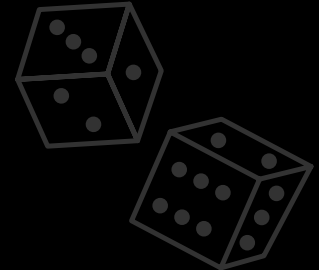
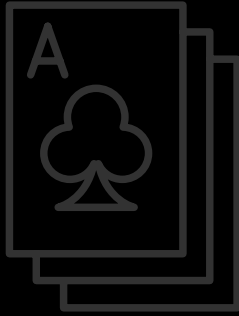
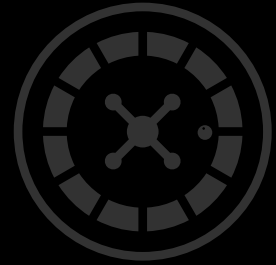
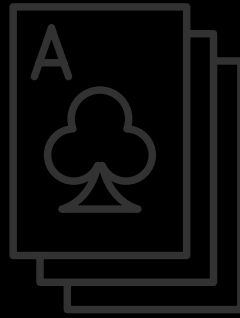




**edtea**

Department:  
Economic Development, Tourism and  
Environmental Affairs  
**PROVINCE OF KWAZULU-NATAL**



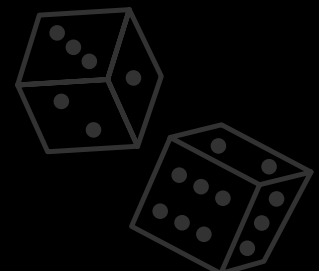
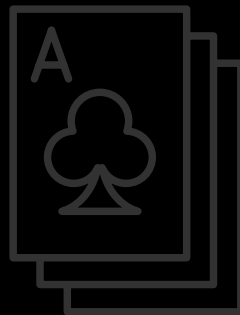
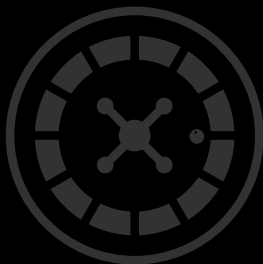
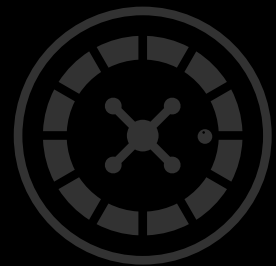
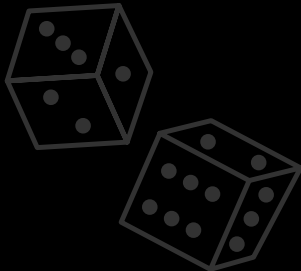
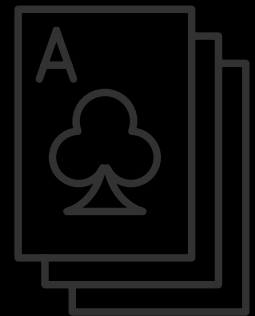
**KwaZulu-Natal**

GAMING & BETTING BOARD

2019/20



# ANNUAL REPORT



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# PART A: GENERAL INFORMATION

## 1. PUBLIC ENTITY'S GENERAL INFORMATION

<b>REGISTERED NAME</b>	KwaZulu-Natal Gaming and Betting Board
<b>PHYSICAL ADDRESS (PIETERMARITZBURG)</b>	KZNGBB House Redlands Estate 1 George Macfarlane Lane Pietermaritzburg 3201
<b>PHYSICAL ADDRESS (DURBAN)</b>	18 <sup>th</sup> Floor, The Marine  22 Dorothy Nyembe Street  Durban  4001
<b>POSTAL ADDRESS</b>	Private Bag X9102  Pietermaritzburg  3200
<b>CONTACT TELEPHONE NUMBER (PIETERMARITZBURG)</b>	+27 33 345 2714
<b>CONTACT TELEPHONE NUMBER (DURBAN)</b>	+27 31 583 1800
<b>EMAIL ADDRESS</b>	enquiries@kzngbb.org.za
<b>WEBSITE ADDRESS</b>	www.kzngbb.org.za
<b>EXTERNAL AUDITORS</b>	Auditor-General: South Africa: KZN
<b>BANKERS</b>	ABSA Bank
<b>BOARD SECRETARY</b>	Mrs S. Meyiwa



## 2. LIST OF ABBREVIATIONS / ACRONYMS

AGSA	Auditor General of South Africa
ACT	KZN Gaming and Betting Act (No. 08 of 2010)
AMENDMENT ACT	KZN Gaming and Betting Amendment Act (No. 04 of 2017)
BOARD	KwaZulu-Natal Gaming and Betting Board
EDTEA	KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs
B-BBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSI	Corporate Social Investment
FICA	Financial Intelligence Centre Act (No. 38 of 2001)
GROP	Gambling Regulatory Online Portal
KZNGBB	KwaZulu-Natal Gaming and Betting Board
MEC	Member of Executive Council
PFMA	Public Finance Management Act (No 1 of 1999)
PPPFA	Preferential Procurement Policy Framework Act
SARGF	South African Responsible Gambling Foundation
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprises
TR	Treasury Regulations





### 3. FOREWORD BY THE EXECUTIVE AUTHORITY



**Ms Nomusa Dube-Ncube,  
MPL MEC for Economic  
Development, Tourism and  
Environmental Affairs**

During the financial year  
2019/2020, we doubled  
our efforts to ensure that we  
realized the radical economic  
transformation using resources  
at our disposal.

In line with the Provincial Growth and Development Plan strategic goal to enhance “Job Creation” the KZN Gaming and Betting Board has incorporated this as one of its key priorities and has made it a condition of any new gaming business.

We are pleased to report that for the 2019/2020 financial year, there were approximately 10 500 existing and new jobs created.

