory requirements; and to develop processes to achieve effective and compliant regulation of gambling.				
PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 1.3.2: Ensure effective Board regulation of the industry...continued</b>						
1.3.2.4	Percentage of Licence conditions reviewed and/ or drafted within prescribed timeframes.	100% of 42 requests to review/ draft licence conditions were undertaken within the prescribed timeframes.	100% of requests to review or draft licence conditions undertaken within 21 working days of request from Division.	100% Achieved. 24 out of 24 requests to review or draft licence conditions undertaken within prescribed timeframe.	Not applicable.	Not applicable.
<b>Strategic Objective 1.3.3: Management of Board Contracts.</b>						
1.3.3.1	Updated Contracts' Register and record of contracts reviewed bi-annually.	Not applicable – not included in 2014/15 APP.	Bi-annual review of contracts and updated Contracts' Register.	Annual review of contracts undertaken – 7 contracts reviewed and contracts register updated.	Annual and not bi-annual review took place in Quarter 4.	Contracts were handed over to Legal Services in Quarter 3, however priority was given to litigation matters which resulted in only one review for the period.
1.3.3.2	Percentage of requests to review or draft contracts undertaken within prescribed timeframe.	100% of 18 requests to review or draft contracts were undertaken within prescribed timeframe.	100% of requests to review or draft contracts undertaken within 30 working days of request.	100% Achieved. 10 out of 10 requests to review/ draft contracts were undertaken within prescribed timeframe.	Not applicable.	Not applicable.

### Synopsis on Achievements

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

- 11 Section 87 hearings were scheduled and 10 held with prosecutions against licensees for non-compliance. 1 Hearing was postponed.
- In addition to preparing 13 charge sheets, 16 warning letters were prepared for Bookmaker and Casino licensees.
- Management of legal and risk exposure was achieved through the provision of legal and related advice to the Board - 38 opinions prepared.
- Providing input to Gaming and Betting Directorate in respect of the KZN Amendment Bill.
- Reviewed 24 licence conditions to ensure compliance with KZN Gaming and Betting Act and BBBEE Codes of Good Practice.

#### 4.1.4 SUB-PROGRAMME 1.4 HUMAN RESOURCES

<b>Purpose</b>						
To ensure implementation of the human resources strategy by attracting, developing and retaining suitably qualified and competent human resources for the Board.						
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 1.4.1: Ensure people alignment, empowerment and development.</b>						
1.4.1.1	Human Resource Strategy and Implementation Plan reviewed, revised and approved within prescribed timeframe.	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.	HR Strategy and Implementation Plan reviewed, revised and approved by 30 September 2015.	HR Strategy approved in March 2016 and implementation commenced.	Annual target achieved outside of targeted timeframe - Approval of HR Strategy and Implementation Plan took place in March 2016, beyond the target date of 30 September 2015.	Absence of HR Manager in first quarter, capacity constraints within the unit; and the necessity to prioritise certain HR projects resulted in delays in achievement of target.
1.4.1.2	WSP and Annual Training report submitted in compliance with legislation and percentage of WSP implemented.	Minimal training was undertaken as per the Workplace Skills Plan.	Workplace Skills Plan and Annual Training Report submitted by 30 April 2015 and 70% implementation of WSP by 31 March 2016.	Workplace Skills Plan and Annual Training Report submitted within prescribed timeframe and 68% of WSP implemented by 31 March 2016 - 25 planned and 17 attended (1 training overlapped into April 2016).	2% shortfall in target i.e. 68% of 70% implementation of WSP achieved during financial year.	Implementation of WSP only commenced during quarter 2 of the financial year which resulted in one of the planned trainings taking place in April 2016 - 72% was achieved by April 2016.
1.4.1.3	Performance Management System and performance reward system reviewed, revised and approved within prescribed timeframe.	Performance agreements in place with bi-annual reviews	Performance Management System and performance reward system reviewed, revised and approved by 30 June 2015.	Performance Management and Development System Policy reviewed and approved on 14 December 2015 and implementation commenced.	Annual target achieved outside of targeted timeframe - PMDS approved in December 2015, beyond the target date of 30 June 2015.	Absence of HR Manager in first quarter, capacity constraints within the unit; and the necessity to prioritise certain HR projects resulted in delays in achievement of target.
1.4.1.4	Remuneration Strategy developed and approved within prescribed timeframe.	Not applicable - Not included in 2014/15 APP.	Remuneration Strategy developed and approved by 30 June 2015.	Remuneration Strategy drafted and tabled at Manco meeting on 21 April 2016.	Annual target not fully achieved - Remuneration Strategy developed but not yet approved.	Absence of HR Manager in first quarter, capacity constraints within the unit; and the necessity to prioritise certain HR projects resulted in delays in achievement of target.
1.4.1.5	Employment Equity Plan developed and submitted within prescribed timeframe.	Not applicable - Not included in 2014/15 APP.	Employment Equity Plan developed and submitted by 1 October 2015.	Employment Equity Plan developed within prescribed timeframe.	Part of target not applicable - Submission of Employment Equity Plan as per target is not required.	As per Dept. of Labour, the submission of the Employment Plan is not required by the entity.



## PART B: Performance Information...continued

4.1.4 SUB-PROGRAMME 1.4 HUMAN RESOURCES ...continued						
Purpose		To ensure implementation of the human resources strategy by attracting, developing and retaining suitably qualified and competent human resources for the Board.				
PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 1.4.2: To manage employee and industrial relations.</b>						
1.4.2.1	Percentage compliance with Board's disciplinary / grievance procedures and relevant labour legislation.	Not applicable – Not included in 2014/15 APP.	100% compliance with Board's procedures and relevant labour legislation when dealing with staff disciplinary /grievance matters.	100% - 2 cases of misconduct reported were processed in compliance with Board's disciplinary policy and procedures and relevant legislation.	Not applicable.	Not applicable.
1.4.2.2	Percentage of HR Policies reviewed as per the HR Policy Review Schedule within prescribed timeframe.	Recruitment and Selection Policy reviewed but not finalised for Board approval.	100% of HR Policies reviewed as per the HR Policy Review Schedule by 31 December 2015.	100% - 16/16 policies identified for review on the HR policy review schedule were reviewed. 12 reviewed policies submitted to the Board for approval on 14 December 2015.	Not applicable.	Not applicable.
<b>Strategic Objective 1.4.3: To provide effective and efficient human resource and payroll support services.</b>						
1.4.3.1	Recruitment Strategy developed for approval within prescribed timeframe.	Not applicable – Not included in 2014/15 APP.	Recruitment Strategy developed for approval by 31 March 2016.	Recruitment Strategy currently under development.	Annual target not achieved - Recruitment Strategy not developed for approval by 31 March 2016.	Absence of HR Manager in first quarter, capacity constraints within the unit; and the necessity to prioritise certain HR projects resulted in delays in achievement of target.
1.4.3.2	Percentage compliance with Payroll Standard Operating Procedures.	Not applicable – Not included in 2014/15 APP.	100% compliance with Payroll Standard Operating Procedures.	100% compliance with Payroll Standard Operating Procedures maintained.	Not applicable.	Not applicable.

### Synopsis on Achievements

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 for an extended period of time. Notwithstanding this, several achievements were made in meeting the Board's strategic objective relating to institutional alignment and development which aim to provide an enhanced working environment through the following:

- HR policies were reviewed and approved by the Board.
- The Performance Management and Development System Policy was revised and approved by the Board and implementation has commenced.
- Job descriptions were reviewed and updated and a job grading exercise undertaken.
- Training and development opportunities were provided to employees of the Board through the Workplace Skills Plan.

## STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
Ensure people alignment, empowerment and development.	Remuneration Strategy developed and approved within prescribed timeframe.	The unit requires additional capacitation to deliver on HR needs of the organisation due to the inadequate resources skills and capabilities within the HR unit to support the entity. The vacant position of HR Manager was filled effective 1 June 2015 and the organisational structure that was approved by the MEC allows for two additional HR Practitioner posts. The MEC has approved that one such position may be filled. Future focus will be given to the implementation of the HR Strategy.
To provide effective and efficient human resource and payroll support services.	Recruitment Strategy developed for approval within prescribed timeframe.	

### 4.1.5 SUB-PROGRAMME 1.5: COMMUNICATIONS

<b>Purpose</b>	To address the communication requirements of all stakeholders, both internally and externally, through stakeholder engagement using different communication mechanisms.
----------------	---

PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 1.5.1: Ensure implementation of Board's Communications Strategy and Communications Plan.</b>						
1.5.1.1	Reviewed and revised Communications Strategy and Plan within prescribed timeframe.	Communication Strategy and Plan approved on 30 April 2014 and implementation commenced. via internal newsletters, communiques, questionnaires and stakeholder engagements.	Communication Strategy and Plan reviewed and revised by 30 November 2015 for Board approval.	Communications Strategy and Plan drafted by 30 November 2015 for approval.	Communications Strategy reviewed and revised within timeframe but as further revisions are required - Strategy has not yet been approved. .	The Board resolved on 21 October 2015 that the Strategy and Plan be merged into one document. Board considered draft again on 14 December 2015 and resolved that further amendments were required.
<b>Strategic Objective 1.5.2: Establish and maintain a relationship with NRGP in respect of the approach to responsible gambling initiatives.</b>						
1.5.2.1	Signed MOU with Responsible Gambling Programme within prescribed timeframe.	Engagement with Acting Executive Director of the NRGP took place on 20 Feb 2015. Draft Responsible Gambling Policy and Operational Plan developed.	Develop and sign MOU with NRGP to align Board's initiatives with NRGP by 31 August 2015.	Draft MOU between KZNGBB and National Responsible Gambling Programme has been developed.	Annual target not fully achieved - MOU drafted but not yet signed as per annual target.	Initial delays in drafting MOU were experienced - Responsible gambling initiatives will be undertaken in accordance with the MOU once approved and signed.

## PART B: Performance Information...continued

4.1.5 SUB-PROGRAMME 1.5: COMMUNICATIONS ...continued						
Purpose		To address the communication requirements of all stakeholders, both internally and externally, through stakeholder engagement using different communication mechanisms.				
PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 1.5.3: Review and implement strategic communications research.</b>						
1.5.3.1	Study of Corporate Social Investment contributions made by gambling industry within prescribed timeframe.	Not applicable – not included in 2014/15 APP.	Impact Study of Corporate Social Investment contributions made by gambling industry undertaken by 31 March 2016.	Study of CSI contributions undertaken and presented at a Board Committee meeting on 26 August 2015. In February 2016, a CSI Guideline Report was prepared for consideration by the Board.	Not applicable.	Not applicable.
<b>Strategic Objective 1.5.4: Roll out of Stakeholder Engagement Plan.</b>						
1.5.4.1	Percentage of engagements attended/ facilitated as per Stakeholder Engagement Plan.	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.	60% of stakeholder engagements attended/ facilitated as per Board approved Stakeholders' Engagement Plan.	100% of Stakeholder engagements attended / facilitated as per Board approved Stakeholders' Engagement Plan.	Not applicable.	Not applicable.

### Synopsis on Achievements

This sub-programme has ensured the development of a Communications Strategy and Plan and has maintained stakeholder relations through the implementation of the Stakeholder Engagement Plan.

### LINKING PERFORMANCE WITH BUDGETS

Sub-Programme Name	2015/2016			2014/2015		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Office of the CEO	2,514	2,566	(52)	3,300	2,478	822
Governance, Risk & Compliance	6,594	6,483	111	7,409	6,582	827
Legal Services	2,886	2,582	304	2,858	2,113	745
Human Resources	3,366	3,193	173	3,532	2,529	1,003
Communications	1,101	710	391	1,370	667	703
Total	16,461	15,534	927	18,469	14,369	4,100

## 4.2 PROGRAMME 2: FINANCE

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

PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 2.1: Implementation of financial management and internal controls.</b>						
2.1.1	Percentage of Finance Strategy implemented in line with Implementation Plan.	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.	80% implementation of Finance Strategy as per Implementation Plan.	80% of Finance Strategy implemented as per Implementation Plan.	Not applicable.	Not applicable.
2.1.2	Unqualified audit 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.	Achieve unqualified audit from Auditor General for period under review.	Unqualified audit opinion from the Auditor-General for 2014/15 financial year (Auditor-General report and management letter).	Not applicable.	Not applicable.
2.1.3	GRAP checklist prepared and implemented within prescribed timeframe.	GRAP checklist is in place and will be completed during the Annual Financial Statements preparation process.	GRAP checklist prepared and implemented by 31 March 2016	2014/15 Annual Financial Statement prepared in accordance with the relevant GRAP statements. GRAP disclosure checklist completed to ensure compliance with applicable standards.	Not applicable	Not applicable
<b>Strategic Objective 2.2: Ensure efficient budget management.</b>						
2.2.1	Approved budget submitted to KZN Treasury within prescribed timeframe.	Budgets were submitted to Provincial Treasury within prescribed timeframe of 31 July 2014.	Approved budget submitted to KZN Treasury by 31 August 2015.	Budget submitted to KZN Treasury on 31 July 2015.	Not applicable.	Not applicable.
2.2.2	Number of quarterly Budget reports prepared for Fincom within prescribed timeframe.	Not applicable – not included in 2014/15 APP.	Quarterly budget reports prepared for Fincom within 6 weeks of end of quarter.	4 Budget vs Actual Quarterly reports prepared for Fincom within prescribed timeframe.	Not applicable.	Not applicable.

## PART B: Performance Information...continued

<b>4.2 PROGRAMME 2: FINANCE</b> ...continued						
<b>Purpose</b>		To support the entity by the provision financial administration, asset management and procurement services. This programme is also responsible for managing the relationship between the internal auditing services provided to the KZNGBB.				
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 2.3: Financial reporting to stakeholders.</b>						
2.3.1	Submission of Unaudited Financial Statements to Auditor General and KZN Treasury within prescribed timeframe.	Unaudited Financial Statements submitted within the prescribed timeframe.	Unaudited Financial Statements submitted to AG and KZN Treasury by 31 May 2015.	Unaudited financial statements submitted to Provincial Treasury and the Auditor-General within prescribed timeframe.	Not applicable.	Not applicable.
2.3.2	Submission of Annual Report to KZN Treasury and Auditor-General within prescribed timeframe.	Annual Financial Statements and Annual Report submitted to Provincial Treasury and Auditor-General within prescribed timeframe.	Annual Report submitted to KZN Treasury and Auditor-General by 31 August 2015.	Annual Report submitted to Treasury and Auditor-General on 31 August 2015.	Not applicable.	Not applicable.
2.3.3	Quarterly reports submitted to responsible MEC as specified in the PFMA and SLA.	4 quarterly reports were submitted within the prescribed timeframe of one month of the reporting period.	Quarterly report submitted to responsible MEC within 1 month after the reporting period.	4 Quarterly reports submitted to Provincial Treasury and Provincial Legislature within prescribed timeframe.	Not applicable.	Not applicable.
<b>Strategic Objective 2.4: Implementation of appropriate procurement and provisioning system.</b>						
2.4.1	Updated supplier database by end of each financial year.	Not applicable – not included in 2014/15 APP.	Supplier database updated by end of financial year.	Not applicable.	Target no longer applicable - Supplier database for the entity is no longer required as per Directive from Treasury.	With effect from 1 April 2016, the Board is required to utilise National Central Supplier Database.
2.4.2	Percentage of bids awarded within validity period.	75% of bidding and tender process undertaken within prescribed timeframes.	100% of bids awarded within validity period.	100% of advertised bids awarded within validity period.	Not applicable.	Not applicable.

## 4.2 PROGRAMME 2: FINANCE ...continued

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

PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 2.5: Effective revenue management.</b>						
2.5.1	Percentage of collected Betting taxes proportionately distributed monthly.	Not applicable – not included in 2014/15 APP.	100% of collected Betting taxes proportionately distributed to Racecourse Operator and Provincial Revenue Fund as required in KZN Gaming and Betting Tax Act.	100% of collected betting taxes proportionately distributed in terms of the Act.	Not applicable.	Not applicable.
2.5.2	Percentage of monies received from customers (total receipts / total invoices).	100% of monies were collected for the period.	95% of monies received from customers (total receipts / total invoices).	98% of monies received from customers.	3% above target.	Slightly higher achievement as a result of effective revenue management.
<b>Strategic Objective 2.6: Management of internal auditors' engagements.</b>						
2.6.1	Percentage of audits conducted in terms of Internal Audit Plan.	Not applicable – not included in 2014/15 APP.	100% of internal audits undertaken as per Internal Audit Plan.	100% of internal audits undertaken as per the KZN Treasury's revised Internal Audit Plan.	Not applicable	Not applicable
<b>Strategic Objective 2.7: Safeguarding the assets of the entity.</b>						
2.7.1	Number of asset counts conducted during the financial year.	Two asset counts were conducted during the financial year i.e. September 2014 and March 2015.	Two asset counts conducted during the financial year i.e. April and October.	2 Asset counts conducted.	Not applicable.	Not applicable.

### Synopsis on Achievements

This programme has contributed to the Board's strategic outcome oriented goals in respect of revenue collection and has ensured the effective management of the Board's financial resources in line with statutory requirements through the following:

- Betting taxes proportionately distributed as required in the KZN Gaming and Betting Tax Act.
- Implementation of the SCM Strategy which ensures an effective procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective.
- Safeguarding of the Board's assets through bi-annual asset counts.
- Effective management of the budget and timely reporting to the Executive Authority.

### LINKING PERFORMANCE WITH BUDGETS

Sub-Programme Name	2015/2016			2014/2015		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Financial management	8,686	10,012	(1,326)	9,512	8,739	773

## PART B: Performance Information...continued

<b>4.3 PROGRAMME 3: INFORMATION AND COMMUNICATION TECHNOLOGY</b>						
<b>Purpose</b>		To support the organisation through provision of ICT services that is aligned with Business Strategy.				
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 3.1: Enable the organisation through implementation of IT Strategy that is aligned with business strategy.</b>						
3.1.1	Reviewed and approved ICT Strategy within prescribed timeframe.	IT Strategy was reviewed in Q2 however would be reviewed after the development of the Business Processes Re-engineering roadmap.  BPR Project has commenced and these outputs will directly impact the new IT Strategy.	Reviewed and approved ICT Strategy that is aligned with business strategy by 30 June 2015 for implementation.	ICT Strategy reviewed and approved in September 2015 and implementation commenced.	Annual target achieved outside of timeframe - ICT Strategy was approved in Quarter 2, however, after target date of June 2015.	The alignment of ICT Strategy with business strategy and approval thereof was delayed due to the delays in the commencement of phase 2 of BPR Project.
3.1.2	Disaster Recovery Plan reviewed and approved within prescribed timeframe.	Not applicable – not included in 2014/15 APP.	Reviewed and approved Disaster Recovery Plan by 30 June 2015.	Disaster Recovery Plan was recommended for Board approval by the Audit Committee on 22 July 2015 and approved by Board in Quarter 3.	Annual target achieved outside of timeframe - Disaster Recovery Plan was approved in quarter 3, however after the target date of June 2015.	DRP was realigned and accepted by MANCO, however not approved within target date due to the appointment of the new Board and the establishment of new Committees / IT governance structures.
3.1.3	Number of quarterly reports of implementation of Disaster Recovery Plan.	Not applicable – not included in 2014/15 APP.	Quarterly reporting of implementation of Disaster Recovery Plan.	Quarterly reporting in respect of implementation of Disaster Recovery Plan undertaken.	Not applicable.	Not applicable.
3.1.4	Developed and approved GIS System within prescribed timeframe.	Not applicable – not included in 2014/15 APP.	Developed and approved GIS System by 30 September 2015 for implementation.	GIS System developed and implemented with GIS System usage reported monthly to Manco.	Not applicable.	Not applicable.
3.1.5	IT Help Desk established within prescribed timeframe.	Not applicable – not included in 2014/15 APP.	Establish an IT Help Desk by 30 June 2015.	IT Help Desk fully established within prescribed timeframe.	Not applicable.	Not applicable.
3.1.6	IT Training Plan developed for staff of the Board within prescribed timeframe.	Not applicable – not included in 2014/15 APP.	Develop IT Training Plan for staff of the Board by 30 September 2015.	Training undertaken in line with WSP.	Not applicable.	Not applicable.



#### 4.3 PROGRAMME 3: INFORMATION AND COMMUNICATION TECHNOLOGY ...continued

<b>Purpose</b> To support the organisation through provision of ICT services that is aligned with Business Strategy.						
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 3.2: Ensure compliance with Corporate Governance of Information and Communication Technology Policy Framework.</b>						
3.2.1	Implementation of Phase 1 and 2 of Corporate Governance of Information and Communication Technology Policy Framework within prescribed timeframe.	Corporate Governance for ICT (CGICT) Framework and Policy developed and approved in line with the minimum DPSA requirements.	Implementation of Phase 1 and 2 of Corporate Governance of Information and Communication Technology Policy Framework by 30 September 2015.	CG ICT Policy Framework and ICT Governance Charter developed and implementation of ICT Strategy and Phase 1 and 2 compliance commenced.	Annual target achieved outside of timeframe – Implementation commenced in quarter 3, after the target date of 30 September 2015.	Drafted documents had to be re-aligned to the DPSA requirements. Implementation could only commence once CG ICT Policy Framework and ICT Governance Charter were approved by Board.
3.2.2	Percentage of ICT Policies reviewed within prescribed timeframe.	New ICT Policy aligned to ISO 27001/2 standard developed and approved.  Single comprehensive ICT Policy comprising of 11 sub-policies and a separate User Account Management Policy developed and approved.	100% of ICT Policies reviewed by 31 December 2015.	100% of ICT Policies reviewed by 31 December 2015.	Not applicable.	Not applicable.
<b>Strategic Objective 3.3: Develop and implement Business Processes (Phase 2)</b>						
3.3.1	Phase 2 BPR Implementation plan developed within prescribed timeframe with quarterly implementation progress reports.	Not applicable – not included in 2014/15 APP.	Phase 2 BPR Project Plan developed with quarterly reporting on implementation progress.	Phase 2 BPR Project Plan developed and implementation progress reported monthly at Manco meetings.	Phase 2 BPR implementation plan developed outside of prescribed timeframe of 30 June 2015.	Delays in SCM processes within service provider (SITA) which resulted in delays in development of final implementation plan.
3.3.2	Enterprise architecture established within prescribed timeframe.	First phase "As-Is" Business Processes Report completed by SITA and signed off by management.	Established enterprise architecture by 30 June 2015.	Enterprise architecture established within prescribed timeframe.	Not applicable.	Not applicable.
3.3.3	Reviewed and approved File Plan by 30 June 2015	Not applicable – not included in 2014/15 APP.	Reviewed and approved File Plan by 30 June 2015.	File Plan reviewed and approved by Manco. Request for approval submitted to National / Provincial Archives.	Annual target not fully achieved – File Plan reviewed but not yet approved by National / Provincial Archives.	Approval of File Plan has not yet been obtained from National / Provincial Archives - The request for approval of File Plan was submitted to National / Provincial Archives during Q4 and confirmation of approval is awaited.

## PART B: Performance Information...continued

4.3 PROGRAMME 3: INFORMATION AND COMMUNICATION TECHNOLOGY ...continued						
Purpose To support the organisation through provision of ICT services that is aligned with Business Strategy.						
PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 3.4: Develop and implement records management systems.</b>						
3.4.1	Records Management Policy developed and approved within prescribed timeframe.	Not applicable – not included in 2014/15 APP.	Developed and approved Records Management Policy by 30 September 2015.	Records Management Policy was approved by Manco in quarter 4.	Annual target achieved outside of timeframe – policy approved in quarter 4 and not quarter 2 as planned.	Due to the prioritisation of the Business Process Re-engineering project and Disaster Recovery planning, delays were experienced in meeting this target within prescribed timeframe.
3.4.2	Staff training on Records Management provided within prescribed timeframe.	Not applicable – not included in 2014/15 APP.	Provide staff training on Records Management by 31 December 2015.	Records Management Policy and File Plan workshopped with MANCO within prescribed timeframe.	Not applicable.	Not applicable.
<b>Strategic Objective 3.5: Keep abreast with the latest changes in technology.</b>						
-	Not applicable for 2015/16 FY.	Not applicable – not included in 2014/15 APP.	Not applicable for 2015/16 FY.	Not applicable for 2015/16 FY.	Not applicable.	Not applicable.

### Synopsis on Achievements

This programme has contributed to provide IT that supports the business objectives and plans through the following:

- Implementation of the Board's approved ICT Strategy that is aligned with business strategy (Help-desk, DR Solution and End-User Hardware refresh have been successfully delivered).
- Implementation of Phase 1 and 2 of Corporate Governance of ICT Policy Framework to ensure ICT Governance compliance against the requirements set by the DPSA has commenced.
- Phase 2 of the business processes re-engineering project which will streamline operations and enhance service delivery to stakeholders has commenced.
- Operational IT Help Desk to provide prompt IT assistance to employees.

### LINKING PERFORMANCE WITH BUDGETS

Sub-Programme Name	2015/2016			2014/2015		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Information, Communication & Technology	10,890	6,561	4,329	9,761	5,442	4,319

#### 4.4 PROGRAMME 4: LICENSING AND REGISTRATION

<b>Purpose</b>	To receive, investigate and prepare licenses and registration certificates for all applications within the gaming and betting industry, as required by the Act, to ensure the suitability and continuous suitability of all applicants; and to roll out new gaming and betting initiatives. This programme is made up of two sub-programmes: 4.1 Casinos and Betting 4.2 LPMs and Bingo
----------------	---

##### 4.4.1 SUB-PROGRAMME 4.1: CASINOS AND BETTING

<b>Purpose</b>	To receive, investigate and prepare licenses and registration certificates for all applications in the casino and betting sector to ensure the suitability and continuous suitability of all applicants; and to roll out new betting initiatives.
----------------	---

PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 4.1.1: To ensure suitability and continuous suitability of all applicants for licensing and registration.</b>						
4.1.1.1	Percentage of Financial Acquisition applications processed and investigated within prescribed timeframe.	20% Achieved 1 application carried over from previous period 4 applications received 4 applications finalised (1 within prescribed timeframe/3 exceeded timeframe) 1 application on hand.	80% of Financial Acquisition applications processed and investigated within 90 working days of receipt of assignment thereof.	0% of Financial Acquisition applications processed and investigated within the prescribed timeframe.  1 application processed and investigated beyond the timeframe  [3 applications received during the year].	1 Financial Acquisition application processed and investigated but outside of the targeted timeframe.	Capacity constraints due to resignations, study and sick leave negatively impacted on delivery.
4.1.1.2	Percentage of Certificates of Suitability applications processed and investigated within prescribed timeframe.	0 applications received.	80% of Certificates of Suitability applications processed and investigated within 90 working days of assignment thereof.	Not applicable  1 application is being processed and still within the prescribed timeframe  [1 application received during the year].	Not applicable.	Application process is in progress and still within prescribed timeframe.
4.1.1.3	Percentage of Manufacturers, Suppliers and Maintenance Providers applications processed and investigated within prescribed timeframe and percentage.	100% Achieved 1 application carried over from previous period 0 applications received 1 application finalised.	80% of Manufacturers, Suppliers and Maintenance Providers applications processed and investigated within 90 working days of assignment thereof.	Not applicable.	Not applicable.	No applications received during the period.
4.1.1.4	Percentage of Bookmaker licence applications processed and investigated within prescribed timeframe.	0% Achieved 2 applications carried over from previous period 37 applications received 3 applications finalised 1 application returned to applicant 36 applications on hand.	80% of Bookmaker licence applications processed and investigated within 90 working days of assignment thereof.	0% of Bookmaker applications processed and investigated within the prescribed timeframe.  26 applications processed and investigated beyond the timeframe  [8 applications received during the year].	26 Bookmaker applications processed and investigated but outside of the targeted timeframe.	New gaming initiatives i.r.o Requests for Applications for bookmaking rights and processing thereof, as well as HR capacity constraints negatively affected the performance of the unit.

## PART B: Performance Information...continued

### 4.4.1 SUB-PROGRAMME 4.1: CASINOS AND BETTING ...continued

<b>Purpose</b>						
To receive, investigate and prepare licenses and registration certificates for all applications in the casino and betting sector to ensure the suitability and continuous suitability of all applicants; and to roll out new betting initiatives.						
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 4.1.1: To ensure suitability and continuous suitability of all applicants for licensing and registration. ...continued</b>						
4.1.1.5	Percentage of Totalisator licence applications processed and investigated within prescribed timeframe.	0 applications received.	80% of Totalisator licence applications processed and investigated within 90 working days of assignment thereof.	Not applicable.	Not applicable.	No applications were received during the period.
4.1.1.6	Percentage of Racecourse Operator applications processed and investigated within prescribed timeframe.	0 applications received.	80% of Racecourse Operator applications processed and investigated within 90 working days of assignment thereof.	Not applicable.	Not applicable.	No applications were received during the period.
4.1.1.7	Percentage of applications for Casino and Betting Sector employee registrations processed and investigated within prescribed timeframe.	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.	60% of applications for Casino and Betting sector employee registrations processed and investigated within 60 working days of assignment thereof.	0% employee registration applications processed and investigated within the prescribed timeframe  619 applications processed and investigated beyond timeframe  [1221 applications received during the year].	619 employee registrations processed and investigated but outside of targeted timeframe.	Upsurge of applications for employee registrations; focus on processing of new Bookmaking rights (RFA); absence of delegations of authority and capacity constraints affected the performance of the unit.
4.1.1.8	Percentage of Tote Agent applications processed and investigated within prescribed timeframe.	47.3% Achieved 114 applications (Tote Agent & Tote Manager) carried over from previous period 344 applications received 147 applications finalised 309 applications on hand 2 Resignations / dismissals.	60% of applications for Tote Agent registrations processed and investigated within 60 working days of assignment thereof	0% Tote Agent applications processed and investigated within the prescribed timeframe  21 applications processed and investigated beyond the timeframe  [8 applications received during the year].	21 Tote Agent registrations processed and investigated but outside of targeted timeframe	Upsurge of applications for employee registrations; focus on processing of new Bookmaking rights (RFA); absence of delegations of authority and capacity constraints affected the performance of the unit.

#### 4.4.1 SUB-PROGRAMME 4.1: CASINOS AND BETTING ...continued

<b>Purpose</b>						
To receive, investigate and prepare licenses and registration certificates for all applications in the casino and betting sector to ensure the suitability and continuous suitability of all applicants; and to roll out new betting initiatives.						
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 4.1.1: To ensure suitability and continuous suitability of all applicants for licensing and registration. ...continued</b>						
4.1.1.9	Percentage of renewal applications processed and licences and certificates issued within prescribed timeframe.	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.	100% of renewal applications processed and licences and certificates issued within 21 days before the expiry date thereof.	34.69% of renewal applications were processed and licences and certificates issued within prescribed timeframe (102/294)  192 renewal applications were processed and licences and certificates issued before expiry but outside of prescribed timeframe (192/294)  [294 renewal applications processed].	192 renewal applications were processed and licences and certificates issued before expiry date but not within 21 days before expiry date target.	No delegations of authority in respect of approval of renewal applications for the Betting sector were in place; and capacity constraints within the unit impacted on delivery.
<b>Strategic Objective 4.1.2: Prepare licences and registration certificates for issuing by the CEO.</b>						
4.1.2.1	Percentage of Licences and/or certificates of registration issued within prescribed timeframes.	100% Achieved 20 Licences issued 481 Certificates of Registrations.	100% of Licences and/or certificates of registration issued within 10 working days of the Board's decision or receipt of proof of payment for outstanding investigation costs/ licence/ registration fees.	82.76% of Bookmaker licences issued within prescribed timeframe (24/29).  5 Bookmaker licences issued beyond prescribed timeframe  0% of employee Certificates of Registration issued within prescribed timeframe.  492 certificates of registration issued beyond the prescribed timeframe.  [Total of 521 licences and certificates issued].	492 Employee certificates of registration were issued but not within prescribed timeframe.  5 Bookmaker licences issued beyond prescribed timeframe.	Due to capacity constraints and focus on bookmaker applications, employee certificates of registration could not be issued within targeted timeframe.
<b>Strategic Objective 4.1.3: Ensure regulatory compliance with BBBEE Codes of Good Practice.</b>						
4.1.3.1	Percentage of Corporate Investigation Reports containing applicants' BBBEE status.	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.	100% of Corporate Investigation Reports contain applicants' BBBEE status.	100% of 27 corporate investigation reports prepared during the period contained applicants' BBBEE status.	Not applicable.	Not applicable.

## PART B: Performance Information...continued

### 4.4.2 SUB-PROGRAMME 4.2: LPMS AND BINGO

<b>Purpose</b>						
To receive, investigate and prepare licenses and registration certificates for all applications in the LPM and Bingo sector to ensure the suitability and continuous suitability of all applicants; and to roll out new gaming initiatives.						
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 4.2.1: To ensure suitability and continuous suitability of all applicants for licensing and registration.</b>						
4.2.1.1	Percentage of Bingo applications processed and investigated within prescribed timeframe.	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.	80% of Bingo applications processed and investigated within 90 working days of assignment thereof.	Not applicable.	No Bingo applications were processed during the period.	Processing of Bingo applications on hold pending finalisation of litigation .
4.2.1.2	Percentage of Type A LPM Site Operator licence applications processed and investigated within prescribed timeframe.	16.56% Achieved 48 applications carried over from previous period 103 applications received 25 applications processed and investigated within 4 months.  Type A: Received 55 Processed 25 Type B: Received 31 ISO: Received 17	80% of Type A LPM Site Operator licence applications processed and investigated within 120 working days of assignment thereof.	52.63% of Type A LPM Site Operator licence applications processed and investigated within prescribed timeframes (20/38).  18 applications processed and investigated beyond the prescribed timeframe.  [38 applications received during the year].	18/38 applications processed and investigated but outside of the targeted timeframe.	Absence of the Board in the beginning of the financial year; lack of delegations of authority in place; outstanding approvals of primary business licences by Liquor Authority; and capacity constraints negatively impacted on the achievement of targets.
4.2.1.3	Percentage of Type B LPM Site Operator licence applications processed and investigated within prescribed timeframe.		80% of Type B LPM Site Operator licence applications processed and investigated within 120 working days of assignment thereof.	0% of Type B LPM Site Operator licence applications processed and investigated within the prescribed timeframe.  30 applications processed and investigated beyond the prescribed timeframe.  [0 applications received during the year].	30 applications processed and investigated but outside of the targeted timeframe  17 pending applications beyond the time line – investigations placed on hold pending outcome of litigation.	Absence of the Board in the beginning of the financial year; lack of delegations of authority in place; and capacity constraints negatively impacted on the achievement of targets.  Note: Litigation instituted in respect of ISOs resulted in processing of applications being placed on hold.

#### 4.4.2 SUB-PROGRAMME 4.2: LPMS AND BINGO ...continued

<b>Purpose</b>	To receive, investigate and prepare licenses and registration certificates for all applications in the LPM and Bingo sector to ensure the suitability and continuous suitability of all applicants; and to roll out new gaming initiatives.
----------------	---

PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
--------	-----------------------	------------------------------	--------------------------	------------------------------	---	-----------------------

#### Strategic Objective 4.2.1: To ensure suitability and continuous suitability of all applicants for licensing and registration. ...continued

4.2.1.4	Percentage of Financial Acquisition applications processed and investigated within prescribed timeframe.	31.82% Achieved 16 applications received 7 applications processed and investigated within 3 months 3 applications processed beyond prescribed timeframe Type A: Received 14 Processed 6 Bingo: Received 2 Processed 1.	80% of Financial Acquisition applications processed and investigated within 90 working days of assignment thereof.	7.14% of Financial Acquisition applications processed and investigated within the prescribed timeframe (1 out of 14 applications finalised).  13 applications processed and investigated beyond the prescribed timeframe  [25 applications received during the year].	13 applications were processed but outside the targeted timeframe.	Absence of the Board in the beginning of the financial year; lack of delegations of authority in place; outstanding approvals of primary business licences by Liquor Authority; and capacity constraints negatively impacted on the achievement of targets.
4.2.1.5	Percentage of Certificates of Suitability applications processed and investigated within prescribed timeframe.	No applications received.	80% of Certificates of Suitability applications processed and investigated within 90 working days of assignment thereof.	Not applicable.	Not applicable.	No applications were received during the period.
4.2.1.6	Percentage of Manufacturers, Suppliers and Maintenance Providers applications processed and investigated within prescribed timeframe.	No applications received.	80% of Manufacturers, Suppliers and Maintenance Providers applications processed and investigated within 90 working days of assignment thereof.	Not applicable.	Not applicable.	No applications were received during the period.
4.2.1.7	Percentage of applications for Bingo and LPM employee registrations processed and investigated within prescribed timeframe.	93.3% Achieved 1435 applications received 1365 applications processed and investigated within 2 months LPM: Received 1322 Processed 1320 Bingo: Received 103 Processed 39 National: Employee 10 Processed 6.	70% of applications for Bingo and LPM employee registrations processed and investigated within 60 working days of assignment thereof.	30.62% of Bingo and LPM employee applications processed and investigated within prescribed timeframe (64 out of 209 finalised applications).  145 applications processed and investigated beyond prescribed timeframe.  [178 applications received during the year].	145 applications processed and investigated but outside of targeted timeframe.	Absence of the Board in the beginning of the financial year; lack of delegations of authority in place; and capacity constraints negatively impacted on the achievement of targets.