#### **GROWTH IN REVENUE/LEVIES GENERATED THROUGH TAXES AND LEVIES:**

In 2019 the KZN Gaming and Betting Board continues to be the second highest “own revenue generator” for the province of KwaZulu-Natal. The Provincial Own Revenue Budget for 2019/20 is R2, 349 billion. The bulk of that revenue is collected against Tax receipts which comprises of Motor vehicle licenses (74%), Gambling and Betting racing taxes (24.9%) and liquor licenses (1.1%).

#### **CONTRIBUTION BY INDUSTRY TO GDP AND LOCAL ECONOMY**

The South African economy has contracted an annualized 0.6 percent on quarter 3 in the months to September 2019. The growth rate for the industry is projected at approximately 5%, despite the slower economic downturn.

According to the NGB with a contribution of just more that R300 billion and a GDP multiplier of 3.00 the South African Gambling Sector contributed 0.38% directly to the South African Economy and just more than 1% including spillover effects. The contribution to the local through SMME spend by the industry in the year, the period ending February 2020, is approximately R 2 billion in SMME spend of which the Spend on the local economy is R. 905 million.

#### **KZN GAMING AND BETTING INDUSTRY TO THE TOURISM FOOTPRINT**

The licenses issued by the KZNGBB also contribute to attracting visitors through tourism in that hotels are required by certain licensees as part of their license conditions. Certain events on the gambling calendar also attract tourism.

Vodacom Durban July: In 2019, 46 000 patrons on the day enjoyed the racing extravaganza. The Economic value of the event to the city was approximately R268 million.

Dundee July: The event attendance figures reached over 20 000 people in 2017 and this year it is expected that the attendance figures will exceed last year numbers. There is more economic potential that can be derived from this. The *Dundee July was attended by an estimated 25 000 spectators, punters, celebrities, top musicians and fashionistas from across the South Region and injecting over R30 million into Dundee's economy, was a clear indication of the growth of the event.*

Dundee July has not been extended to the Harry Gwala Summer Cup, the Nkandla May Rural Horseracing event and the Willowfontein Rural Horseracing event. This is a project for 2021 MTEF once the Transformation Fund is established and funded.

The licensed venues being Hotels, Restaurants, Pubs, Cinemas, Theaters, eateries and Hospitality venues etc. are spread throughout the province. During the year under review, new venues were opened in Vryheid, Scottburgh, Ballito and Margate among other venues.



## INCREASED OPPORTUNITIES IN GAMING AND BETTING

Increased opportunities has taken place through:

- Increase in ownership and participation by black persons in industry;
- 41% businesses owned by black persons (50+1);
- 29% business black empowered (26% or greater);
- One of the PGDP goals are to support implementation of the KZN Industrial Development Investment and Export. The KwaZulu-Natal Gaming and Betting Board is partnering with the IDZ's (Dube Trade Port) to attract planned investment through the Black Industrialists Programme

## CORPORATE SOCIAL RESPONSIBILITY HIGHLIGHTS

The total Corporate Social Responsibility contribution by Quarter two amounted to R5.8million. The highlights of the spend by the gaming and betting industry are as follows:

- **R600 000 spent on Nkungwini Water Community Project:** Project site selected in Ward 18 of the Umkhanyakude District Municipality (UDM);
- **Pledge toward the support of Interventions to address Gender Based Violence:** The KZN Gaming and Betting industry has pledged an amount of R4.5 million towards the interventions;
- **Seed of Hope Community Development:** A contribution of R1.1 million was provided to the Imbeleko Dr Seni Myeni Foundation. The foundation provides community development programmes including adult life skills, as well as uplifting youth from the River Valey through after school education and support.
- **Safety and Security: Crime Prevention Interventions:** The Gold Rush Gaming Group have donated ten cars to the Chatsworth Policing Forum to the value of R1.5 million towards fighting violent crime in the area.

## AWARENESS CAMPAIGNS UNDERTAKEN BY THE KZN GAMING AND BETTING BOARD

The protection of the public interest is also contained in the license conditions of every licensee within the KwaZulu-Natal Gaming and Betting Industry.

## GENDER BASED VIOLENCE INTERVENTIONS

The KZNGBB together with EDTEA, KZNLQA, KZNSOCDEV, SAPS, KZN COMM SAFETY had answered the call to address Gender Based Violence to create a platform to discuss the interventions that could be implemented to address the scourge and to be financial supported as well.

I am certain that with the implementation of the appropriate strategic interventions in respect of the gaming and betting industry will provide for the prompt recovery of the industry.

I wish to pay tribute to the board, CEO, executive management and all categories of staff.

**Ms Nomusa Dube-Ncube, MPL**  
**MEC: KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs**





## 4. CHAIRPERSON'S STATEMENT



**Dr S G Ngcobo Chairperson  
KwaZulu-Natal Gaming and  
Betting Board**

**I am pleased and, to be honest relieved, to report on the Board's performance for the financial year ended 31 March 2020.**

### OVERVIEW AND STRATEGY

The Board has achieved all its predetermined objectives for the year which were set taking into consideration high levels of poverty, unemployment and possible saturation of gambling in certain areas and the need for transformation of the industry. The revenue collection increased from R 684 694 million in 2018/19 to R 723 770 million during the year under review. This represents a 5.71% increase year on year.



## BUSINESS DEVELOPMENTS

The Board published a draft request for applications for new Bookmaking Rights for comment by the public and has considered the comment given. The possible expansion of this sector will be given further consideration once the Board has assessed the status of the industry post the easing of lockdown restrictions imposed in terms of Regulations issued under the Disaster Management Act, 2002.

The Board has actively promoted its Black Industrialist Programme and has facilitated strategic partnerships between a number of new entrants and well recognised brands with management and industry expertise and opportunities for international expansion in both gaming and non-gaming areas.

## INDUSTRY OPERATIONS

Results in operations are seasonal in nature and the year ended with three weeks of near lockdown and social distancing requirements in place including the prohibition of gatherings of more than 100 persons. Despite this tax collection grew by 5.71% from 2018/19 to 2019/20 and was driven mainly by growth within the Bingo, Bookmaking and LPM sectors. Casino tax revenue grew marginally by 1.8 % compared to the 3.3% achieved in 2018/19. The rollout of electronic bingo terminals, opening of additional Bingo halls (with LPMs) and growth in bets on contingencies drove the revenue growth in the betting sector. Tax collection from the Totalisator shrunk by a further 15.58% (2018/19: 10.44% decline) during the year. The restrictions implemented during March impacted on most operators and resulted in approximately R20 million loss for the two weeks. Had this not occurred actual growth would have been around 7% to 8%.

## TECHNOLOGY

The Board sees technology as core to its ability to provide for our stakeholders particularly our licensees and new entrants. The development of our digital platform (GROP) is ongoing and we continue to automate various aspects of our operations in an effort to control costs, improve efficiencies and ensure speed to market for new gambling licensees or game changes together with security of information and record keeping. The Board continues to strive for operational enhancements and continuous improvement in performance through the entity wide automation of processes.

## REGULATION AND LICENSING

Litigation continues to plague the industry in various sectors. The Board is committed to seeking ways to settle the disputes which arise between itself and its stakeholders or its stakeholders themselves. Often the Board may become embroiled in such litigation and in order to avoid unnecessary expense and to allow progress in a fair and unfettered industry which is open and available to public participation the Board must seek ways to resolve the issues which arise. The fruits of this industry should be shared by an ever growing population of licensees.

That being said, the Board has granted licenses to a number of new entrants who have passed the stringent probity interrogations of our Licensing Unit and Committee and is pleased to welcome these participants into the industry in KwaZulu-Natal. With these new licences comes job creation and commitment towards corporate social investment which we expect to benefit our communities as the licences achieve their projections for revenue.

The Board has sought the amendment to the KZN Gaming and Betting Tax Act for a number of years and these have unfortunately again been delayed and this impacts revenue growth. The delay is a concern to the Board which is doing what it can to facilitate the smooth amendment process.

## CORPORATE SOCIAL RESPONSIBILITY

Eradication of gender based violence is a key focus area for the Province and during the year the Board has participated significantly in a number of projects to address this horrific behaviour endemic to South Africa.

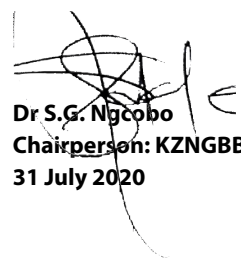
These projects included the installation of Memeza alarms at sites that are located at critical high crime areas and making certain sites victim friendly by equipping them with items and materials which will assist the victims of gender based violence at police stations in the province.

We strive to ensure that the licences granted and the communities in which they operate are economic opportunities for local residents, that they promote education and develop skills of the local workforce, engage local businesses and stimulate the economic development in our communities. We promote responsible gaming practices and ensure that licensees make philanthropic and development related investments in long term initiatives that benefit the communities in which they operate and that elevate the quality of life and culture of their communities.

## LOOKING FORWARD

Cost containment and revenue enhancement measures will be the order of the day along with the implementation of a post lockdown revival strategy to assist the industry to get back up on its feet after the debilitating impact of the Covid-19 pandemic on our own economy and globally.

My appreciation and gratitude goes to MEC Dube-Ncube for providing political and strategic support, the Members of the Board for their guidance and oversight over the past year. I feel privileged to be associated with the KZNGBB and I am grateful for the work and vision of the Board members. I would also like to commend the management team and staff for their hard work and dedication.



**Dr S.G. Ngcobo**  
**Chairperson: KZNGBB**  
**31 July 2020**

## 5. CHIEF EXECUTIVE OFFICER'S OVERVIEW



**Ms P. N. Baloyi**  
**Chief Executive Officer**  
**KZN Gaming and Betting**  
**Board**

**As the Gaming and Betting industry generates revenue through the collection of taxes from licensees which forms part of the Provincial Fiscus and contributes to job creation, tourism, economic and social development and supplier development, it remains both a direct and indirect catalyst for inclusive economic growth.**

The year ended 31 March 2020 has delivered successes and challenges with an overall growth of 5.7% percent in revenue collection, The revenue collected increased from R684 million in 2018/19, to R678 million the Board continues to collect levies and taxes from the industry for Provincial Government. The total taxes and levies including the distribution to Horseracing beneficiaries was R724 Million including distribution for the 2019 MTEF.

The impact of COVID-19 on the KZN Gambling industry has been unprecedented. The industry was shut down from 26 March 2020 until 25 June 2020. This period was difficult in that there was a tremendous socio-economic fallout which occurred on various levels within the industry and associated value chains and social structures. The impact on the livelihoods of the employees within the gambling sector has been tracked and noted by the KZN Gaming and Betting Board. The Board has also provided targeted interventions in this respect, in that a service provider was engaged -to provide business support services to licensees to process applications in respect of SARS relief and UIF applications. The Corona virus global crisis has disrupted the functioning of the gambling industry in KZN and is having serious socio-economic effects on the industry's ability to contribute to the KZN regional economy. The KZNGBB will be working closely with the entire gaming and betting industry to implement recovery and turn around interventions to assist in the recovery at much faster pace. In the period under review the KZNGBB undertook key programmes which sought to create awareness around responsible gambling and the eradication of Illegal Gambling.

Arising out of a resolution adopted by the meeting of the Provincial Executive Council held during the period under review a decision matrix had been compiled which requires that all MECs must account individually and as a collective on the programmes and partnerships that must be considered for the roll-out of Gender Based Violence interventions and programmes. The KZNGBB together with the gaming and betting industry had answered the call to financially support Gender Based Violence interventions to address the scourge. The confirmed pledges amount to approximately R12.6 million. The onset of the COVID-19 pandemic has brought the roll-out of some of the GBV interventions to an abrupt halt. The KZNGBB will endeavour to follow up on the pledge contributions once the industry has attained a suitable level of financial recovery.