## PART B: Performance Information...continued

### 4.4.2 SUB-PROGRAMME 4.2: LPMS AND BINGO ...continued

<b>Purpose</b>						
To receive, investigate and prepare licenses and registration certificates for all applications in the LPM and Bingo sector to ensure the suitability and continuous suitability of all applicants; and to roll out new gaming initiatives.						
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 4.2.1: To ensure suitability and continuous suitability of all applicants for licensing and registration...continued</b>						
4.2.1.8	Percentage of renewal applications processed and licences and certificates issued within prescribed timeframe.	100% Achieved 577 Licences renewed.  Type A 523 ISO 14 Route Operator 4 Bingo 14 National Employment 22.	100% of renewal applications processed and licences and certificates issued within 21 days before the expiry date thereof.	98.87% of renewal applications processed and licences issued within prescribed timeframe (525/531).  6 applications processed and licences issued beyond the prescribed timeframe (6/531).  [531 renewal applications processed].	6/531 renewal applications were processed and licences issued but outside of prescribed timeframe.	Late submission of applications for renewal in contravention of Section 39 (2) of the Act by licensees.
<b>Strategic Objective 4.2.2: Prepare licences and registration certificates for issuing by the CEO.</b>						
4.2.2.1	Percentage of Licences and/or certificates of registration issued within prescribed timeframes.	100% Achieved 95 Licences issued 101 Certificates of Registrations.	100% of Licences and/or certificates of registration issued within 10 working days of Committee / Board approval and/or within 10 working days of payment of fees.	85.45% Licences and certificates issued within prescribed timeframe (141/ 165) - 35 licences and 106 certificates.  7 Licences and 17 certificates issued beyond prescribed timeframe.	7 Licences and 17 certificates were issued but outside of targeted timeframe.	Multiple projects allocated to unit with overlapping timelines and capacity constraints negatively impacted on the achievement of targets.
<b>Strategic Objective 4.2.3: Ensure regulatory compliance with BBBEE Codes of Good Practice.</b>						
4.2.3.1	Percentage of Corporate Investigation Reports containing applicants' BBBEE status.	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.	100% of Corporate Investigation Reports contain applicants' BBBEE status.	Not applicable.	Not applicable.	Not applicable – no corporate investigation reports were prepared during the year.
<b>Note: Changes in SOP and technical indicator descriptions</b>						
(i) The AG conducted an audit of the Board at the end of the first quarter with the findings becoming available towards the end of the second quarter.						
(ii) Chief among the findings was the development of new Standard Operating Procedures and technical descriptions which had an effect of changing the manner in which performance was evaluated, in that the processing and investigation of an application was considered finalised on signature of HOD.						



## Synopsis on Achievements

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

- A total of 75 corporate license and registration applications were received.
- A total of 109 corporate applications were finalised.
- A total of 71 corporate licenses and certificates were issued.
- A total of 1407 employee registration applications (including tote agents and managers) received.
- A total of 849 employee registration applications finalised.
- A total of 615 employee registration certificates issued.
- 1195 CEMS employee registrations processed.
- A total of 825 renewal of licences/registrations applications were received and processed.
- A total income of R1 255 010.00 for Application fees was received: Casinos and Betting R961 290.00 and LPM/Bingo R 293 720.00.
- A total income of 2 932 330.00 for Investigation Fees was received. Casinos and Betting R2 060 400.00 and LPM/Bingo R 871 930.00.
- A total income of R191 500.00 for Licence / Registration Fees was received. Casinos and Betting R112 000.00 and LPM/Bingo R 79 500.00
- A total income of R17 138 570.00 for Licence / Registration Renewal Fees was received. Casinos and Betting R12 475 140.00 and LPM/Bingo R 4 663 430.00

## STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
To ensure suitability and continuous suitability of all applicants for licensing and registration.	<p><b>Casino and Betting</b> Percentage of Financial Acquisition applications; Bookmaker licence applications; applications for Casino and Betting sector employee registrations; Tote Agent registration applications processed and investigated within prescribed timeframe.</p> <p>Percentage of renewal applications processed and licences and certificates issued within prescribed timeframe.</p> <p><b>LPMs and Bingo</b> Percentage of Type A LPM Site Operator licence applications; Type B LPM Site Operator licence applications; Financial Acquisitions; applications for LPM and Bingo sector employee registrations processed and investigated within prescribed timeframe.</p>	<p>The following strategies will be undertaken to address areas of underperformance:</p> <ul style="list-style-type: none"> <li>▪ Business Processing Re-Engineering project will address the highly manual processes that currently exist to ensure a more efficient and streamlined business process.</li> <li>▪ Delegations of authority are in place which enhances service delivery and turnaround times.</li> <li>▪ Vacant positions within unit to be filled once requisite approval is acquired.</li> </ul>
Prepare licences and registration certificates for issuing by CEO.	<p><b>Casino and Betting / LPM and Bingo</b> Percentage of licences and/or certificates of registration issued within prescribed timeframe.</p>	<ul style="list-style-type: none"> <li>▪ Assistance provided by other units.</li> </ul>

## LINKING PERFORMANCE WITH BUDGETS

Sub-Programme Name	2015/2016			2014/2015		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Senior Manager	1,488	1,157	331	1,412	1,421	(9)
Casino & Betting	3,402	2,710	692	3,687	2,642	1,045
LPMs & Bingo	4,081	3,812	269	4,664	3,905	759
<b>Total</b>	<b>8,971</b>	<b>7,679</b>	<b>1,292</b>	<b>9,762</b>	<b>7,968</b>	<b>1,795</b>

## PART B: Performance Information...continued

### 4.5 PROGRAMME 5: GAMING MONITORING AND CONTROL

<b>Purpose</b>	To monitor and control gaming activities in the Province; audit revenue collection for the Province; and ensure compliance with relevant legislation. This programme is made up of two sub-programmes: 5.1 Monitoring and Gaming Audit 5.2 Gaming Control
----------------	---

#### 4.5.1 SUB-PROGRAMME 5.1: MONITORING AND GAMING AUDIT

<b>Purpose</b>	To monitor gaming activities in the Province; audit gaming revenue collection for the Province; and ensure compliance with relevant legislation.
----------------	--

PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic objective 5.1.1: Verify accuracy of taxes payable by the gaming industry.</b>						
5.1.1.1	Number of tax audits conducted annually on Casinos.	60 casinos tax audits were conducted.	60 Casino tax audits conducted per annum.	60 Casino tax audits conducted.	Not applicable.	Not applicable.
5.1.1.2	Number of tax audits conducted annually on licensed Route Operators	48 Route Operator tax audits were conducted	48 Route Operator tax audits conducted per annum	48 Route Operator Tax audits conducted	Not applicable.	Not applicable
5.1.1.3	Percentage of monthly tax audits conducted on licensed operational bingo operators.	25 Bingo operator tax audits were conducted 8 New Independent Site Operator Tax Audits.	Tax audits conducted on 100% of licensed operational bingo operators every month.	56 Bingo Operator Tax audits conducted on 100% of licensed operational Bingo operators.	Not applicable.	Not applicable.
5.1.1.4	Percentage of monthly tax audits conducted on licensed operational Type "B" LPM sites and independent site operators.	Not applicable - not included in 2014/15 APP.	Tax audits conducted on 100% of licensed operational Type "B" LPM sites and independent site operators every month.	32 Type "B" LPM tax audits conducted on 100% of Independent Site LPM operators operating on Bingo sites.	Not applicable.	Not applicable.
5.1.2.1	Percentage of annual compliance audits conducted on licensed operational Type "A" LPM sites.	500 LPM site compliance audits were conducted.	Compliance audits conducted on 50% of licensed operational Type "A" LPM sites per annum.	289 Compliance audits conducted on 55% of licensed operational Type "A" LPM sites.	5% positive variance on achievement - Additional 12 LPM site audits conducted as a result of sites continuously opening and closing.	Additional sites audited were operating in the same location as previously licensed sites. No additional resources or costs were incurred to conduct the additional site audits.
5.1.2.2	Percentage of annual compliance audits and FICA inspections conducted on licensed operational Type "B" LPM sites and Independent Site Operator sites.		Compliance audits and FICA inspections conducted on 100% of licensed operational Type "B" LPM sites and Independent Site Operator sites per annum.	2 Compliance audits and 2 FICA inspections conducted on 100% of licensed operational Independent Site Operator sites.	Not applicable.	Not applicable.

#### 4.5.1 SUB-PROGRAMME 5.1: MONITORING AND GAMING AUDIT ...continued

<b>Purpose</b>	To monitor gaming activities in the Province; audit gaming revenue collection for the Province; and ensure compliance with relevant legislation.
----------------	--

PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
--------	-----------------------	------------------------------	--------------------------	------------------------------	---	-----------------------

#### Strategic Objective 5.1.2: Conduct audits and FICA inspections to ensure regulatory compliance by gaming industry. ...continued

5.1.2.3	Number of annual compliance audits and FICA inspections conducted on Casinos.	10 Compliance audits were conducted. 4 Additional FICA audits were conducted.	5 Compliance audits and 5 FICA inspections conducted on casino licensees per annum.	5 Compliance audits and 5 FICA inspections conducted on Casino licensees.	Not applicable.	Not applicable.
5.1.2.4	Number of annual compliance audits conducted on licensed Route Operators.		4 Compliance audits conducted on licensed route operators per annum.	4 Compliance audits conducted on licensed Route Operators.	Not applicable.	Not applicable.
5.1.2.5	Percentage of annual compliance audits and FICA inspections conducted on licensed operational Bingo sites.		Compliance audits and FICA inspections conducted on 100% of licensed operational Bingo sites per annum.	4 Compliance audits and FICA inspections conducted on 100% of licensed operational Bingo sites.	Not applicable.	Compliance audits on two new Bingo sites will commence in quarter 2 of 2016/17.

#### Strategic objective 5.1.3: Conduct monitoring audits to ensure adherence to bid commitments and licence conditions by licensees.

5.1.3.1	Number of monitoring audits conducted annually for Casinos.	60 Casino monitoring audits were conducted.	20 Casino monitoring audits conducted per annum.	20 Casino monitoring audits conducted.	Not applicable.	Not applicable.
5.1.3.2	Number of monitoring audits conducted annually for licensed Route Operators.	48 Route Operator monitoring audits were conducted.	16 Route Operator monitoring audits conducted per annum.	16 Route Operator monitoring audits conducted.	Not applicable.	Not applicable.
5.1.3.3	Number of monitoring audits conducted quarterly on licensed operational Bingo Operators.	15 Bingo operator monitoring audits were conducted during 2014/15.	Quarterly monitoring audits conducted on 100% of licensed operational Bingo Operators.	14 Quarterly monitoring audits conducted on 100% of licensed operational Bingo Operators.	Not applicable.	Monitoring audits on two new Bingo sites will commence in Q2 of 2016/17 as monitoring information not yet available.
5.1.3.4	Percentage of monitoring audits conducted quarterly on licensed operational Type "B" LPM sites and Independent Site Operators.	Not applicable – not included in 2014/15 APP.	Quarterly monitoring audits conducted on 100% of licensed operational Type "B" LPM sites and Independent Site Operators.	Not applicable.	Target no longer applicable.	As there are no Independent Site Operators operating independently of Bingo Operators, the Independent Site Operator audit is conducted during the Bingo audit.

## PART B: Performance Information...continued

<b>4.5.1 SUB-PROGRAMME 5.1: MONITORING AND GAMING AUDIT</b> ...continued						
<b>Purpose</b>		To monitor gaming activities in the Province; audit gaming revenue collection for the Province; and ensure compliance with relevant legislation.				
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic objective 5.1.4: Process applications for operational change requests.</b>						
5.1.4.1	Percentage of applications for operational change requests received allocated for processing within prescribed timeframe.	88% of 41 Operational Change Requests received were processed, reported issued to licensees within 14 days of LRMCC approval.	100% of applications for operational change requests received are allocated for processing within 5 working days of receipt.	100% of the 41 operational change requests received were allocated for processing within 5 days of receipt.	Not applicable	Not applicable
5.1.4.2	Percentage of licensees notified of outcome of operational change request within prescribed timeframe.		100% of licensees notified of outcome of operational change request within 14 working days after Operations Committee/ LRMCC/Board decision.	100% of 25 licensees notified within 14 days of outcome of change requests within prescribed timeframe.	Not applicable.	Not applicable.
<b>Strategic objective 5.2.1: Ensure gambling equipment operates in compliance with legislation and SA National Standards (Casino, LPM and Bingo Industry).</b>						
5.2.1.1	Percentage of applications received for hardware and software changes by manufacturers allocated for processing within prescribed timeframe.	100% Achieved 416 Letters of Registration were issued within prescribed timeframe.	100% of applications received for hardware and software changes by manufacturers are allocated for processing and evaluation within 7 working days.	100% of 567 compliant applications for hardware / software changes received were allocated for processing within 7 working days.	Not applicable.	Not applicable.
5.2.1.2	Percentage of Letters of registration issued within prescribed timeframe.		100% of letters of registration issued within 5 working days of administrative registration approval.	100% of 499 letters of certification issued within 5 working days of administrative registration.	Not applicable.	Not applicable.

#### 4.5.2 SUB-PROGRAMME 5.2: GAMING CONTROL

<b>Purpose</b>						
To control all forms of gaming operations through regulatory inspections, certifications and processing of gaming applications thereby ensuring that gaming operations are conducted in compliance with legislation.						
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 5.2.2: Conduct gaming operations inspections to ensure regulatory compliance by licensees.</b>						
5.2.2.1	Number of gaming operations inspections conducted on Casino licensees per annum.	86% Achieved 36 inspections were conducted. The Board noted this deviation from target as a result of capacity constraints within the unit.	Conduct 30 gaming operations inspections on Casino licensees per annum.	29 Casino inspections were conducted on Casino licensees.	Shortfall of 1 Gaming operation inspection conducted on Casino licensees.	An additional casino certification was conducted at Golden Horse Casino in May 2015.  This required resources utilised for inspections to be reallocated in order to ensure certification compliance for new operation.
5.2.2.2	Percentage of gaming operations inspections conducted on licensed operational Bingo licensees per annum.	Not applicable – not included in 2014/15 APP.	Conduct gaming operations inspections on 100% of licensed operational Bingo licensees per annum.	6 Gaming operation inspections were conducted - 100% of licensed operational Bingo licensees.	Not applicable	None
5.2.2.3	Percentage of gaming operations inspections conducted on licensed operational Type "B" LPM sites and Independent Site Operators per annum.	Not applicable – not included in 2014/15 APP.	Conduct gaming operations inspections on 100% of licensed operational Type "B" LPM sites and Independent Site Operators per annum.	Not applicable.	Target no longer applicable.	As there are no Independent Site Operators operating independently of Bingo Operators, the Independent Site Operator inspection is conducted during the Bingo inspections.
<b>Strategic Objective 5.2.3: Conduct certifications of all LPM and Bingo sites and limited pay-out machines.</b>						
5.2.3.1	Percentage of LPM and Bingo sites and limited pay out machines certified within prescribed timeframe.	100% Achieved 96 LPM sites and 402 gaming machines were certified within prescribed timeframe.	100% of LPM and Bingo sites and LPMs certified within 14 working days of receipt of site compliance document from licensee.	100% of LPM and Bingo sites and LPMs certified within 14 working days of receipt of site compliance document from licensee.	Not applicable.	Not applicable.

## PART B: Performance Information...continued

### 4.5.2 SUB-PROGRAMME 5.2: GAMING CONTROL...continued

<b>Purpose</b>						
To control all forms of gaming operations through regulatory inspections, certifications and processing of gaming applications thereby ensuring that gaming operations are conducted in compliance with legislation.						
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 5.2.4: Process applications for gaming operational change requests (Casino, LPM and Bingo).</b>						
5.2.4.1	Percentage of applications for gaming operation change requests received allocated for processing within prescribed timeframe.	100% of 296 Operational Change Requests received were processed and reported. 80% were issued to licensees within 7 days of LRMCC approval.	100% of applications for gaming operation change requests received are allocated for processing within 5 working days of receipt.	100% of 302 applications for gaming changes received were allocated for processing within prescribed timeframe.		
5.2.4.2	Percentage of licensees notified of outcome within prescribed timeframe.		100% of licensees notified of outcome of gaming operational change request within 14 working days after Operations Committee/ LRMCC decision.	100% of 291 licensees notified of outcome within prescribed timeframe.	Not applicable.	Not applicable.
<b>Strategic Objective 5.2.5: Ensure public protection through investigation of patron disputes and cheating incidents.</b>						
5.2.5.1	Percentage of patrons notified of outcome of investigated patron disputes within prescribed timeframe.	100% Achieved 29 patron disputes received were investigated and patrons notified of outcome within prescribed timeframe.	100% of patrons notified of outcome of investigated patron dispute within 5 working days of resolution.	100% of patrons notified of outcome of 24 finalised disputes within prescribed timeframe.	Not applicable.	Not applicable.
5.2.5.2	Percentage of reported cheating incidents investigated and reported.	3 cheating incidents were investigated and reported to LRMCC.	100% of reported cheating incidents are investigated and reported monthly to Operations Committee.	100% of 14 cheating incidents reported were investigated. 2 incidents were investigated, finalised and reported and 12 reported incidents are still under investigation so not yet reported.	Not applicable.	Not applicable.