The KZN Gaming and Betting Board have undertaken and completed research in the following areas:

- *Extent of transformation within the KwaZulu-Natal Gaming and Betting Industry;*
- *Saturation Study of all Gambling Modes in the Province;*

Transformation of the industry continues to be a key priority for economic development. Inroads have been made in growing ownership participation especially in the Bookmaking sector, where the number of Bookmaker licenses owned by African owners increased from 1% in 2012 to 24% in the period under review. The revision of the KZN Gaming and Betting Act focused on the Board's Transformation of the entire gambling industry, creation of a new category of horse racing which will allow for rural horse racing to be brought into the fold thereby creating economic opportunities for the rural and previously disadvantaged individuals. As a result of the amendments to the KZN Gaming and Betting Act, a category of Standardbred and Harness racing must be incorporated into the regularization of the industry. The amendments also provided clarity in respect of the Electronic Bingo Terminals which the Board has now rolled out, this accounted for the significant growth in tax revenue from Bingo

#### **AUDIT REPORT MATTERS IN THE PREVIOUS YEAR AND HOW THEY WOULD BE ADDRESSED**

The Auditor General has conducted the year-end Audit, the Audit opinion received from the Auditor-General in the period under review was an unqualified Audit with findings. The Audit opinion received from the Auditor-General in the period under review was an Unqualified Audit. The Audit Opinion received from the Auditor-General in the period under review was an Unqualified Audit opinion with findings Management will continue to strive towards achieving a Clean Audit in the Year ahead.

In order to fulfil the mandate in respect of the protection of the public interest, the KwaZulu-Natal Gaming and Betting Board had partnered with the South African National Responsible Gambling Foundation which provides free treatment and counselling to problem gamblers and their families. The Foundation also undertakes research, training and awareness programmes. The month of November has been declared Responsible Gambling Month by the South African Responsible Gambling Foundation. The commemoration of the month is undertaken on an annual basis. During November 2019 there were approximately 6000 members of the public that were engaged with.

#### **CONTRIBUTION TOWARDS GOVERNMENT PRIORITIES**

The Board's performance, operations and interventions continue to contribute, if not directly, then indirectly to the PGDP strategic goals. Key focus areas remain as follows:

- Ensure accurate revenue collection for the Provincial Government by the application of the KZN Gaming and Betting Act through the collection and verification of fees and taxes payable under the KZN Gaming and Betting Tax Act by licensees, thereby contributing to growth of the Provincial Economy.
- Updated KZNGBB's Transformation Strategy Implementation plan provides for an increase in the number of Black persons participating and gaining access into this industry to encourage

growth in SMMEs to support the smaller players within the gambling industry, to enhance existing license conditions and will focus on ownership.

- Targets for job creation within the gambling industry are set by the Board in license conditions and employment related commitments made by licenses are closely monitored.
- The Boards transformation agenda includes training and development opportunities for Black youth, Black Women and designated groups to equip them with skills which will enhance opportunities for future employment in the gaming and betting industry.

The Board continues to place emphasis on the alignment of Socio Economic development initiatives by the gambling industry with the PGDP and the Poverty Alleviation Master Plan, the SED initiatives are ongoing. Each licensee continues to contribute to the community that falls within its jurisdiction of operation, spend on CSI is included in licensee conditions. Programmes are primary focused on Health, Welfare, Education, Community Upliftment, Sports and recreation and Arts and Culture. The gaming and betting industry expended an amount of over R 11.68 million in the period under review on CSI programmes.

#### **ACKNOWLEDGEMENTS/APPRECIATION**

I like to express my appreciation to the MEC responsible for the Gaming and Betting Portfolio, the Honourable Ms.N Dube-Ncube the Section 8 Representative for the unwavering support. I would also like to express my appreciation to the Chairperson Dr S.G. Ngcobo and Board members for their leadership. Finally, I would like to appreciate the support that I have enjoyed from our dedicated Management team and the KZNGBB staff.



**Ms N P Baloyi**  
**Chief Executive Officer**  
**KwaZulu-Natal Gaming and Betting Board**  
**31 July 2020**

# 6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT



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

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

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

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

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

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

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

The external auditors are engaged to express an independent opinion on the annual financial statements. In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020.

Yours faithfully

**Chief Executive Officer**  
**Ms N P Baloyi**  
**31 July 2020**

**Chairperson of the Board**  
**Dr S G Ngcobo**  
**31 July 2020**





## 7. STRATEGIC OVERVIEW

### 7.1 VISION

"We strive to be the centre of excellence in gaming and betting regulation and transformation of the industry

### 7.2 MISSION

To protect the interest of the public by ensuring the integrity of legalised gambling through:

- Strict enforcement of applicable legislation;
- Licencing of qualified entities and individuals; and
- Fulfilling the objectives of the Provincial Government to deliver a significant sources of revenue, enhance tourism, develop and transform the gaming and horseracing industry, whilst promoting broad socio-economic and employment opportunities.

### 7.3 VALUES

#### INTEGRITY

*To practice the highest ethical standards within the entity*

#### SERVICE EXCELLENCE

*To provide consistent, premium service to our stakeholders*

#### FAIRNESS AND IMPARTIALITY

*To make decisions in a fair and appropriate manner based on relevant criteria and reliable information*

#### PROFESSIONALISM

*To demonstrate appropriate skills, good judgment, and polite behavior when dealing with all stakeholders*

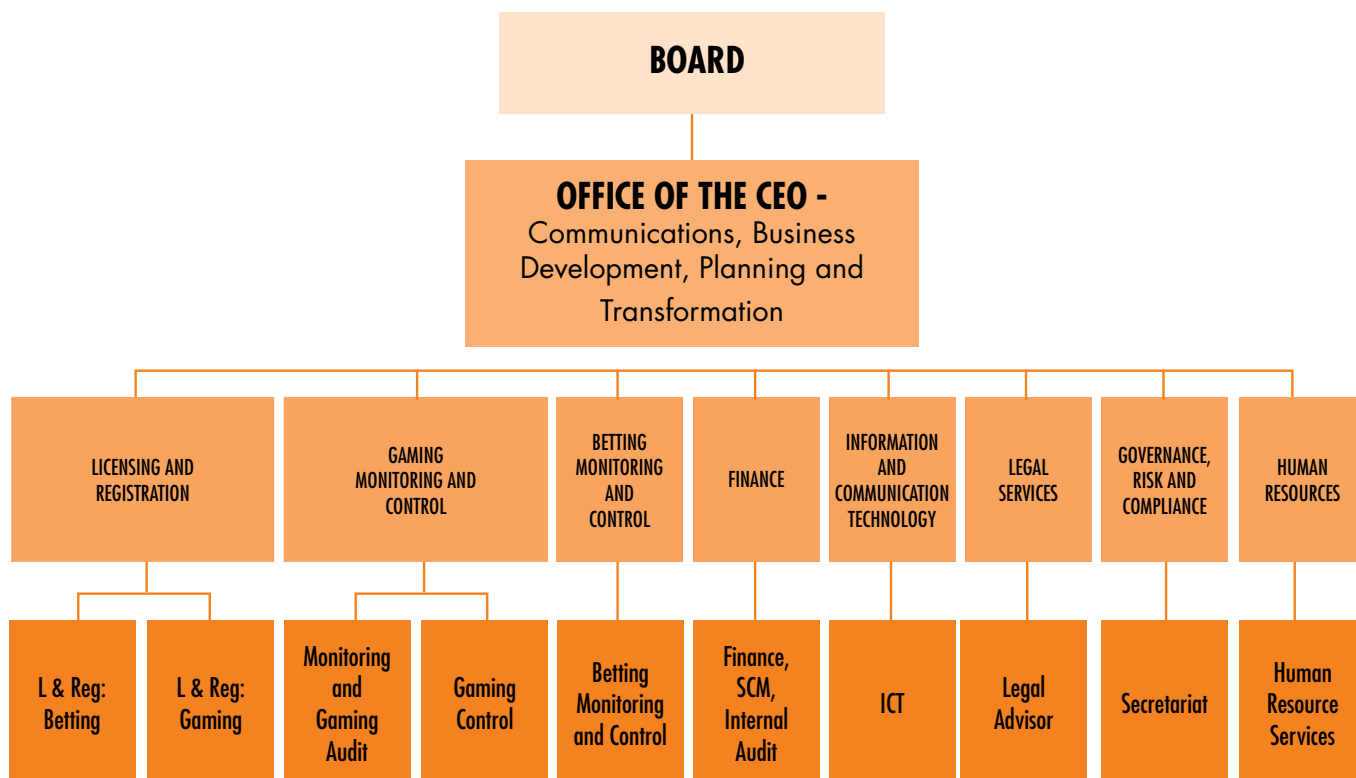
#### TRANSPARENCY

*To embody honesty and open communication with all stakeholders*

#### INNOVATION

*To create new ideas, processes or systems which when implemented lead to positive effective change*

## 8. ORGANISATIONAL STRUCTURE



## 9. VALUE CREATED BY THE KZNGBB

KZNGBB VALUE ADDED STATEMENT		
VALUE ADDED	2019/20	2018/19
Income generated	75 896	73 484
Revenue (taxes)	723 770	684 696
<b>Total</b>	<b>799 666</b>	<b>758 180</b>
VALUE ALLOCATED		
To Employees	57 209	48 865
To other expenses	31 596	31 899
<b>Total</b>	<b>88 805</b>	<b>80 764</b>
<b>TOTAL VALUE CREATED</b>	<b>710 861</b>	<b>677 416</b>

### Total Value Created by KZNGBB

#### Financial Capital

"We received a grant of R44,771 million from Provincial Government to fund operations

#### Economic Capital

We collect Revenue (taxes) for the Province (contributes about 20% of the total "own revenue" for Government)

#### Social and Relationship Capital

We depend on licensees to create jobs, Corporate Social Investment, SMME and Enterprise Development, contribute to tourism spatial and infrastructural development and to develop the rural economy.

#### Intellectual Capital

We are 1 of 9 Provincial Gambling Regulators and carry the Province's constitutional mandate in respect of regulating the industry.



# 10. MEMBERS OF THE BOARD



**DR S.G. NGCOBO**  
Chairperson of the Board



**MS M.P. MYENI**  
Deputy Chairperson



**MR S.S. ZONDI**  
Board Member  
(resigned February 2020)



**MR S.N. CHETTY**  
Board Member



**ADV K.P. THANGO**  
Board Member



**MR L. GABELA**  
Board Member



**MS Z. TENZA**  
Board Member



**PROF B.S. STOBIE**  
Board Member



**DR T.I. NZIMAKWE**  
Board Member



**MS N. THAVAR**  
MEC EDTEA - Section 8  
Representative



**MR S. MKHIZE**  
MEC EDTEA - Section 8  
Representative

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# INTRODUCTION

Below are the consolidated annual performance results for each Programme/Sub-Programme for the period under review. The details synopsis of achievements, strategies to overcome areas of underperformance are included in Part B of the Annual Report as required by Treasury's Framework for Annual Reports for public entities.

## 1. AUDITOR'S REPORT: PRE DETERMINED 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 page 78 of the Auditors Report, published as Part E: Financial Information.

## 2. SITUATIONAL ANALYSIS

The KZN Gaming and Betting Board is accountable to the Department of Economic Development and Tourism. As EDTEA is mandated to oversee the socio-economic transformation on the province it leads policy and strategic initiatives directed at promoting development and growth in various sectors of the economy. In order to achieve its objectives, EDTEA co-operates with various stakeholders and social partners that include the private sector and civil society. Like EDTEA, the KZNGBB's operations are guided by National and Provincial legislative, policy and strategic frameworks.