### Synopsis on Achievements

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

- A total of 196 tax verification audits were conducted.
- A total of 304 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.

### Synopsis on Achievements ...continued

- A total of 11 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 50 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 41 operational change requests, which includes structural developments and internal control amendments were evaluated and processed.
- A total of 24 patron disputes investigated and 14 reported cheating incidents investigated thereby protecting the interests of the public.
- 35 inspections were conducted to ensure that all gaming equipment used by casino/bingo licensees was compliant and licensed for use in the Province. Furthermore, casino surveillance and security systems, gaming tables, and cash desk procedures were also inspected to ensure compliance.
- A total of 35 LPM and Bingo sites were authorised to operate and 180 limited payout machines were certified.
- 302 applications for casino gaming hardware software changes were evaluated and approved thereby ensuring compliance with the South African National Standards 1718.

### LINKING PERFORMANCE WITH BUDGETS

Sub-Programme Name	2015/2016			2014/2015		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Senior Manager	1,334	1,327	7	1,662	1,588	34
Monitoring & Gaming Audit	4,770	5,317	(547)	5,267	4,691	576
Gaming Control	4,656	4,597	59	5,308	5,202	106
<b>Total</b>	<b>10,760</b>	<b>11,241</b>	<b>(481)</b>	<b>12,197</b>	<b>11,481</b>	<b>716</b>

#### 4.6 SUB-PROGRAMME 6: BETTING MONITORING AND CONTROL

PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 6.1: Verify accuracy of taxes payable by the betting industry.</b>						
6.1.1	Percentage of monthly revenue reports compiled on licensed betting operators.	100% Achieved 627 tax validations conducted on Betting Operators.	Conduct revenue validations on 100% of licensed betting operators every month.	561 monthly tax validations conducted in respect of 100% of licenced Betting Operators.	Not applicable.	Not applicable

## PART B: Performance Information...continued

<b>4.6 SUB-PROGRAMME 6: BETTING MONITORING AND CONTROL ...continued</b>						
<b>Purpose</b>	To monitor betting activities in the province; verify betting revenue collection for the province; ensure compliance with relevant legislation; and ensuring that the Board's mandate in respect of the eradication of illegal gambling in the province is carried out.					
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 6.2: Conduct inspections to ensure regulatory compliance by betting industry.</b>						
6.2.1	Total number of off- site inspections conducted annually.	127% Achieved 60 off-site audits were conducted on Bookmakers.	Conduct 47 off-site inspections per annum.	47 Off-site inspections conducted.	Not applicable.	Not applicable.
6.2.2	Total number of on-site inspections conducted annually.	108,5% Achieved 293 on-site audits conducted on betting operators.	Conduct 310 on-site inspections per annum.	310 On-site inspections conducted.	Not applicable.	Not applicable.
6.2.3	Total number of FICA inspections conducted annually.	100% Achieved 10 FICA inspections conducted during 2014/15.	Conduct 10 FICA inspections per annum.	10 FICA inspections conducted on Betting operators.	Not applicable.	Not applicable.
<b>Strategic Objective 6.3: Conduct annual monitoring inspections.</b>						
6.3.1	Number of annual monitoring inspections conducted for each corporate licensee as per Operational Plan.	33,33% Achieved 2 monitoring audits conducted on corporate licensees.	Conduct 1 monitoring inspection for each corporate licensee per annum.	5 monitoring inspections conducted on corporate licensees as per Operational Plan.	Not applicable.	Not applicable.
<b>Strategic Objective 6.4: Process applications for approval of wagering software and operational change requests.</b>						
6.4.1	Percentage of applicants notified of outcome of applications for approval of wagering software within prescribed timeframe.	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.	100% of applicants notified of outcome of applications for approval of wagering software within 5 working days of CEO/Senior Manager decision.	100% Achieved 13 applications finalised and 13 applicants notified of outcome within prescribed timeframe.	Not applicable.	Not applicable.
6.4.2	Percentage of licensees notified of outcome of application for approval of operational change requests within prescribed timeframe.	100% Achieved 33 operational change requests processed and issued to licensees within 14 days of CEO approval.	100% of licensees notified of outcome of application for approval of operational change requests within 5 working days of CEO decision.	100% Achieved. 47 applications finalised and 47 licensees notified of outcome within prescribed timeframe.	Not applicable.	Not applicable.



#### 4.6 SUB-PROGRAMME 6: BETTING MONITORING AND CONTROL...continued

<b>Purpose</b>						
To monitor betting activities in the province; verify betting revenue collection for the province; ensure compliance with relevant legislation; and ensuring that the Board's mandate in respect of the eradication of illegal gambling in the province is carried out.						
<b>PI No.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/2015</b>	<b>Planned Target 2015/2016</b>	<b>Actual Achievement 2015/2016</b>	<b>Deviation from Planned Target to Actual Achievement for 2015/2016</b>	<b>Comment on Deviations</b>
<b>Strategic Objective 6.5: Ensure patron protection through investigation of betting disputes.</b>						
6.5.1	Percentage of betting disputes investigations commenced within prescribed timeframe.	100% Achieved 53 patron disputes received 46 investigated and patrons notified of outcome within 14 days of Board resolution.	100% of betting dispute investigations are commenced within 2 working days of receipt thereof.	100% Achieved. 39 betting disputes received and 39 investigations commenced within prescribed timeframe.	Not applicable.	Not applicable.
6.5.2	Percentage of stakeholders notified of outcome of betting dispute hearing within prescribed timeframe.	3 Referred for Board Hearing - pending. 4 Still under investigation.	100% of stakeholders notified of outcome of betting dispute hearing within 10 working days of receipt of Board resolution.	100% Achieved. 12 betting disputes held and 12 stakeholders notified of outcome within prescribed timeframe.	Not applicable.	Not applicable.

#### Synopsis on Achievements

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

- A total of 561 tax verification audits were conducted to ensure accurate revenue collection for the Province.
- A total of 357 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 5 monitoring audits on Bookmaker Licensees ensuring that licensees complied with licence conditions, bid commitments, corporate social investments, employment equity and BBBEE.
- A total of 67 operational change requests, which include structural developments, were received and processed (47 finalised and 20 still under investigation).
- A total of 10 FICA audits were conducted on Betting operators and reported to ensure that the betting industry is compliant with the Finance Intelligence Act. Through these inspections, the Board is able to identify areas of concern within the betting industry and to recommend remedial action and administrative processes to ensure that the industry becomes compliance with this Act.
- A total of 39 betting disputes were lodged and investigated thereby protecting the interests of the public.
- 18 Applications for wagering software were received and processed thereby ensuring compliance with the South African National Standards 1718 (13 applications finalised - 1 app from previous year finalised this year, 6 applications still under investigation).
- A total of 33 illegal gambling inspections were conducted in the Province in conjunction with other regulatory authorities and 40 awareness engagements with licensees conducted in an effort to create awareness of illegal gambling.

## PART B: Performance Information...continued

4.6 SUB-PROGRAMME 6: BETTING MONITORING AND CONTROL...continued						
Purpose		To monitor betting activities in the province; verify betting revenue collection for the province; ensure compliance with relevant legislation; and ensuring that the Board's mandate in respect of the eradication of illegal gambling in the province is carried out.				
PI No.	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from Planned Target to Actual Achievement for 2015/2016	Comment on Deviations
<b>Strategic Objective 6.6: Initiate steps to eradicate illegal gambling.</b>						
6.6.1	Percentage of illegal gambling reports forwarded to SAPS within prescribed timeframe.	100% Achieved 19 cases of illegal gambling were reported and investigations commenced within 30 days of being reported.	100% of reported cases of illegal gambling are forwarded to SAPS within 10 working days of being reported.	83% Achieved. 6 reported cases of illegal gambling received and 5 forwarded to the SAPS within prescribed timeframe.	17% shortfall in target - 1 reported case of illegal gambling reported to SAPS outside of timeframe.	Delay in submission of 1 report to SAPS due to initial misunderstanding that this case was to be dealt with by specialised unit of the SAPS which has not yet formalised. Matter subsequently reported outside of timeframe.
6.6.2	Percentage of participation in operations planned by other licensing authorities.	100% Achieved. 21 planned raids were conducted during the period under review.	Participation in 60% of operations planned by other licensing authorities.	64% Achieved. 33 inspections planned and 21 inspections attended.	4% above target.	Greater focus was placed on attendance at these inspections as eradication of illegal gambling is a core function of this unit – additional inspections were within allocated budget.
<b>Strategic Objective 6.6: Initiate steps to eradicate illegal gambling. ...continued</b>						
6.6.3	Percentage of engagements with licensed entities to raise awareness of illegal gambling.	Not applicable – not included in 2014/15 APP.	Engagements with 60% of licenced entities within the Gaming and Betting sector to raise awareness of illegal gambling.	26% Achieved. 40 Illegal gambling awareness engagements held out of 152 licenced entities.	34% shortfall of engagements with licenced entities.	Targets set for 2015/16 were not realistic in respect of the available resources to undertake the planned engagements.
6.6.4	Percentage of whistle-blower cases reported to SAPS within prescribed timeframe.	Not applicable – not included in 2014/15 APP.	100% of whistle-blower cases reported to SAPS within 5 working days of being received.	60% Achieved 5 reports received via the whistle-blower programme and 3 reported to the SAPS within prescribed timeframe.	2 out of 5 reports received via the whistle blower programme were not reported within the prescribed timeframe.	An in-house investigation was carried out on 1 of the reports to establish the veracity of the information prior to submission to the SAPS. 1 report could not be handed over to SAPS as at station level, they were not equipped to deal with the reported case.

### STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Strategic Objective	Performance Indicator	Strategy to Address Underperformance
Initiate steps to eradicate illegal gambling	Percentage of engagements with licensed entities to raise awareness of illegal gambling.	Future targets have been aligned to the available resources within the unit to ensure successful achievement of targets in respect of illegal gambling.
	Percentage of whistle-blower cases reported to SAPS within prescribed timeframe.	Further meetings with the SAPS Provincial Commissioner's office to be held in an effort to setup a specialised task team that can deal with illegal gambling at Internet Cafes, Bucket Shops and FAFI.

## LINKING PERFORMANCE WITH BUDGETS

Sub-Programme Name	2015/2016			2014/2015		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Betting Monitoring & Control	6,214	6,028	186	5,555	5,550	5
Illegal Gambling	1,189	965	224	991	933	58
<b>Total</b>	<b>7,403</b>	<b>6,993</b>	<b>410</b>	<b>6,546</b>	<b>6,483</b>	<b>63</b>

## AMENDMENTS TO KZNGBB 2015/16 ANNUAL PERFORMANCE PLAN

Performance Indicator No	Original Annual Target	Revised Annual Target	Revised Quarterly Target Q3 / Q4	Justification for Revision
1.1.1.4	Quarterly reporting to Board and Audit Committee.	Produce and submit 4 Quarterly Reports to Board and Audit Committee.	Q3 and Q4: 1 Quarterly performance report produced and submitted to the Board and Audit Committee.	This target was enhanced using the "SMART" criteria i.e. number of reports specified.
1.1.1.5	Quarterly performance reporting to the Executive Authority in terms of Treasury Regulations 30.2.1 and the Portfolio Committee in terms of Regulation 3 of the KZN Gaming and Betting Act.	Produce and submit 4 Quarterly performance reports to the Executive Authority in terms of Treasury Regulation 30.2.1 and Portfolio Committee in terms of Regulation 3 of the KZN Gaming and Betting Regulations.	Q3 & Q4: 1 Quarterly performance report and Regulation 3 report produced and submitted to Executive Authority and Portfolio Committee before the end of the first month of the next quarter.	This target was enhanced using the "SMART" criteria i.e. number of reports specified. In addition, corrected to refer to the correct legislation i.e. KZN Gaming and Betting Regulations, and not Act.
1.1.1.6	Manage and monitor programmes' performance through signed performance contracts between CEO and Management with performance reviews every 6 months.	Manage and monitor programmes' performance through signed performance contracts, bi-annual performance reviews between CEO and Management and monthly management meetings.	Q3 & Q4: 3 Management meetings held to ensure performance monitoring.	This target was enhanced using the "SMART" criteria i.e. the target now includes the number of monthly Manco meetings as a measurable criterion.
1.1.2.1	Not applicable – none.	80% overall entity achievement against planned performance targets.	Q3 & Q4: 80% overall entity achievements against planned performance targets.	Additional target has been included as performance/ service delivery is a highly strategic deliverable, for which the CEO is responsible.
1.1.2.2	Keep abreast with industry regulatory best practice through attendance at CEOs Forum, NGRF and National Policy Council meetings with reports to Board.	75% attendance at CEO for a.	Q3 & Q4: 75% attendance at CEO fora.	This target was enhanced using the "SMART" criteria i.e. percentage target specified.
N/A	Manage the creation and periodical review and maintenance of policies and procedures within all divisions.	Not applicable – removed.	Not applicable – removed.	This target was removed as it is a duplication of targets specified in the relevant Sub-Programmes.

## PART B: Performance Information...continued

### AMENDMENTS TO KZNGBB 2015/16 ANNUAL PERFORMANCE PLAN...continued

Performance Indicator No	Original Annual Target	Revised Annual Target	Revised Quarterly Target Q3 / Q4	Justification for Revision
N/A	Horse Racing and Betting Transformation Fund managed in accordance with the Act.	Not applicable – removed.	Not applicable – removed.	This target was removed as there are currently amendments to the KZN Gaming and Betting Bill and the Board's Social, Ethics and Transformation Committee has indicated that the Transformation Fund not be implemented until legislation is amended.
1.2.1.1	Board and Committee Charters updated by 31 December 2015.	100% of Board and Committee Charters reviewed and updated by 31 December 2015.	Q3: Update 100% of Board and Committee Charters by 31 December 2015.	This target was enhanced using the "SMART" criteria i.e. percentage target specified.
1.2.1.2	Co-ordinate Board induction, training and briefing sessions as and when required.	Co-ordinate 8 Board induction/training sessions and briefing reports for Board.	Q3 & Q4: Co-ordinate 3 Board induction/ training sessions and/ or briefing reports to Board.	This target was enhanced using the "SMART" criteria i.e. number of Board induction/training sessions and/or briefing reports specified.
1.2.2.2	Board Governance policies updated by 31 December 2015.	100% of Governance policies reviewed and updated for recommendation by 31 December 2015.	Q3: 100% of Governance policies reviewed and updated for recommendation by 31 December 2015.	This target was enhanced using the "SMART" criteria i.e. percentage target specified.
1.2.2.3	Quarterly assessments of governance maturity levels undertaken through GAP analysis reports to Board.	2 Governance Assessments Reports to Board per annum.	Q4: 1 Governance Assessment Report produced for Board.	This target was reduced from quarterly reports to two reports per annum as the Governance Assessments are tabled at SET Committee which only now meets twice per annum. This necessitated the deletion of Q3 target.
1.2.2.4	Minutes of all Board and Board Committee meetings recorded and resolutions register updated monthly.	100% record of updated Resolutions' Registers within 1 month of approval of minutes for every Board and Board Committee meeting held.	100% of resolutions registers updated within 1 month of approval of minutes for every Board and Board Committee meeting held.	This target was enhanced using the "SMART" criteria i.e. percentage target specified.
1.2.3.2	Compile risk management report and facilitate Board evaluation of enterprise risk management by 31 December 2015.	Annual review of ERM policy, processes and plan by 31 December 2015.	Q3: Review ERM policy, processes and plan by 31 December 2015.	This target was amended as the ERM policy, processes and plans have not been assessed since 2013 and with the risk function now being properly housed, such review needs to take place before any evaluation of enterprise risk management can be carried out.
N/A	Compliance Assessment undertaken by 31 March 2016.	Not applicable – removed.	Not applicable – removed.	This target was removed as it is not realistic. The compliance function has been recently housed in the GRC unit and the Compliance Framework has not yet been developed. The Compliance Framework will only be developed by 31 March 2016, so the assessment cannot take place during this financial year.
N/A	Compliance Management report compiled and facilitation of Board evaluation of enterprise compliance by 31 March 2016.	Not applicable – removed.	Not applicable – removed.	This target was removed as it is not realistic. The Compliance Framework has to be developed prior to the assessment or evaluation of enterprise compliance.