### Contribution to Government's Priorities

The Board's performance, operations and interventions continue to contribute, if not directly, then indirectly to the PGDP strategic goals. Key focus areas remain as follows:

The following policies or strategies will be considered (in alignment with the Provincial Priorities). Strategies will support:

- 1) Develop a Capable, Ethical, Development state
- 2) Job Creation and Economic Development
- 3) Black Industrialisation
- 4) Radical Economic Transformation
- 5) Growing Small Business and Local Economic Development (SMME Development, Transformation, Infrastructure Development & Tourism)
- 6) Rural Economic Development (Rural Horse Racing)
- 7) Revenue Growth for Province
- 8) Minimizing Negative Effects of Gambling
- 9) Skills Development

### Develop a Capable, Ethical, Development State:

The Priority for Building a Capable Development State has also been included in particular:

- 1) Improved leadership and Good Governance
- 2) Delivery of Service Excellence (On-line and Process Improvements)
- 3) Industry Regulation (Entity a Provincial Licensing Authority iro Constitution and KZN Gambling Act)

## 2.1 Initiatives that will help develop and strengthen financial management

The entity adheres to Provincial Treasury Circular No PT10 of 2016-17 in respect of combating wasteful and inefficient spending with focus being on fiscal discipline, sound financial management, eliminating fraud and corruption, and ensuring good governance practices whilst striving to be an efficient and competent public entity. Budgets and resourcing continues to support service delivery and the implementation of strategic outcome oriented goals, however, the entity continues to experience spending pressures and limited funds impact the extent to which the industry is regulated.

### 2.2 Job Creation:

One of the Strategies includes the implementing of initiatives that will drive job creation within the gambling industry. KZNGBB will create decent jobs through its licensees and new Gaming initiatives. Estimated net jobs that can be created from the following:

- Job Creation Enablers:
  - Direct Jobs will be created through new jobs as Gaming and Betting employees (Contemplate the roll out of RFA's for Independent Site Operators, Determination of new Bookmaking Rights and roll out of remaining Bingo Operations).
  - Indirect Jobs Created. (New jobs in restaurants, pubs, construction etc.)
- Job Creation Beneficiaries:
  - Youth, Women and people in Rural Areas
  - Target Youth *Not in Employment, Education or Training* (NEET) for job creation;

### 2.3 Industrialisation

One of the Strategies includes the development of Black Industrialists. **Implementation of Black Industrialist Programme:** The Board plans to implement a Black Industrialist Programme during this financial year which will become a key catalyst in the realisation of the following:

- Specific direct Job targets planned to be created through BI Program
- **Export Promotion:** Products exported to Africa & the world
- **Identify Emerging Black Industrialists:**
- **Job Creation Enabler:**
  - Black Industrialist project (Manufacturing and assembly plants to be located in KZN)
  - Jobs will be created through participation by black entrants (Slots Manufacturing plant & assembly plants, Enterprise Development)
- **Job Creation Beneficiaries:**
  - The Board has set a number of Black Industrialists it targets to introduce into the sector.
  - Specific Focus Youth, Women and people in Rural Areas

### 2.4 Radical Economic Transformation

The Board's key strategic focus area is the implementation of its broadened transformation mandate to include the gaming industry, as contemplated in Section 6 of the Act. This will be achieved through the implementation of its Transformation Strategy, which incorporates the operationalization of the Transformation Fund, the development and implementation of a Black Gambling Industrialist Programme, and Transformation awareness campaigns, especially in areas previously unaware of the existence of the sector and the opportunities that exist.

The Board must establish and administer the Transformation Fund in terms of Section 137 of the Act. A structure will need to be developed to accommodate the operations and work required to implement and administer the Fund (i.e. human resources, as well as partnerships with Government and business, and IT systems have not been factored into the budget).

The following key areas will be addressed through the Transformation Strategy Implementation Plan during the upcoming financial year:

- **Ownership:** To give effect to meaningful economic participation and to significantly increase the proportion of market share value and beneficial interest received by Black people, Black owned enterprises, Black women owned enterprises, and Black empowered enterprises in businesses within the Gaming and Betting Industry.
- **Management Control:** To substantially increase the number of Black people and Black designated groups who have knowledge in the management and control of gambling or related businesses; and to facilitate sufficient representation within senior, middle and junior management levels in the gaming and betting industry.
- **Skills Development:** To substantially increase the number of Black people who are involved in the CORE operations of a gambling business at executive, senior, middle and lower management levels; and to substantially increase the number of Black people and Black designated groups acquiring technical skills and knowledge within the gambling sector.
- **Enterprise Supplier Development:** To increase participation by Black people, Black women, and unemployed youth in the provision of goods and services to gambling related businesses; to encourage large enterprises to procure their goods and services from black-owned and managed enterprises; Develop human resources capacity of Black people, Black women, Black youth and Black people with disabilities in the informal and rural business sector in respect of the value chain suppliers within the gambling sector.
- **Socio Economic Development:** To promote equitable access to economic resources within the gambling industry to ensure a better life for disadvantaged people and communities in KZN; to create awareness of and develop appreciation for and knowledge of horse racing amongst all communities, particularly those comprised of historically disadvantaged persons.

## 2.5 Rural Economic Development (Regularization of Rural Horse Racing)

As a result of the amendments to the KZN Gaming and Betting Act, a category of Standard bred and Harness racing must be incorporated into the regularization of the industry. The plan is to conduct research to better understand rural horseracing and engage with key stakeholders such as the Rural Horseracing Association, Sports and Recreation, National Horseracing Authority, Arts and Culture, Tourism and other existing licensees such as Gold Circle, to develop a structured plan on how to bring rural horseracing into the fold. This regularization supports the Board's transformation strategy and will ensure contribution to an inclusive rural economy.

## 2.6 Gambling Market Share statistics by Province

Predominantly, the same corporate players are operating across the nine Provinces. Below is the national gambling industry by market share as at 2019.