## AMENDMENTS TO KZNGBB 2015/16 ANNUAL PERFORMANCE PLAN ...continued

Performance Indicator No	Original Annual Target	Revised Annual Target	Revised Quarterly Target Q3 / Q4	Justification for Revision
1.2.4.1	Compliance Framework developed and approved by 31 March 2016.	Compliance Framework developed and presented to Manco by 31 March 2016.	Q4: Develop Compliance Framework and present to Manco by 31 March 2016.	This target was amended as part of the original measurement criteria was not within the control of the unit i.e. the approval of the Compliance Framework.
1.2.4.2	Not applicable – none.	Compliance Plan developed by 31 March 2016.	Q4: Develop Compliance Plan by 31 March 2016.	This target was included to ensure effective compliance management in the future.
1.3.1.3	Prepare 12 monthly reports to Board on status of litigation matters per annum.	Legal Status Reports prepared for 100% of formal Board meetings.	Q3 & Q4: Prepare Legal Status Reports for 100% of formal Board meetings.	This target was amended from number of reports prepared to percentage to take into consideration where a Board meeting is not held each month.
1.3.2.3	100% of submissions on amendments to regulations, the relevant act and rules drafted and forwarded to responsible MEC within prescribed timeframes.	100% of submissions on amendments to regulations, the relevant act and rules drafted and forwarded to Gaming and Betting Directorate within prescribed timeframes.	Q3 & Q4: 100% of submissions on amendments to regulations, the relevant act and rules drafted and forwarded to Gaming and Betting Directorate within prescribed timeframes.	Target was amended to correct to whom the submissions are made i.e. not responsible MEC but rather, Gaming and Betting Directorate.
N/A	100% of dates set for Section 87 Enquiries within 2 months of charge sheet being issued.	Not applicable – removed.	Not applicable – removed.	This target was removed as the measurable criteria were not within the control of the unit as Secretariat co-ordinates and secures dates for Section 87 Hearings and not Legal Services.
1.4.1.1	HR Strategy and Implementation Plan reviewed, revised and approved by 30 September 2015.	Not applicable – no change.	Q2: HR Strategy and Implementation Plan reviewed, revised and approved by 30 September 2015.	Correction of error on quarterly targets table - This target was erroneously captured under Q3 target so has been correctly reflected under Q2 in the quarterly targets table.
1.4.1.2	Workplace Skills Plan and Annual Training Report submitted by 30 April 2015.	Workplace Skills Plan and Annual Training Report submitted by 30 April 2015 and 70% implementation of WSP by 31 March 2016.	Q4: 70% Implementation of WSP by 31 March 2016.	The target was enhanced using the “SMART” criteria i.e. to include a percentage in respect of the WSP quarterly implementation targets.
N/A	Talent Management Strategy developed and approved by 31 December 2015.	Not applicable – removed.	Not applicable – removed.	Due to the absence of leadership in HR for the latter part of 2014/15 and part of Q1 2015/16, and on the appointment of the HR Manager in June 2015, other HR priorities were identified. As focus has to be given to these priority areas, this target will be carried over into the 2016/17 APP.
N/A	Succession Plan developed and approved by 31 March 2016.	Not applicable – removed.	Not applicable – removed.	As per the reasons provided above, this target will be carried over into the 2016/17 APP.
N/A	Employee Assistance Programme reviewed, revised and approved by 31 March 2016.	Not applicable – removed.	Not applicable – removed.	This target has been removed as Employee wellness forms part of the HR Strategy and Implementation Plan (performance indicator number 1.4.1.1).

## PART B: Performance Information...continued

### AMENDMENTS TO KZNGBB 2015/16 ANNUAL PERFORMANCE PLAN...continued

Performance Indicator No	Original Annual Target	Revised Annual Target	Revised Quarterly Target Q3 / Q4	Justification for Revision
1.4.2.2	21 HR Policies reviewed and amended or developed to ensure continued alignment with legislation by March 2016.	100% of HR Policies reviewed as per the HR Policy Review Schedule and within prescribed timeframe.	Q3: 100% of HR Policies reviewed as per the HR Policy Review Schedule and by 31 December 2015.	This target was amended as the Board instructed that all HR policies be urgently reviewed by 31 December 2015, in accordance with the HR Policy Review Schedule prepared by HR Manager.
1.4.3.1	Recruitment Strategy developed and approved by 31 March 2016.	Recruitment Strategy developed for approval by 31 March 2016.	Q4: Recruitment Strategy developed for approval by 31 March 2016.	This target was amended as part of the original measurement criteria was not within the control of the unit i.e. the Board's approval of the Recruitment Strategy.
1.5.1.1	Review, revise and obtain Board approval of Communications Strategy and Plan by 30 November 2015.	Communication Strategy and Plan reviewed and revised by 30 November 2015 for Board approval.	Q3: Review and revise Communication Strategy and Plan by 30 November 2015 for Board approval	This target was amended as part of the original measurable criteria was not within the control of the unit i.e. the Board's approval of the Communications Strategy and Plan.
N/A	Socio-economic impact assessment findings reviewed and publicised via Board's website and media releases by 31 October 2015.	Not applicable – removed.	Not applicable – removed.	This target has been removed as the Board will no longer be undertaking a Socio-economic impact assessment. The findings of the National Gambling Board's Study will be utilised by the Board and it is unknown when such assessment will be undertaken.
1.5.4.1	Facilitate stakeholder engagements as per the Board approved Stakeholder Engagement Plan .	60% of stakeholder engagements attended/facilitated as per the Board approved Stakeholders' Engagement Plan.	Q3 & Q4: 60% of stakeholder engagements attended / facilitated as per Stakeholders' Engagement Plan.	This target was enhanced using the "SMART" criteria i.e. percentage target specified.
2.1.1	80% of implementation targets of Finance Strategy met.	80% implementation of Finance Strategy as per Implementation Plan.	Q4: 80% implementation of Finance Strategy as per Implementation Plan.	This target was enhanced using the "SMART" criteria i.e. specifying percentage target against the targets contained in the implementation plan.
2.1.2	Accounting information and reports to be GRAP compliant to achieve unqualified audit from Auditor General for period under review.	Achieve unqualified audit from Auditor General for period under review.	Not applicable – targets removed.	This target was enhanced using the "SMART" criteria and Q3 and Q4 targets deleted as they are not applicable – target met in Q2.
2.4.2	100% of bidding and tender processes undertaken within prescribed timeframes.	100% of bids awarded within validity period.	Q3 & Q4: 100% of bids awarded within validity period.	This target was enhanced using the "SMART" criteria i.e. specifying the percentage target of bids awarded within the validity period rather than broad processes undertaken.
2.5.1	100% of Bookmakers taxes collected within 15 working days of the end of each month.	100% of collected Betting taxes proportionately distributed to Racecourse Operator and Provincial Revenue Fund as required in KZN Gaming and Betting Tax Act.	Q3 & Q4: 100% of collected Betting taxes proportionately distributed to Racecourse Operator and Provincial Revenue Fund as required in KZN Gaming and Betting Tax Act.	This target was amended as the Finance Division is not responsible for the collection of taxes, however is required, in terms of the KZN Gaming and Betting Tax Act to distribute various percentages of horseracing and sports betting taxes paid by licensees to the Racecourse Operator and the Provincial Revenue Fund.

## AMENDMENTS TO KZNGBB 2015/16 ANNUAL PERFORMANCE PLAN *...continued*

Performance Indicator No	Original Annual Target	Revised Annual Target	Revised Quarterly Target Q3 / Q4	Justification for Revision
2.7.1.	Two assets counts conducted during the financial year i.e. September 2015 and March 2016.	Two assets counts conducted during the year i.e. April and October.	Q3: Conduct asset count by 31 October 2015.	This target was corrected as asset counts can only be undertaken after the period ends i.e. after March and September.
3.2.1	Implementation of Phase 1 and 2 of Corporate Governance of Information and Communication Technology Policy Framework by 30 September 2015.	Not applicable – remains the same.	Q3 & Q4 targets: Implementation of Phase 1 and 2 of Corporate Governance of Information and Communication Technology Policy in terms of IT Governance Plan	Q3 and Q4 targets were amended as the implementation is in terms of the IT Governance Plan and not the framework.
3.2.2	ICT Policies reviewed by 31 December 2015.	100% of ICT Policies reviewed by 31 December 2015.	Q3: 100% of ICT Policies reviewed by 31 December 2015.	This target was enhanced using the "SMART" criteria i.e. percentage target specified.
3.3.1	Developed and implemented BPR Project (Phase 2).	Phase 2 BPR Project Plan developed with quarterly reporting on implementation progress.	Not applicable – quarterly targets unchanged.	The target was enhanced using the "SMART" criteria i.e. the measurable deliverables were specified, namely development of Project Plan and quarterly reporting on implementation progress.
N/A	Research and prepare a report on On-Line Gambling and related activities by 31 March 2016.	Not applicable – removed.	Not applicable – removed.	This target was removed as research in respect of on-line gambling is a National initiative so will not be undertaken by the KZNGBB.
N/A	Attend IT training and development initiatives as planned.	Not applicable – removed.	Not applicable – removed.	This target was removed as the strategic target in respect of IT training was dealt with in performance indicator 3.1.6 and as IT training is included in the Workplace Skills Plan, and the percentage implementation/ attendance reported by Human Resources unit, this target was included in error.
4.1.1.1 to 4.1.1.6 4.2.1.1 4.2.1.4 4.2.1.5 4.2.1.6	100% of applications (Financial Acquisitions; Certificates of Suitability; Manufacturers, Suppliers and Maintenance Providers; Bookmakers; Totalisators; Racecourse Operators and Bingo) processed and investigated within 3 months of receipt of application.	80% of applications (Financial Acquisitions; Certificates of Suitability; Manufacturers, Suppliers and Maintenance Providers; Bookmakers; Totalisators; Racecourse Operators and Bingo) processed and investigated within 90 working days of assignment thereof.	Q3 & Q4: 80% of applications (Financial Acquisitions; Certificates of Suitability; Manufacturers, Suppliers and Maintenance Providers; Bookmakers; Totalisators; Racecourse Operators and Bingo) processed and investigated within 90 working days of assignment thereof.	The percentage targets have been reduced as the 100% target was no longer realistic as a result of the increased workload (due to new gambling initiatives and the additional responsibility of processing applications from the Totalisator sector); the highly manual environment in which the unit currently operates; and focus been given to clearing the backlog of employee applications.
4.1.1.7	100% of applications for employee registrations processed and investigated within 2 months of receipt of application.	60% of applications for Casino and Betting employee registrations processed and investigated within 60 working days of assignment thereof.	Q3 & Q4: 60% of applications for Casino and Betting employee registrations processed and investigated within 60 working days of assignment thereof.	This target was amended to specify the category of employee registration; to provide a more realistic percentage (reduced to 60% in light of the challenges detailed above); and the prescribed period from 2 months to 60 working days of assignment thereof.



## PART B: Performance Information...continued

### AMENDMENTS TO KZNGBB 2015/16 ANNUAL PERFORMANCE PLAN...continued

Performance Indicator No	Original Annual Target	Revised Annual Target	Revised Quarterly Target Q3 / Q4	Justification for Revision
4.1.1.8	100% of Tote Agent and Tote Manager applications processed and investigated within 2 months of receipt of application.	60% of Tote Agent applications processed and investigated within 60 working days of assignment thereof.	Q3 & Q4: 60% of applications for Tote Agent registrations processed and investigated within 60 working days of assignment thereof.	This target was amended to provide a more realistic percentage target (reduced to 60% in light of the challenges detailed above); to delete Tote Manager as this category of employee is already included in performance indicator 4.1.1.7; and the prescribed period was changed from 2 months to 60 working days of assignment thereof.
4.1.1.9 4.2.1.8	100% of renewal applications processed and licenses and certificates issued at times prescribed in the Act.	100% of renewal applications processed and licences and certificates issued within 21 days before the expiry date thereof.	Q3 & Q4: 100% of renewal applications processed and licences and certificates issued within 21 days before the expiry date thereof.	The target was enhanced using the "SMART" criteria i.e. specifying number of days before expiry of licence/certificate.
4.1.2.1 4.2.2.1	100% of licences and certificates of registration issued within 10 working days of Committee/ Board approval and/ or within 10 working days of payment of fees.	100% of Licences and/or certificates of registration issued within 10 working days of the Board's decision or receipt of proof of payment for outstanding investigation costs/ licence/registration fees.	Q3 & Q4: 100% of Licences and/ or certificates of registration issued within 10 working days of the Board's decision or receipt of proof of payment for outstanding investigation costs/ licence/registration fees.	The target was enhanced using the "SMART" criteria i.e. specifying the type of fees required to be paid.
N/A	100% of bookmaker managers and national certificates of registration processed monthly .	Not applicable – removed.	Not applicable – removed.	This target was removed as it is a duplication of the employee registrations processed i.e. these categories of employee are already included in performance indicator 4.1.1.7.
4.2.1.2	100% of LPM Site Operator and LPM Independent Site Operator licence applications processed and investigated within 4 months of receipt of application.	80% of Type A LPM Site Operator licence applications processed and investigated within 120 working days of assignment thereof.	Q3 & Q4: 80% of Type A LPM Site Operator licence applications processed and investigated within 120 working days of assignment thereof.	This target has been split into two performance indicators 4.2.1.2 and 4.2.1.3 to specify the specific category of LPM licence application. The percentage target has been reduced as the original percentage target of 100% is no longer realistic with the increased workload (due to new gambling initiatives) and the highly manual environment in which the unit currently operates.
4.2.1.3	100% of LPM Site Operator and LPM Independent Site Operator licence applications processed and investigated within 4 months of receipt of application.	80% of Type B LPM Site Operator licence applications processed and investigated within 120 working days of assignment thereof.	Q3 & Q4: 80% of Type B LPM Site Operator licence applications processed and investigated within 120 working days of assignment thereof.	As per above, this target has been added to the APP in order to specify the specific category of LPM licence application. Targeted percentage has been reduced as a 100% target is no longer realistic with the increased workload (due to new gambling initiatives) and the highly manual environment in which the unit currently operates.
4.2.1.7	100% of applications for employee registrations processed and investigated within 2 months of receipt of application.	70% of applications for Bingo and LPM employee registrations processed and investigated within 60 working days of assignment thereof.	Q3 & Q4: 70% of applications for Bingo and LPM employee registrations processed and investigated within 60 working days of assignment thereof.	This target was amended to specify the category of employee registration; to provide a more realistic percentage (reduced to 60% in light of the challenges detailed above); and the prescribed period from 2 months to 60 working days of assignment thereof.



## AMENDMENTS TO KZNGBB 2015/16 ANNUAL PERFORMANCE PLAN ...continued

Performance Indicator No	Original Annual Target	Revised Annual Target	Revised Quarterly Target Q3 / Q4	Justification for Revision
5.1.4.2 5.2.4.2	100% of licensees notified of outcome within 14 working days after LRMCC approval.	100% of licensees notified of outcome of operational change request/gaming operational change requests within 14 working days after Operations Committee/ LRMCC/Board decision.	Q3 & Q4: 100% of licensees notified of outcome of operational change request/ gaming operational change request within 14 working days after Operations Committee/ LRMCC/Board decision.	This amendment was made to take into account the delegations of authority approved by the Board where the Operations Committee now also considers applications for operational change requests. Operational change requests for Gaming Audit are decided upon by either Ops Comm/LRMCC or Board and gaming operational change requests are considered by either Ops Com or LRMCC.
5.2.5.1	100% of patron disputes investigated and patrons notified of outcome within 5 working days of resolution.	100% of patrons notified of outcome of investigated patron disputes within 5 working days of resolution.	Q3 & Q4: 100% of patrons notified of outcome of investigated patron dispute within 5 working days of resolution.	This target was enhanced using the "SMART" criteria i.e. measurable criteria more clearly defined.
5.2.5.2	100% of reported cheating incidents are investigated and reported to LRMCC monthly.	100% of reported cheating incidents are investigated and reported to Operations Committee monthly.	Q3 & Q4: 100% of reported cheating incidents investigated and reported to Operations Committee monthly.	This amendment was made to take into account the delegations of authority approved by the Board where the Operations Committee now considers reported cheating incidents.
6.4.1	100% of applications for approval of wagering software received are processed and licensee notified of outcome within 10 working days of CEO/Senior Manager approval.	100% of applicants notified of outcome of applications for approval of wagering software within 5 working days of CEO/Senior Manager decision.	Q3 & Q4: 100% of applicants notified of outcome of applications for approval of wagering software within 5 working days of CEO/ Senior Manager decision.	The target was enhanced using the "SMART" criteria i.e. measurable criteria more clearly defined and target reduced from 10 working days to 5 working days.
6.4.2	100% of applications for approval of operational change requests received are processed and licensee notified of outcome within 10 working days of CEO/Senior Manager approval.	100% of licensees notified of outcome of application for approval of operational change requests within 5 working days of CEO decision	Q3 & Q4: 100% of licensees notified of outcome of application for approval of operational change requests within 5 working days of CEO decision.	The target was enhanced using the "SMART" criteria i.e. target reduced from 10 working days to 5 working days of CEO decision.
6.5.1	100% of betting disputes investigated within 2 working days of receipt and hearings set down when applicable.	100% of betting dispute investigations are commenced within 2 working days of receipt thereof.	Q3 & Q4: 100% of betting dispute investigations are commenced within 2 working days of receipt thereof.	The target was enhanced using the "SMART" criteria and reference to hearing set down was deleted as the measurable criteria was not within the control of the unit as Secretariat co-ordinates and secures dates for Betting Dispute hearings.
6.6.3	Participation in 60% of operations planned by other licensing authorities.	Not applicable.	Q3 & Q4: Participate in 60% of operations planned by other licensing authorities.	Error rectified in quarterly targets - Original Quarterly target read: Participation in 15% of operations planned by other licensing authorities. % should have been 60%.

# 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 provincial public entity subject to the provisions of the Public Finance Management Act, 1999. 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 elected 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 31 March 2015 the Board was comprised of nine Members who meet at least eight (8) times per year, and more regularly if required. The Board retains effective management over the affairs of the entity and monitors management.

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 Officer 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. 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 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 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 R 659 148, 00.

### BOARD EVALUATION

The Board is required to undergo evaluation of performance against its mandate as set out in the Act and progress in terms of the Board and Committee Charters once during its term of office.



## COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	No. of Meetings attended
Adv B S Khuzwayo	Chairperson	April 2015	21
Mr E D Mpanza	Deputy Chairperson	April 2015	34
Mr P M Miller	Member	April 2015	33
Adv N D Hollis SC	Member	April 2015	24
Mr S N Chetty	Member	April 2015	33
Mrs V P N Mkhize	Member	April 2015	24
Mrs S T Mthembu	Member	April 2015	33
Mrs H Hart	Member	April 2015	27
Miss B Zulu	Member	April 2015	34
Mr B Wilkinson	Member (MEC Representative)	April 2015	10
Mr N Nkomo	Member (MEC Representative)	April 2015	8

- The number of Board and Committee meetings is attributable to the period when there was no Board and the backlog that was created during that period. In addition, the Board is mandated to ensure compliance with the applicable legislation which entails that enquiries are held into suspected noncompliance 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 and management. Management has undertaken to develop a well - defined and formalised stakeholder consultation process.

The Board had 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 its principal, Treasury and the Portfolio Committee.

## COMMITTEES

Committee	Committee Function	No. of meetings held	No. of members	Name of members
Audit Committee	See below	5	5	**Professor S. Perumal **Mr V. Ramphal **Mrs S. Ngidi  Mr P M Miller (internal) Mrs H Hart (internal)
Finance Committee	Oversees sound the financial management and practices within the entity	4	4	Mr P M Miller (Chairperson) Mrs H Hart Mr E D Mpanza Mrs V P N Mkhize
LRMCC Committee	Is responsible for recommending licensing or registration of new entrants to the industry	5	4	Adv H D Hollis SC (Chairperson) Mr P M Miller Miss B Zulu Mr S N Chetty
Human Resources and Remuneration Committee	Is responsible for human resource matters focusing on remuneration, employment equity, succession planning, training, development and retention of staff.	4	4	Mr E D Mpanza (Chairperson) Mrs V P N Mkhize Mrs S T Mthembu Mrs H Hart
Public Hearings/ S87 / Disciplinary Committee	This Committee considers applications that are required to be heard at a public hearing, betting disputes and S87 enquiries.	9	4	Mr S N Chetty (Chairperson) Adv N D Hollis SC Mrs S T Mthembu Miss B Zulu

## REMUNERATION OF BOARD MEMBERS

- The Board is remunerated in terms of a policy directive issued by the MEC for Finance. 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.

## 3. 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 Governance, Risk and Compliance Unit is responsible for the management of risk within the entity. An Operational Risk Committee was established and risk is integrated in all activities of the entity. Each Unit has a risk champion responsible for reporting on the risks which are monitored in that Unit and which has the oversight of Unit 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 risk register which is considered quarterly by 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 organisations' 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 entities management of risk is maturing slowly.

## 4. INTERNAL AUDIT

The internal audit is the on-going responsibility of the Audit Committee. Due to the size of the entity a permanent internal audit function has not been established.

The Kwazulu-Natal Gaming and Betting Board falls under the ambit of Provincial Treasury, which performs the internal audit function for the Board and its work is set out in its annual work plan. The Internal Auditors have 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 were appointed in 2015.

## 5. THE AUDIT COMMITTEE

During the financial year the Audit Committee consisted of the members listed hereunder and met five (5) times. The Committee exceeded the number of meetings per annum by one (1) as required by its terms of reference approved in the Audit Committee Charter. The additional meeting was held to review the Annual Financial Statements for the financial year 2014/ 2015.

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 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 resources and expertise 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 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 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 the entity provide assurance to the Audit Committee on the effectiveness of internal financial controls, internal controls and the management of risk across the organisation.

Furthermore, the Audit Committee 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 concurs that Internal Audit has addressed risks pertinent to the entity in its internal audit reviews. The Audit Committee is satisfied that the internal audit function is operating effectively.

The table below reflects relevant information about the Audit Committee members

Name	Internal or external	If internal, position in the public entity	Date of Termination	No. of Meetings attended
Prof S. Perumal (Chairperson)	External	N/A	31 May 2016	3
Mrs S. Ngidi	External	N/A	31 May 2016	2
Mr V. Ramphal	External	N/A	31 May 2016	4
Mr P. M. Miller	Internal	Non-Executive Board Member	N/A	3
Mrs H. Hart	Internal	Non-Executive Board Member	N/A	2

**6. COMPLIANCE WITH LAWS AND REGULATIONS**

The Chief Executive Officer is responsible for ensuring compliance with relevant legislation and regulations. The KZNGBB has appointed the Head of Governance, Risk and Compliance, the Chief Legal Advisor 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.

Board have an obligation under these 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 exceeded that materiality level. Two very minimal fines were imposed by FIC against bookmakers.

The Board has an operational Whistle Blowers Line. Five reports were received via the whistle-blower hotline.

A policy has been developed and approved by the Board. No cases have yet been reported thus far.

**7. FRAUD AND CORRUPTION**

The KZNGBB has an approved fraud prevention plan. In addition all employees as well as the Board are required to declare any personal financial interests that they may have.

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 Audit Committee. Employees will be trained on the policy and procedure. Employees who intend to make disclosures have assurance from the Board in the policy 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.

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

## 8. MINIMISING CONFLICTS OF INTEREST

The nature of the Board and entity 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 Audit Committee.

## 9. CODE OF CONDUCT

The KZNGBB has an approved Code of Ethical Conduct Policy for itself and for employees.

It is the intention of the Board to ensure and support ethical conduct by its employees and members to a standard pattern of behaviour which indicates how a person should act, based on moral duties and virtues arising from the principles of right and wrong.

The Codes of Ethics and Business Conduct for the Board and Employees are augmented by guidelines such as the Board's Policies and Procedures including the Disciplinary Code and Grievance Procedures.

The spirit of the documents is to support ethical conduct by all individuals covered by it as reflected in the scope. The Code does

not replace the Board's service level agreement, but should be seen as complementary to the service level agreement.

Members who are responsible for systems, procedures and policies must ensure that the operation of these comply with relevant legislation. In addition, where any Employee or a Board Member becomes aware of any possible conflicts between a Board policy, procedure or practice or a law, it is the member's responsibility to bring the conflict to the attention of the Board Secretary, Manager concerned or to the CEO. The Board Secretary, Manager and/or CEO must provide clear instructions on how to deal with the matter.

Board members are indemnified against any personal civil liability which is incurred in proper execution of their Board functions provided that the Board member has acted honestly, reasonably, in good faith and without negligence.

## 10. HEAD: GOVERNANCE, RISK AND 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 are 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.

## PART C: Governance...continued

The Board has a mandate as a regulator to ensure that its licensees comply with applicable legislation such as the B-BBEE 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 is monitored by the Licensing, Registration, and Monitoring and Compliance Committee.

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

Casino	2013/14	2014/15	2015/16
Suncoast	967	1022	1011
Sibaya	575	441	935
Golden Horse	231	238	239
Umfoloji	214	205	224
Blackrock	237	257	249
<b>TOTAL</b>	<b>2224</b>	<b>2163</b>	<b>2658</b>

Route Operator	2013/14	2014/15	2015/16
Kingdom Slots	38	36	37
V-Slots	18	17	17
Luck at It	12	13	15
KZN Slots	29	27	32
<b>TOTAL</b>	<b>97</b>	<b>93</b>	<b>101</b>

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

Bingo	2013/14	2014/15	2015/16
Galaxy Amanzimtoti	83	98	75
Galaxy Pavilion	N/A	77	68
Galaxy South Coast	N/A	N/A	44
<b>TOTAL</b>	<b>83</b>	<b>175</b>	<b>187</b>

Independent Site Operator (ISO)	2013/14	2014/15	2015/16
Galaxy Gateway	N/A	82	54
Goldrush Malvern	N/A	N/A	35
Great Bingo	N/A	54	47
<b>TOTAL</b>	<b>N/A</b>	<b>136</b>	<b>136</b>

Betting	2013	2014	2015/16
Bookmakers/Tote	843	1024	1675
<b>TOTAL</b>	<b>843</b>	<b>1024</b>	<b>1675</b>



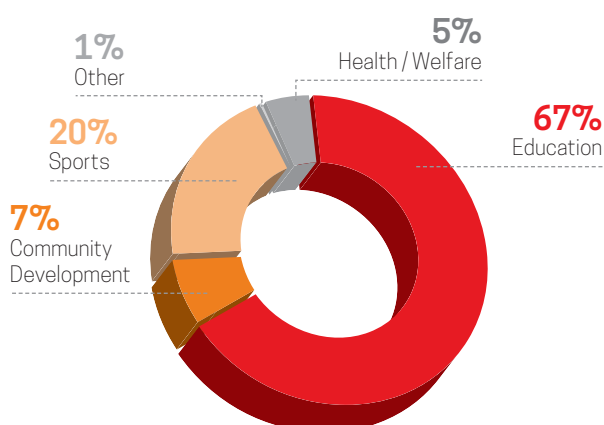
## CORPORATE SOCIAL INVESTMENT

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

### CASINO CORPORATE SOCIAL INVESTMENT

Category	2014/15	2015/16	Variance
Health and Welfare	564 132.54	490 749.03	-73 400.69
Education	7 421 911.90	6 371 298.56	-1 050 613.34
Community Upliftment	632 081.31	667 116.64	35 035.33
Sports and Recreation	474 580.42	1 934 744.10	1 460 163.68
Other Donations	100 149 204.32	116 512.91	-100 032 691.41
<b>Total</b>	<b>109 241 910.49</b>	<b>9 580 421.30</b>	<b>-99 661 489.19</b>

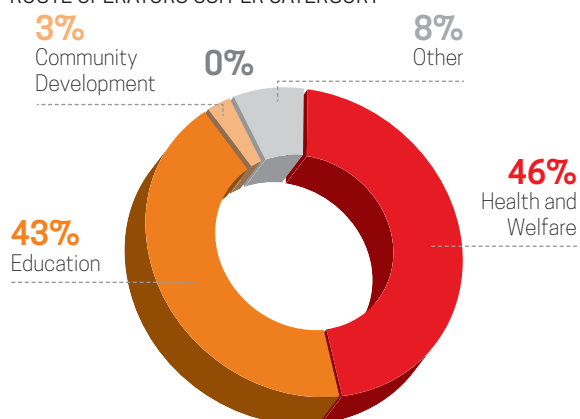
### CASINO CSI PER CATEGORY



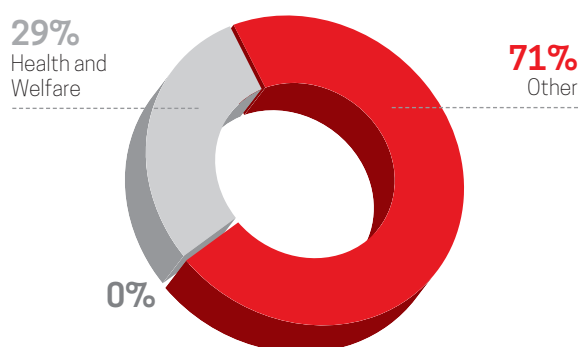
### ROUTE OPERATORS CSI

Category	2014/15	2015/16	Variance
Health and Welfare	285 633.00	841 259.94	555 626.94
Education	100 000.00	793 000.00	693 000.00
Community Upliftment	1 300 000.00	45 900.00	-1 254 100.00
Sports and Recreation	-	-	-
Other Donations	-	147 000.00	147 000.00
<b>Total</b>	<b>1 685 633.00</b>	<b>1 827 159.94</b>	<b>1 421 967.60</b>

### ROUTE OPERATORS CSI PER CATEGORY



### BINGO OPERATORS CSI PER CATEGORY



## AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

### 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 at least four (4) times per annum as per its terms of reference approved in the Audit Committee Charter. During the reporting period two Board members replaced the former Board members who represented the Board at the Audit Committee meetings.

### DATES OF AUDIT COMMITTEE MEETING

25 May 2015, 26 May 2015, 22 July 2015, 16 September 2015 and 4 February 2016.

### 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 public entity.

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

- Legislative Audits
  1. Annual Financial Statements – Finalized in Quarter 1
  2. Interim Financial Statements – Finalized in Quarter 3
  3. Pre – determined Objectives - Reporting
- Follow – up Audits
  1. Stakeholder Engagement Processes – Finalised in Quarter 4
  2. Human Resources Management – Finalised in Quarter 3
  3. Illegal Gambling – Finalised in Quarter 4
- Risk Based Audits
  1. Supply Chain Management – Finalised in Quarter 3
  2. Licensing and Registration – Finalised in Quarter 3
- IT Audits
  1. IT General Controls – Finalised in Quarter 2

Internal Audit submitted all the Internal Audit Reports to the 4 February 2016 Committee meeting.

The following were areas of concern:

The audit highlighted findings that required management's immediate attention to review functional mandates as well as synergies between business units within KwaZulu-Natal Gaming and Betting Board to avoid duplication of effort and improve efficiency. The delays in the business process re-engineering exercise was required to be addressed immediately as this has a negative impact in respect of the implementation and automation of controls as well as the workload and capacity assessment. Automation of dashboards and exception reporting are important monitoring and communicating management tools. It is imperative that functional specification to incorporate dashboards and exception reports are developed and incorporated into the lotus notes system.

### 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 Officer of the Board during the year under review.

## NUMBER OF MEETINGS ATTENDED IN NEW FINANCIAL YEAR

- Prof S. Perumal (Chairperson) 3 out of 5
- Mrs S. Ngidi 2 out of 5
- Mr V. Ramphal 4 out of 5
- Mr P. M. Miller (Board representative) 3 out of 5
- Mrs H. Hart (Board representative) 2 out of 3

## 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.

## AUDITOR'S REPORT

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 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 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  
Date: 25 May 2016

# Human Resource Management

## 1. INTRODUCTION

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

The strategic objective for Human Resources is to attract, develop and retain suitable, qualified and competent human resources for the Board. The overall purpose of HR is to ensure that all matters relating to human capital management and development are implemented effectively and efficiently

The Human Resources Unit provides services such as Training and Development, Recruitment and Selection, Labour Relations, Performance Management and Development, Employee Wellness and Human Resource Administration. The Unit set a number of priorities for the year under review, which included the following:

- The Workplace Skills Plan and Annual Training Report submitted to the relevant SETA

- Employment Equity plan developed and approved.
- Human Resource Strategy developed and approved.
- Human Resources policies reviewed.
- Job Descriptions reviewed.
- Employee Wellness Program implemented.
- Succession Planning not achieved and this has been carried over to the 2016/17 FY.
- Employment Equity Plan for the entity not yet implemented.
- Performance Reward System not yet fully developed and implemented.

Some of the targets were not achieved due to inadequate resourcing within the Unit. The unit is still facing some challenges and these include:

- Inadequate human 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	35 862 543.88	281 276.35	9.6	62	46 766.19

### EMPLOYMENT AND VACANCIES

Programme/activity/objective	2014/2015 No. of employees	2015/16 Approved Posts	2015/16 No. of employees	2015/16 vacancies	% of vacancies
Office of the CEO	4	4	3	1	0.25
Licensing Registration	12	13	11	2	0.18
Gaming Monitoring and Control	31	22	19	3	15.78
Betting Monitoring and Control	11	14	13	1	7.69
Finance	8	11	9	3	33.33
Human Resources	6	9	5	3	60
ICT	2	6	4	2	50
Legal Services	3	3	3	0	0.00
Governance Risk and Compliance	4	5	5	0	00.00
<b>TOTAL</b>	<b>81</b>	<b>87</b>	<b>72</b>	<b>15</b>	



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

Employment Level	2014/2015 No. of employees	2015/16 Approved Posts	2015/16 No. of employees	2015/16 vacancies	% of vacancies
Top Management	1	1	1	0	0
Senior Management	4	7	6	1	0
Professional qualified	10	10	10	0	0
Skilled	43	50	37	13	35.1
Semi-skilled	11	18	16	1	12.5
Unskilled	1	1	1	0	0
<b>TOTAL</b>	<b>70</b>	<b>87</b>	<b>72</b>	<b>15</b>	

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

- Human Resources Manager
- Licensing and Registration Officers
- Senior Finance Officer
- Procurement Officer

The above positions became vacant as a result of resignations,

### EMPLOYMENT CHANGES

Industry Norm	KZNGBB 2014/2015 FY	KZNGBB 2015/16 FY
<b>7.5% per annum</b>	10%(8)	6.49% (5)

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

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top Management	1	0	0	0
Senior Management	6	0	0	6
Professional qualified	9	1	0	10
Skilled	50	4	4	42
Semi - Skilled	18	0	0	18
Unskilled	1	0	0	1
<b>TOTAL</b>	<b>70</b>	<b>5</b>	<b>4</b>	<b>71</b>

The organisational structure was amended during the financial year under review and approved. The organisational structure consists of 87 positions.

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignation	5	6.4
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of contract	0	0
Other	0	0
<b>Total</b>	<b>5</b>	<b>6.4</b>

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

#### LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary action	Number
Verbal warning	0
Written warning	4
Final written warning	1
Dismissal	0
Total	5

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

Levels	MALES							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	target
Top Management	0	N/A	0	N/A	0	N/A	0	N/A
Senior Management	2	N/A	0	N/A	1	N/A	2	N/A
Professional qualified	7	N/A	0	N/A	1	N/A	0	N/A
Skilled	18	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
<b>TOTAL</b>	<b>29</b>	<b>N/A</b>	<b>0</b>	<b>N/A</b>	<b>5</b>	<b>N/A</b>	<b>3</b>	<b>N/A</b>

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	1	0	N/A	0	N/A	1	N/A
Professional qualified	1	N/A	0	N/A	2	N/A	0	N/A
Skilled	18	N/A	1	N/A	5	N/A	3	N/A
Semi-skilled	4	N/A	0	N/A	5	N/A	1	N/A
Unskilled	1	N/A	0	N/A	0	N/A	0	N/A
<b>TOTAL</b>	<b>25</b>	<b>1</b>	<b>1</b>	<b>N/A</b>	<b>9</b>	<b>N/A</b>	<b>5</b>	<b>N/A</b>

# Financial Statements

## INDEX

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

## CONTENTS

Accounting Authority's Responsibilities and Approval	77
Report of the Auditor General	78 - 79
Accounting Authority's Report	80
Statement of Financial Position	82
Statement of Financial Performance	83
Statement of Changes in Net Assets	84
Cash Flow Statement	85
Statement of Comparison of Budget and Actual Amounts	86
Accounting Policies	87 - 94
Notes to the Financial Statements	95 - 113

## ABBREVIATIONS

GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
PFMA	Public Finance Management Act





## GENERAL INFORMATION

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	To regulate the Gambling industry in KwaZulu-Natal
<b>Members</b>	Adv BS Khuzwayo Mr ED Mpanza Mr SN Chetty Mrs H Hart Adv ND Hollis SC Mrs VPN Mkhize Mr PM Miller Mrs ST Mthembu Ms B Zulu
<b>Chief Executive Officer</b>	Ms PN Baloyi
<b>Registered office</b>	330 Langalibalele Street Pietermaritzburg 3201
<b>Business address</b>	3 Nollsworth Park Nollsworth Crescent La Lucia Ridge 4051
<b>Postal address</b>	Private Bag X9102 Pietermaritzburg 3200
<b>Bankers</b>	Absa Bank
<b>Auditors</b>	Auditor-General South Africa Chartered Accountants (S.A.)
<b>Board secretary</b>	Ms S Singh
<b>Website</b>	<a href="http://www.kzngbb.org.za">www.kzngbb.org.za</a>
<b>Controlling entity</b>	KwaZulu-Natal Provincial Treasury

## 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 2017 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 78.

The financial statements set out on pages 82 to 113, which have been prepared on the going concern basis, were approved by the accounting authority on 26 May 2016 and were signed on its behalf by:



Adv BS Khuzwayo  
Chairman

# 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 82 to 113, which comprise the statement of financial position as at 31 March 2016, 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 accounting authority is responsible for the preparation and fair presentation of these 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 the 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 2016 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 31 to the financial statements, irregular expenditure to the amount of R3,02 million was incurred as a result of non-compliance with the 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 have a responsibility to report 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 4 - licensing and registration on pages 37 to 43, programme 5 - gaming monitoring and control on pages 44 to 49 and programme 6 - betting monitoring and control on pages 49 to 52 presented in the annual performance report of the entity for the year ended 31 March 2016.
11. 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.
12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
13. I did not identify any material findings on the usefulness and reliability of the reported performance information for the three selected programmes.