### GAMBLING MARKET SHARE STATISTICS BY PROVINCE

Gauteng	R173 193 384 061	44.4%
Western Cape	R61 315 640 408	15.9%
KwaZulu Natal	R70 291 705 629	17.8%
Mpumalanga	R16 726 305 590	4.4%
Limpopo	R12 057 973 119	3.7%
North West	R10 707 300 591	2.8%
Northern Cape	R4 263 821 301	1.0%
Eastern Cape	R31 310 865 382	7.7%
Free State	R9 932 132 028	2.3%



Source: NGB Financial Year Ending 31 March 2019

In 2018, KZN positioned itself as the second largest contributor to the South African Gambling market against eight other provinces at 17.8% (R70 291 705 629). There has been an increase in the complexity of gaming systems and technological advancements within the gaming industry. General legislative challenges exist in an environment of technology, innovation and development and with the recent introduction of legislation regarding remote gambling, the Board will engage and input to the proposed gambling policy and monitor any impact on operation.

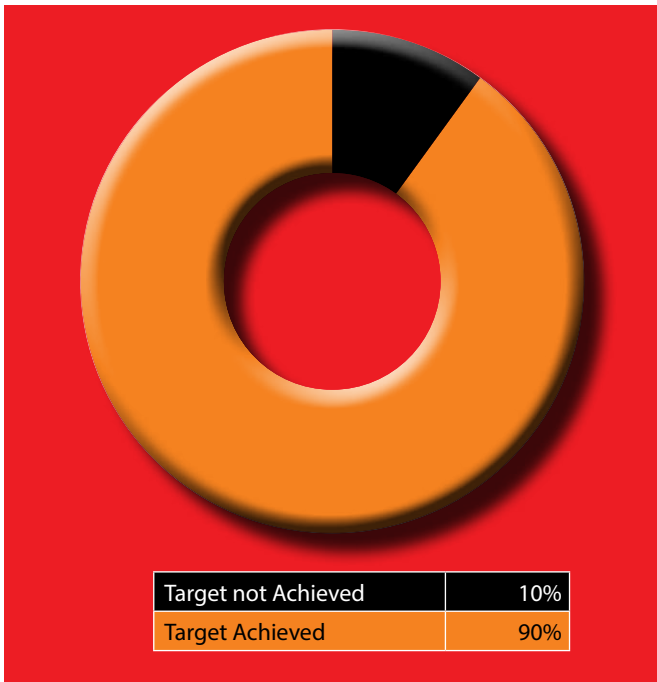
## 2.7 National Industry Developments (excluding legislative amendments)

Other industry developments and matters for consideration in the strategic plan include the following:

- Economic Impact on the KZN Gaming and Betting industry
- Technical Standards used to test gaming equipment require reviews as they are out-dated
- Continued decline in viability of the horseracing industry
- The challenge of minors gambling which is exacerbated by online and social media opportunities
- The reality of money laundering and the growing challenge of cyber-crime within the sector (involvement of SAPS required)
- Role of regulators in respect of competitive issues
- Roll-out of Recovery plans to assist in the recovery of the KZN Gaming and Betting industry
- Self-regulation model for horseracing

### 3. SERVICE DELIVERY ENVIRONMENT

During the period under review, the KZNGBB fulfilled its mandate through its predetermined objectives and performance achievements in respect of its planned targets as contained in the 2019/20 Annual Performance Report.



#### KZNGBB PERFORMANCE ACHIEVEMENT AGAINST 2019/20 APP TARGETS

The entity achieved 89.95% performance over the 2019/20 Financial Year. The partial attainments of targets were in the main, as a result of targets being met outside of the prescribed timeframes. The entity has processes to ensure on-going monitoring and evaluation of performance of programmes/sub-programmes, as well as performance against budget throughout the financial year, and reported quarterly on financial and non-financial performance and Regulation 3 of the KwaZulu Natal Gaming and Betting Regulations to its oversight bodies as required.

Performance information, enhancements to planning, setting of performance targets, and development of technical indicators and approvals of any amendment were undertaken to address audit findings and to improve performance reporting and compliance with performance management frameworks going forward.

The entity has ensured that its budgets and resourcing supported its service delivery targets and implementations of its strategic objectives. The KZNGBB's budget planning was in accordance with the Medium Term Expenditure Framework (MTEF). Spending pressures were experienced as efforts to avoid wasteful and inefficient spending, in adherence to Provincial Treasury Circular No PT10 of 2016-17, were maintained. The current economic environment and Cabinet's decision to implement austerity measures were observed, and fiscal discipline and sound financial management received increased focus. The entity operated within these parameters, however limited funds negatively impacts on the extent to which the industry is regulated i.e. the number of planned site inspections and audits were reduced from previous year.

The successful achievements of strategic objectives ensured contributions to Government priorities (in terms of the Provincial Growth and Development Plan and the Medium Term Strategic

Framework) and the ongoing development of a gambling industry which promotes tourism, employment and economic transformation and social development in the Province. Attention remained on ensuring accurate revenue collection for the Province, effective industry regulation and enforcement of compliance, promotion of radical economic transformation and socio-economic development, protection of the public, elimination of fraud and corruption; and enhanced service delivery. In line with the PGDP, this was achieved through delivery of the following:

- Capacitated entity enabled regulatory and compliance activities, licensing and registration of suitable new entrants and existing licensees/registrants, and regulatory activities in line with gambling legislation thereby limiting potential negative impact on society and promoting to integrity of the gambling industry.
- Verification of taxes payable by licensees ensured accuracy tax collection for Province
- Stipulation of employment related licence conditions within communities promoted job creation / employment opportunities within the gambling industry.
- Approved transformation strategy to promote access and ownership participation by previously marginalised persons within the gambling industry.
- Licence conditions revised to incorporate Black ownership, management control, job creation/employment opportunities; skills developments, enterprise and supplier developments (SMME development), and socio-economic development in compliance with B-BBEE Codes of Good Practice.
- Monitoring of licensees' progress against compliance targets in respect of employment equity, skills development and broad-based black economic empowerment (B-BBEE) through regular audits and inspections.
- Facilitation of public participation and consultation through conducting public hearings and disputed resolution.
- Enforcement of compliance within the industry through disciplinary hearings and issuance of warning letters.
- Activities undertaken to eradicate illegal gambling and to create awareness of illegal gambling.
- Reports through the Whistleblower hotline are investigated.
- Awareness campaigns and initiatives in respect of responsible gambling.