## ADDITIONAL MATTERS

14. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matters:

## ACHIEVEMENT OF PLANNED TARGETS

15. The information on the achievement of planned targets for the year is included in the annual performance report on pages 12 to 59.

## ADJUSTMENT OF MATERIAL MISSTATEMENTS

16. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for programme 4 - licence and registration. As management subsequently corrected

the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

## COMPLIANCE WITH LEGISLATION

17. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

## INTERNAL CONTROL

18. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

## OTHER REPORTS

19. I draw attention to the following engagements that could potentially impact on the entity's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

## INVESTIGATIONS

20. Two investigations were conducted between the period 2015 and 2016 by the provincial treasury at the request of the member of the executive council responsible for KwaZulu-Natal Gaming and Betting Board. One investigation related to the imaging and analysis of computer equipment and was completed with no findings against the official. The other investigation, which relates to the financial performance of certain limited pay-out machines and the awarding of certain licences, is in progress.

*Auditor - General*

Pietermaritzburg  
31 July 2016



## ACCOUNTING AUTHORITY'S REPORT

The members submit their report for the year ended 31 March 2016.

### 1. ESTABLISHMENT

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

### 2. REVIEW OF ACTIVITIES

#### MAIN BUSINESS AND OPERATIONS

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

- 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 4 460 584 (2015: surplus R 11 684 747).

The members of the Accounting Authority were appointed at the beginning of the financial year as detailed in section 6 below.

### 3. GOING CONCERN

We draw attention to the fact that at 31 March 2016, the entity had an accumulated surplus of R 34 757 623 and that the entity's assets exceed its total liabilities by R 34 757 623.

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 members are not aware of any matter or circumstance arising since the end of the financial year.

### 5. ACCOUNTING POLICIES

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

## 6. ACCOUNTING AUTHORITY

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

Name	Nationality	Changes
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	Postal address
330 Langelibalele Street	Private Bag X9102
Pietermaritzburg	Pietermaritzburg
3201	3200

## 9. AUDITORS

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

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

		2016	2015 Restated*
	Note(s)	R	R
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables	2	3 534 325	2 389 257
Cash and cash equivalents	3	56 838 382	54 287 853
		<b>60 372 707</b>	<b>56 677 110</b>
<b>Non-Current Assets</b>			
Movable assets	4	3 725 345	1 661 782
Intangible assets	5	590 347	900 038
		<b>4 315 692</b>	<b>2 561 820</b>
<b>Total Assets</b>		<b>64 688 399</b>	<b>59 238 930</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	6	-	7 937
Payables from exchange transactions	7	29 083 253	27 914 009
Taxes and transfers payable (non-exchange)	8	847 523	1 019 945
		<b>29 930 776</b>	<b>28 941 891</b>
<b>Total Liabilities</b>		<b>29 930 776</b>	<b>28 941 891</b>
<b>Net Assets</b>		<b>34 757 623</b>	<b>30 297 039</b>
Accumulated surplus	9	34 757 623	30 297 039



# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2016

		2016	2015 Restated*
	Note(s)	R	R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Fees earned		23 718 421	23 785 714
Commissions received		553	374
Discount received		-	162
Sundry income		7 778	31 298
Interest received	11	2 830 505	2 894 768
Gain on disposal of assets and liabilities		-	7 046
<b>Total revenue from exchange transactions</b>		<b>26 557 257</b>	<b>26 719 362</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	10&12	32 532 000	39 276 000
<b>Total revenue</b>	10	<b>59 089 257</b>	<b>65 995 362</b>
<b>Expenditure</b>			
Employee related costs	13	39 139 742	36 341 517
Depreciation and amortisation	14	1 610 558	1 041 101
Interest and penalties	15	-	6 171
Lease rentals on operating lease		1 819 550	1 552 315
Debt Impairment	16	-	52 764
Repairs and maintenance		787	-
Loss on disposal of assets and liabilities		25 785	-
General expenses	17	12 032 251	15 316 747
<b>Total expenditure</b>		<b>54 628 673</b>	<b>54 310 615</b>
<b>Surplus for the year</b>		<b>4 460 584</b>	<b>11 684 747</b>

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2016

	Accumulated surplus	Total net assets
	R	R
Opening balance as previously reported	18 685 097	18 685 097
Prior year error (refer to note 25)	(72 805)	(72 805)
<b>Balance at 01 April 2014 as restated*</b>	<b>18 612 292</b>	<b>18 612 292</b>
Changes in net assets		
Surplus for the year	11 684 747	11 684 747
Total changes	11 684 747	11 684 747
<b>Restated* Balance at 01 April 2015</b>	<b>30 297 039</b>	<b>30 297 039</b>
Changes in net assets		
Surplus for the year	4 460 584	4 460 584
Total changes	4 460 584	4 460 584
<b>Balance at 31 March 2016</b>	<b>34 757 623</b>	<b>34 757 623</b>

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

		2016	2015 Restated*
	Note(s)	R	R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fees earned		23 370 913	29 878 147
Grants		32 532 000	39 276 000
Interest income		2 536 011	2 035 980
Other income		8 331	31 834
		58 447 255	71 221 961
<b>Payments</b>			
Employee costs		(39 139 742)	(36 341 517)
Suppliers		(13 661 264)	(16 921 573)
Interest and penalties		-	(6 171)
		(52 801 006)	(53 269 261)
<b>Net cash flows from operating activities</b>	21	<b>5 646 249</b>	<b>17 952 700</b>
<b>Cash flows from investing activities</b>			
Purchase of movable assets	4	(3 390 216)	(397 783)
Proceeds from claims	4	-	8 592
Purchase of intangible assets	5	-	(909 975)
Interest income from investing activities		294 496	858 788
<b>Net cash flows from investing activities</b>		<b>(3 095 720)</b>	<b>(440 378)</b>
<b>Cash flows from financing activities</b>			
Surrender of amounts to Provincial Revenue Fund	9	-	(20 800 000)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>2 550 529</b>	<b>(3 287 678)</b>
Cash and cash equivalents at the beginning of the year		54 287 853	57 575 531
<b>Cash and cash equivalents at the end of the year</b>	3	<b>56 838 382</b>	<b>54 287 853</b>

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Fees earned	27 246 410	(6 015 410)	<b>21 231 000</b>	23 718 421	<b>2 487 421</b>	32
Commissions received	20 000	-	<b>20 000</b>	553	<b>(19 447)</b>	32
Other income	-	-	-	7 778	<b>7 778</b>	32
Interest received	1 980 239	528 360	<b>2 508 599</b>	2 830 505	<b>321 906</b>	32
<b>Total revenue from exchange transactions</b>	<b>29 246 649</b>	<b>(5 487 050)</b>	<b>23 759 599</b>	<b>26 557 257</b>	<b>2 797 658</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	32 532 000	-	<b>32 532 000</b>	32 532 000	-	32
Amount rolled over from 2014/15	-	6 878 908	<b>6 878 908</b>	-	<b>(6 878 908)</b>	
<b>Total revenue</b>	<b>61 778 649</b>	<b>1 391 858</b>	<b>63 170 507</b>	<b>59 089 257</b>	<b>(4 081 250)</b>	
<b>Expenditure</b>						
Personnel	(43 964 677)	5 521 889	<b>(38 442 788)</b>	(39 139 742)	<b>(696 954)</b>	32
Depreciation and amortisation	(1 200 000)	1 200 000	-	(1 610 558)	<b>(1 610 558)</b>	32
Lease rentals on operating lease	(1 804 000)	(3 500)	<b>(1 807 500)</b>	(1 819 550)	<b>(12 050)</b>	32
Repairs and maintenance	-	-	-	(787)	<b>(787)</b>	
Loss on disposal of assets	-	-	-	(25 785)	<b>(25 785)</b>	
General Expenses	(13 659 972)	(2 474 640)	<b>(16 134 612)</b>	(12 032 251)	<b>4 102 361</b>	32
<b>Total expenditure</b>	<b>(60 628 649)</b>	<b>4 243 749</b>	<b>(56 384 900)</b>	<b>(54 628 673)</b>	<b>1 756 227</b>	
<b>Surplus before capital expenditure</b>	<b>1 150 000</b>	<b>5 635 607</b>	<b>6 785 607</b>	<b>4 460 584</b>	<b>(2 325 023)</b>	
Capital expenditure	(1 150 000)	(5 635 607)	<b>(6 785 607)</b>	(3 390 216)	<b>3 395 391</b>	32
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	-	-	-	<b>1 070 368</b>	<b>1 070 368</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.

## **ACCOUNTING POLICIES** ...continued

### **1.3 MOVABLE ASSETS** ...continued

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

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

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

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

Movable assets 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	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	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

## 1.4 INTANGIBLE ASSETS ...continued

- 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.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	3 years



## **ACCOUNTING POLICIES** ...continued

### **1.4 INTANGIBLE ASSETS ...continued**

Intangible assets are derecognised:

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

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

### **1.5 FINANCIAL INSTRUMENTS**

#### **INITIAL RECOGNITION AND MEASUREMENT**

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

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

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

#### **CREDIT RISK**

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

#### **RECEIVABLES FROM EXCHANGE TRANSACTIONS**

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

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

#### **PAYABLES FROM EXCHANGE TRANSACTIONS**

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

#### **CASH AND CASH EQUIVALENTS**

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

## **1.5 FINANCIAL INSTRUMENTS ...continued**

### **LIQUIDITY RISK**

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

## **1.6 OPERATING LEASES**

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

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

### **OPERATING LEASES - LESSEE**

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

## **1.7 IMPAIRMENT OF CASH-GENERATING ASSETS**

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

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

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

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

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

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

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

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

Useful life is either:

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

## **1.8 EMPLOYEE BENEFITS**

### **SHORT-TERM EMPLOYEE BENEFITS**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

## **ACCOUNTING POLICIES** ...continued

### **1.8 EMPLOYEE BENEFITS** ...continued

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;

## 1.9 PROVISIONS ...continued

- 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.

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.

## 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.

## **ACCOUNTING POLICIES** ...continued

### **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 a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/04/01 to 2016/03/31.

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 2016

	2016	2015 Restated*
	R	R
<b>2. Trade and other receivables</b>		
Trade receivables	91 722	155 286
Deposits	51 913	35 300
Prepaid expenses	115 490	112 713
Sundry debtors	14 322	38 076
Study assistance	165 291	419 419
Accrued income	3 095 587	1 628 463
	<b>3 534 325</b>	<b>2 389 257</b>
<b>Trade and other receivables impaired</b>		
As of 31 March 2016, trade and other receivables of R 52 764 (2015: R 182 215) were impaired and provided for.		
The ageing of these balances is as follows:		
Over 6 months	52 764	182 215
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	182 215	129 451
Provision for impairment	-	13 947
Provision for impairment - VAT receivable	-	38 817
Amounts written off as irrecoverable	(129 451)	-
	<b>52 764</b>	<b>182 215</b>
<b>3. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	428	4 436
Current accounts	46 669 738	44 609 364
Short-term deposits	10 168 216	9 674 053
	<b>56 838 382</b>	<b>54 287 853</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

	2016			2015		
	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>4. Movable assets</b>						
Furniture and fixtures	393 622	(251 875)	141 747	357 329	(193 982)	163 347
Motor vehicles	475 459	(404 140)	71 319	475 459	(327 441)	148 018
Office equipment	417 246	(293 267)	123 979	393 712	(220 732)	172 980
Computer equipment	6 328 330	(2 940 030)	3 388 300	3 031 259	(1 853 822)	1 177 437
<b>Total</b>	<b>7 614 657</b>	<b>(3 889 312)</b>	<b>3 725 345</b>	<b>4 257 759</b>	<b>(2 595 977)</b>	<b>1 661 782</b>

	Opening balance	Additions	Disposals	Depreciation	Total
	R	R	R	R	R
<b>Reconciliation of movable assets - 2016</b>					
Furniture and fixtures	163 347	36 293	-	(57 893)	141 747
Motor vehicles	148 018	-	-	(76 699)	71 319
Office equipment	172 980	23 533	-	(72 534)	123 979
Computer equipment	1 177 437	3 330 390	(25 785)	(1 093 742)	3 388 300
	<b>1 661 782</b>	<b>3 390 216</b>	<b>(25 785)</b>	<b>(1 300 868)</b>	<b>3 725 345</b>
<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>

The entity received net proceeds of R nil (2015: R8 592) at year end in respect of claims for the loss of or damage to assets. The insurance claims for the current year were still pending finalisation.

	2016	2015 Restated*
	R	R
<b>Other information</b>		
<b>Movable assets fully depreciated and still in use (Gross carrying amount)</b>		
Computer equipment	3 032 941	1 028 373
Motor vehicles	475 459	114 522
Furniture & fittings	357 329	-
Office equipment	393 712	-
	<b>4 259 441</b>	<b>1 142 895</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

	2016			2015		
	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. Intangible assets</b>						
Computer software	1 819 096	(1 228 749)	590 347	1 819 096	(919 058)	900 038

	Opening balance	Amortisation	Total
	R	R	R
<b>Reconciliation of intangible assets - 2016</b>			
Computer software	900 038	(309 691)	590 347

	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

	2016	2015 Restated*
	R	R
<b>Other information</b>		
Fully amortised intangible assets still in use (gross carrying value)	1 819 095	671 425
<b>6. Operating lease liability</b>		
<b>Current liabilities</b>		
Operating lease accrual	-	7 937
<b>7. Payables from exchange transactions</b>		
Trade payables	706 589	53 894
Income received in advanced	24 995 109	24 197 548
Cash guarantees received from licensees	1 037 966	749 984
Third party payments	426 628	167 245
Sundry creditors	155 850	39 691
Leave pay accrual	1 401 107	1 403 296
Accrued expenses	360 004	1 302 351
	<b>29 083 253</b>	<b>27 914 009</b>

Income received in advance relates to revenue received from licensees for services to be rendered by the entity, the majority of the balance comprises of annual renewal licence fees for the next financial year.

The cash guarantees received from licensees are security for any fees or penalties prescribed in terms of the KZN Gaming & Betting Act, taxes determined in terms of the KZN Gaming & Betting Tax Act, or any gambling debts payable by the licensee.

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

Maturity analysis of Trade and other payables



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015 Restated*
	R	R
<b>7. Payables from exchange transactions ...continued</b>		
<b>Liquidity Risk</b>		
No later than a month	21 390 833	22 197 111
Later than one month and not later than three months	460	5 346 398
Later than three months and not later than a year	7 691 960	370 500
	<b>29 083 253</b>	<b>27 914 009</b>
The entity has sufficient cash resources to meets its financial liabilities.		
<b>8. Taxes and transfers payable (non-exchange)</b>		
Betting tax payable	794 764	480 573
Statutory payables	52 759	539 372
	<b>847 523</b>	<b>1 019 945</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>9. Accumulated surplus</b>		
Reconciliation of accumulated surplus		
2012 - Net asset acquired from previous entities	25 081 658	25 081 658
2012 - Deficit realised	(4 176 104)	(4 176 104)
2013 - Surplus realised	6 941 425	6 941 425
2014 - Surplus realised	10 430 950	10 430 950
2014 - Prior year adjustments (2012)	1 244 954	1 244 954
2015 - Surplus realised	11 684 747	11 684 747
2015 - Amount surrendered to the Provincial Revenue Fund	(20 800 000)	(20 800 000)
2015 - Prior year adjustment (2013)	(37 786)	(37 786)
2016 - Prior year adjustments (2014)	(72 805)	(72 805)
2016 - Surplus realised	4 460 584	-
	<b>34 757 623</b>	<b>30 297 039</b>
During the previous year, the Minister 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 the funds will be kept for the same purpose.		
<b>Ring-fenced internal funds and reserves within accumulated surplus - 2015</b>		
Opening balance	20 910 759	20 910 759
Amount surrendered to 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 investments	858 788	858 788
	<b>5 570 904</b>	<b>5 570 904</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015 Restated*
	Building investment	Total
	R	R
<b>9. Accumulated surplus ...continued</b>		
<b>Ring-fenced internal funds and reserves within accumulated surplus - 2016</b>		
Opening balance	5 570 904	5 570 904
Interest earned on investment	291 141	291 141
Interest adjustment - prior year	3 355	3 355
	<b>5 865 400</b>	<b>5 865 400</b>

The Board has retained previous surpluses, with the approval of Provincial Treasury, for the purpose of acquiring suitable office accommodation. In 2015, an amount of R20,8 million was surrendered to the Provincial Revenue Fund to be held on behalf of the entity for the same purpose.

These funds are invested in short term deposits until such time as required (refer to note 3). The interest earned on these retained amounts forms part of the amount disclosed in the statement of financial performance (note 11).

<b>10. Revenue</b>		
Fees earned	23 718 421	23 785 714
Interest received	2 830 505	2 894 768
Commissions received	553	374
Discount received	-	162
Sundry income	7 778	31 298
Government grants & subsidies	32 532 000	39 276 000
	<b>59 089 257</b>	<b>65 988 316</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Fees earned	23 718 421	23 785 714
Interest received	2 830 505	2 894 768
Commissions received	553	374
Discount received	-	162
Sundry income	7 778	31 298
	<b>26 557 257</b>	<b>26 712 316</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	32 532 000	39 276 000

**Nature and type of services in-kind are as follows:**

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

**Provincial Treasury - Internal Audit Services** - the Provincial Treasury's Internal Audit Unit are the appointed internal auditors for the entity. The entity does not pay for any of the services provided by the department. The services are not considered significant to the operations of the entity.

**Department of Health - Use of Office Space** - The entity's Pietermaritzburg offices are located within the Department of Health's building. The department does not charge a rental for the space but does charge the entity for its proportionate share of the operational expenditure incurred in maintaining the building. Management has valued the space provided at R319 374. The estimated value of the rental for the space is not considered material to the operations of the entity.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015 Restated*
	R	R
<b>11. Investment revenue</b>		
Interest revenue		
Bank and investments	2 830 505	2 894 768

Included in interest received is an amount of R 294 496 (2015: R 858 788) that accrued to the Building Investment (note 9).

<b>12. Government grants</b>		
Operating grants		
Equitable share	32 532 000	39 276 000
	32 532 000	39 276 000

The entity receives a grant from Provincial Treasury to subsidise its operational expenditure. The amount was reduced by 20% during the 2015/16 MTEF allocation resulting in the decrease from the previous year as reflected above.

<b>13. Employee related costs</b>		
Basic	27 593 089	25 267 968
Medical aid benefit	613 171	139 353
Unemployment insurance	128 308	123 455
Workmans compensation	132 297	120 270
Skills development levy	360 870	341 661
Leave pay accrual / expense	66 962	403 027
Provident fund contributions (refer to note 26)	5 174 205	4 643 998
Overtime payments	-	3 289
13th Cheque	1 764 049	1 699 380
Acting allowances	72 821	468 303
Travel allowance	2 995 641	2 885 865
Cell phone allowance	238 329	244 948
	<b>39 139 742</b>	<b>36 341 517</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

	Basic remuneration	Allowances	13th Cheque	Employer contributions	Total
	R	R	R	R	R
<b>13. Employee related costs ...continued</b>					
<b>Senior management remuneration</b>					
<b>For the year ended 31 March 2016</b>					
PN Baloyi - Chief Executive Officer	997 550	199 510	90 251	215 367	1 502 678
BE Radebe - Senior Manager - Licensing & Compliance	670 589	143 326	54 719	100 279	968 913
RS Goodayle - Senior Manager - Monitoring & Compliance	680 362	114 054	56 697	103 839	954 952
PJ Stretch - Head - Governance Risk & Compliance	656 629	143 326	54 719	100 279	954 953
V Ramdas - Chief Financial Officer	724 826	60 000	60 402	128 509	973 737
RC Bestel - Senior Manager - Betting Monitoring & Control (vi)	818 407	12 000	-	124 546	954 953
M Ngwenya - Chief Legal Officer (vii)	819 090	12 000	-	124 648	955 738
	<b>5 367 453</b>	<b>684 216</b>	<b>316 788</b>	<b>897 467</b>	<b>7 265 924</b>
<b>For the year ended 31 March 2015</b>					
PN Baloyi - Chief Executive Officer (i)	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 - Company Secretary (ii)	621 807	124 362	51 817	93 271	891 257
MBS Mthiyane - Chief Legal Officer (iii)	262 788	51 817	21 591	38 863	375 059
V Ramdas - Chief Financial Officer (iv)	705 507	48 000	49 329	93 292	896 128
N Zulu - Chief Information Officer (v)	496 843	93 271	38 863	71 453	700 430
RC Bestel - Senior Manager Betting Monitoring & Control (vi)	581 255	-	-	87 188	668 443
M Ngwenya - Chief Legal Officer (vii)	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>

ii) Mr Radebe acted as Chief Executive Officer from 01 December 2014 until 31 March 2015 during the absence of Ms Baloyi. Ms Baloyi returned to duties from April 2015.

iii) Mrs Stretch was appointed as Head - Governance, Risk & Compliance from 01 December 2014.

(iii) Mr Mthiyane resigned on 30 September 2014.

(iv) Mr Ramdas acted as Chief Financial Officer until 30 September 2014 and was appointed to the position from 01 October 2014.

(v) Mr Zulu was appointed as Chief Information Officer from 01 May 2014 and resigned on 31 January 2015.

(vi) Mr Bestel was appointed as Senior Manager - Betting, Monitoring & Control from 01 July 2014.

(vii) Mr Ngwenya was appointed as the Chief Legal Officer from 15 September 2014.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015 Restated*
	R	R
<b>14. Depreciation and amortisation</b>		
Amortisation (refer to note 5)	309 690	247 172
Depreciation (refer to note 4)	1 300 868	793 929
	<b>1 610 558</b>	<b>1 041 101</b>
<b>15. Interest and penalties</b>		
Interest for late payment	-	6 171
<b>16. Debt impairment</b>		
Debt impairment provision	-	52 764
<b>17. General expenses</b>		
Audit committee fees	61 091	159 873
Advertising, Publications and Public Hearings	79 609	163 621
Auditors remuneration	878 592	755 094
Bank charges	160 049	180 169
Board remuneration (refer to note 18)	3 628 705	3 123 591
Cleaning	30 152	37 057
Computer expenses	809 796	2 733 791
Conferences and seminars	77 595	286 131
Consulting and professional fees	285 713	325 277
Electricity	567 576	448 394
External meeting refreshments	12 510	35 542
Fleet expenses	76 583	83 962
Gifts	-	300
Insurance	216 511	192 440
Internal audit fee	7 765	315 592
Illegal gambling operations	18 253	8 477
Legal expenses	506 220	203 105
Licensing, investigation and monitoring costs	595 283	1 407 433
Marketing	46 532	29 818
Postage and courier	26 124	20 310
Printing and stationery	289 486	246 468
Probity and ITC checks	142 022	227 919
Security	6 098	5 852
Software expenses	476 843	236 360
Staff placement costs	160 158	286 122
Staff welfare	76 695	126 737
Storage and backup facilities	64 441	82 276
Subscriptions and membership fees	28 328	12 867
Telephone and fax	436 812	538 078
Training	594 745	229 951
Travel and subsistence	1 496 336	1 896 672
Travel - overseas	172 803	917 468
Venue expenses	2 825	-
	<b>12 032 251</b>	<b>15 316 747</b>

Included in the figure for computer expenses in the prior year is a once off amount of R1 846 705 which 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 2016

	Members' fees	Reimbursive expenses	Total
	R	R	R
<b>18. Board remuneration</b>			
<b>Non-executive</b>			
<b>2016</b>			
Adv BS Khuzwayo	506 086	19 657	525 743
Mr ED Mpanza	420 669	9 040	429 709
Mr SN Chetty	416 478	10 638	427 116
Mrs H Hart	327 907	2 948	330 855
Adv ND Hollis SC	344 763	11 490	356 253
Mrs VPN Mkhize	262 954	14 228	277 182
Mr PM Miller	457 431	14 511	471 942
Mrs ST Mthembu	349 812	116 051	465 863
Ms B Zulu	328 717	15 325	344 042
	<b>3 414 817</b>	<b>213 888</b>	<b>3 628 705</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>

	2016	2015 Restated*
	R	R
<b>19. Auditors' remuneration</b>		
Fees	878 592	755 094
<b>20. Operating surplus</b>		
Operating surplus for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Premises		
▪ Contractual amounts	1 496 113	1 191 194
Equipment		
▪ Contractual amounts	323 437	361 121
	<b>1 819 550</b>	<b>1 552 315</b>
(Loss)/Gain on disposal of movable assets	(25 785)	7 046
Depreciation and amortisation	1 610 558	1 041 101
Employee costs (refer note 13)	39 139 742	36 341 517

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015 Restated*
	R	R
<b>21. Cash generated from operations</b>		
Surplus	4 460 584	11 684 747
<b>Adjustments for:</b>		
Depreciation and amortisation	1 610 558	1 041 101
Gain on disposal of assets	25 785	(7 046)
Interest income from investing activities	(294 496)	(858 788)
Debt impairment change	-	52 764
Movements in operating lease assets and accruals	(7 937)	(87 096)
<b>Changes in working capital:</b>		
Trade and other receivables	(1 145 069)	244 676
Change in provision for doubtful debts	-	(52 764)
Payables from exchange transactions	1 169 246	5 877 406
VAT	-	38 817
Taxes and transfers payable (non exchange)	(172 422)	18 883
	<b>5 646 249</b>	<b>17 952 700</b>
<b>22. Related parties</b>		
<b>RELATIONSHIPS</b>		
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 13	
<b>Related party transactions</b>		
<b>Collection of betting tax on behalf of the Province</b>		
KZN Provincial Treasury	119 761 044	110 797 935
<b>Grant received</b>		
KZN Provincial Treasury	32 532 000	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 thereof to beneficiaries in terms of the KZN Gaming & Betting Tax Act.

### 23. Taxation

The entity is exempted from the payment of income tax.

### 24. Comparative figures

Certain comparative figures have been reclassified.

The profit and loss figure in the statement of financial performance is now reflected above the bottom line (nett profit) to enhance the readability of the financial statements. The Total revenue from exchange transactions and Total revenue amounts thereby increased by R7 046. There is no effect on the surplus reflected in the statement of financial performance.

The above reclassifications had no effect on the statement of financial performance and cash flow statement

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

2016	2015 Restated*
R	R

## 25. Prior period errors

### Prior period error 1:

The erstwhile KZN Gambling Board did not account for expenditure of R63 687 relating to the leave payout of its former Chief Executive Officer. The payment, net of taxes of R25 475, was reflected in the salary control account. The adjustment resulted in the restatement of the opening retained earnings and current liabilities.

### Prior period error 2:

A refund of R9 120 received from a supplier was incorrectly taken to revenue in a previous year instead to the debt account. The correction of the error has resulted in a reduction in the opening retained earnings and sundry customer balance.

### Prior period error 3:

The interest payable on cash guarantees was misstated by R6 582 in the prior year. The correction of the error resulted in a reduction in the interest received amount and an increase in the guarantee payable amount.

### Prior period error 4:

In the previous year the amount awarded as a bursary to an employee was overstated by R5 338. The correction of the error has resulted in a reduction in the training amount in the statement of financial performance and an increase in the study assistance amount in the statement of financial position.

### Prior period error 5:

An error in processing of accrued income resulted in the understatement of the amount in the prior year by R80 116. The correction of the error has resulted in an increase in the fees earned amount in the statement of financial performance and an increase in the accrued income amount in the statement of financial position.

### Prior period error 6:

The prepayment of the rental amount of R112 713 for the office was incorrectly expensed in the prior year. The correction of the error has resulted in a reduction in the Lease rentals on operating lease amount in the statement of financial performance and an increase in the prepayment amount in the statement of financial position.

### Prior period error 7:

An amount of R561 533 relating to car allowance was incorrectly classified under general expenses instead of employee related costs. The error has been corrected with the result that general expenses reduced by the amount and employee related costs increased by the amount. The surplus was not affected by this error.

### Prior period error 8:

An amount of R67 929 relating to telephone and fax was incorrectly classified under employee related costs instead of general expenses. The error has been corrected with the result that general expenses increased by the amount and employee related costs reduced by the amount. The surplus was not affected by this error.

### Prior period error 9:

The entity estimated the irregular expenditure relating to the payment of board members (refer to note 31) in the prior year to be R847 200. The Provincial Treasury conducted a forensic audit on the matter and determined the amount to be R1 798 784. The disclosure for the prior year was therefore amended to reflect the amount per the forensic report. The adjustment has no effect on the statement of financial position, statement of financial performance or cash flow statement.

The correction of the above errors resulted in adjustments as follows:		
<b>Statement of financial position</b>		
Accumulated surplus (decrease)	-	72 807
Payables from exchange transactions (increase)	-	(44 794)
Taxes and transfers payable (increase)	-	(25 475)
Trade and other receivables (increase)	-	189 047



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015 Restated*
	R	R
<b>25. Prior period errors ...continued</b>		
<b>Statement of financial performance</b>		
Employee related costs (increase)	-	493 604
Revenue from exchange transactions (increase)	-	(80 116)
Interest received (decrease)	-	6 582
General expenses (decrease)	-	(611 655)
<b>Cash flow statement</b>		
<b>Cash flow from operating activities</b>		
Interest received (decrease)	-	(6 582)
Fees earned (decrease)	-	(108 929)
Employee related costs (increase)	-	(493 608)
Suppliers (decrease)	-	609 119
	-	-
<b>26. 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 for defined contribution plans is	5 174 205	4 643 997
<b>27. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Amounts contracted for</b>		
▪ Computers and equipment	63 485	-
▪ Intangible assets	59 280	-
	<b>122 765</b>	<b>-</b>
<b>Total capital commitments</b>		
Amounts contracted for	122 765	-
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	1 190 221	1 581 184
- in second to fifth year inclusive	556 848	234 345
	<b>1 747 069</b>	<b>1 815 529</b>

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

### 28. Contingencies

- 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.

#### Contingent assets

The MEC of Finance has initiated processes against the former Board members for the recovery of expenditure of R1,798,784 as disclosed in note 31 below. At this point in time it is not certain if the amounts are recoverable from former Board members or not.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015 Restated*
	R	R
<b>29. 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.		
<b>30. Fruitless and wasteful expenditure</b>		
Opening balance	286 475	273 826
Fruitless and wasteful expenditure- current year	-	12 649
Amounts written off as irrecoverable or condoned	(269 533)	-
Amounts transferred to receivables for recovery	(1 064)	-
Amount incorrectly classified as fruitless & wasteful	(6 477)	-
<b>Fruitless and wasteful expenditure closing balance</b>	<b>9 401</b>	<b>286 475</b>

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

The entity incorrectly reflected an amount of R6 477 as fruitless and wasteful expenditure in the prior year.

<b>31. Irregular expenditure</b>		
Opening balance	3 510 799	-
Irregular Expenditure - current year (Incident 1)	3 017 967	1 712 015
Irregular expenditure - current year (Incident 2)	-	1 798 784
	<b>6 528 766</b>	<b>3 510 799</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Current year	3 017 967	3 510 799
Prior years	3 510 799	-
	<b>6 528 766</b>	<b>3 510 799</b>

<b>Details of irregular expenditure</b>	<b>Disciplinary steps taken/ criminal proceedings</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. The MEC approved the remuneration, conditions of service, pension and retirement benefits on 26 January 2016. The Board has subsequent to the approval, applied to the MEC to condone the irregular expenditure incurred up to the approval date.	Awaiting condonation	4 729 982
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 was estimated by the entity to be R847 200 in the prior year. The Provincial Treasury conducted a forensic audit into the matter and determined the amount to be R1 798 784.	The MEC of Finance has initiated claims against the former Board members for the recovery of the amounts identified during the forensic investigation. At this point in time, it is not known if the amounts are recoverable.	1 798 784
		<b>6 528 766</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

### 32. BUDGET DIFFERENCES

#### MATERIAL DIFFERENCES BETWEEN BUDGET AND ACTUAL AMOUNTS

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

- **Fees earned** - The finalisation of applications in respect of Type B operators and Bookmakers resulted in additional revenue being recognised for the year.
- **Interest received** - the variance is the result of the entity not budgeting for the interest on the building investment (refer to note 11) which is regarded as an investment activity and not operating activity. In addition the changes to interest rates resulted in a higher interest amount being received.
- **Personnel** - the entity overspent on compensation of employees budget due to an increase in the cost of administering the provident fund. In addition, unplanned resignations during the year resulted in the payout of annual leave balances.
- **Goods and services** - Capacity constraints within the HR division impacted on training expenditure during the year. The under expenditure was also compounded by delays in the finalisation of investigations undertaken by the licensing division due to legal challenges. Lower than expected expenditure was also realised on advertising and marketing. Implementation of stringent cost-cutting resulted in savings on some items.
- **Capital expenditure** - the migration from Linux to Windows did not take place during the year due to procurement delays at SITA. In addition phase 2 of the BPR tender was not awarded prior to year end, again due to delays at SITA.

#### 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** were decreased by R6 million due to delays in the finalisation of applications as a result of legal challenges. The roll out of planned initiatives of the past did not materialise as expected resulting in a downturn in revenue projections. **Interest received** was increased by R528 360 in line with the larger cash balances held by the entity and the increase in the interest rates. **Transfers received** The entity also rolled-over an amount of R6,878 million from the 2014/15 financial year to cover outstanding commitments from the previous year.
- **Compensation of employees** - The budget was cut in line with the decrease in the revenue of the entity.
- **General expenses** were increased by R2,4 million to cater for the commitments carried forward from the previous year. The budget for board remuneration was also increased to cater for the new fee directive issued by the MEC.
- **Capital expenditure** the budget was increased by R5,6 million as a result of the Business Process & IT systems project was rolled over from the previous year. The entity also implemented the DR solution in the current year which was carried over from the previous year.

### 33. NEW STANDARDS AND INTERPRETATIONS

#### 33.1 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 2016 or later periods:

##### 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;

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

### 33. NEW STANDARDS AND INTERPRETATIONS ...continued

#### 33.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE ...continued

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

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

#### **GRAP 32: 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 sets the effective date for the standard.

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

#### **GRAP 108: Statutory Receivables**

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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.

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

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

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

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

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

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

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

The impact of this standard is currently being assessed.

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

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

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

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

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

The impact of this standard is currently being assessed.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

### 33. NEW STANDARDS AND INTERPRETATIONS ...continued

#### 33.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE ...continued

##### **GRAP 21 (as amended 2015): Impairment of non-cash-generating assets**

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

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

##### **Summary of changes:**

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

##### **General definitions:**

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

##### **Cash generating assets and non-cash-generating assets:**

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

##### **Identifying an asset that may be impaired:**

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

##### **Reversing an impairment loss:**

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

##### **Disclosures:**

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

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

The entity expects to adopt the standard for the first time in the 2017 financial statements.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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

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

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

### **Summary of changes:**

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

#### **General definitions:**

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

#### **Cash generating assets and non-cash-generating assets:**

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

#### **Disclosures:**

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

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

The entity expects to adopt the standard for the first time in the 2017 financial statements.

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

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

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

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

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

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

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







**PRODUCED BY**

KwaZulu-Natal Gaming and Betting Board



**PHOTOGRAPHIC CONTENT**

*Image's Courtesy of*

KwaZulu-Natal Gaming and Betting Board  
Shutterstock.com

**DESIGN & PRINT**

**AFROSPIC**  
*Branding Studios*



[www.kzngbb.org.za](http://www.kzngbb.org.za)

PR238/2015  
ISBN: 978-0-621-43849-9