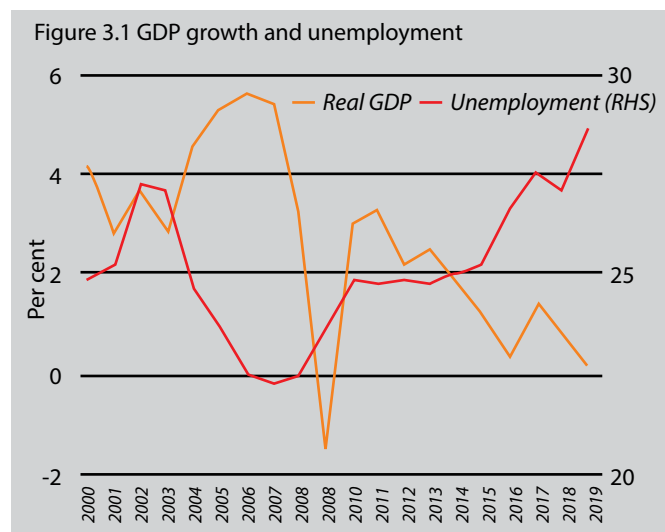


The tables below reflect the industry statistics as at 31 March 2020 which directly impact on the service delivery functions carried out by the operational units of the entity.

Sector		Sector	
Casinos	5	Totalisator	2
Bingo Operators	22	Racecourse Operators	2
Independent Site Operator	0	Totalisator Outlets	109
Route Operators	4	National Manufacturer Licence	1
Site Operators	563	Provincial Certificate of Registration as a Manufacturer	1
Bookmakers Rights (holding)	50		

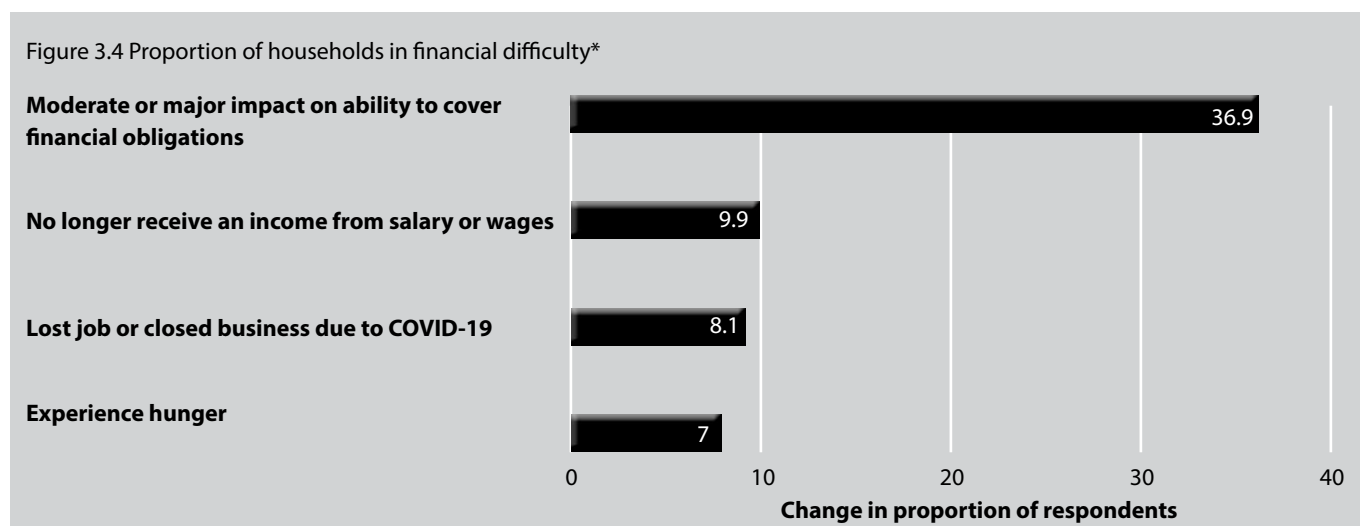
Casino Name	No of licensed Gaming Machines	No. of Operational Machines	No. of Licensed Gaming Tables	No. of Operational Tables	No of Table Games
Sibaya	1400	1200	61	49	49
Suncoast	2350	1622	80	57	57
Umfolozzi	300	288	14	14	14
Blackrock	300	300	10	10	10
Golden Horse	450	450	23	22	2
<b>TOTAL</b>	<b>4800</b>	<b>3860</b>	<b>188</b>	<b>152</b>	<b>152</b>

### 3.1 DOMESTIC ECONOMIC OUTLOOK:



Source: Statistics Sout Africa

- Quarterly Employments Statistics (Q2 – Shows Jobs Bloodbath)
- 90% of businesses below normal turnover- 48% ceased activity temporarily and 9% permanently closed;
- Reduced spending, increased hardship;
- Household Consumption strained reduced by reduced income from wages, commissions, bonuses and financial assets
- Economic reforms of next 6 to 12 months will determine trajectory over next several years;



\*Percentage of 2 688 respondents surveyed between 29 April and 6 May 2020 Source: Statistics South Africa

**KZN GAMBLING INDUSTRY:**

**SIZE OF INDUSTRY:** 2nd Largest, R70 Billion Turnover

**VENUES:** Hotels, Restaurants, Clubs, Sports Venues, Pubs, Spaza Shops, Shopping Malls e.t.c throughout the Province.

**GAMING SITES BY MUNICIPAL DISTRICT:**

Ethekwini - 447 Sites

Umngungundlovu – 61 Sites

Uthukela – 25 Sites

Amajuba 18 Sites

Umzinyathi – 13 Sites

Ugu -74 Sites

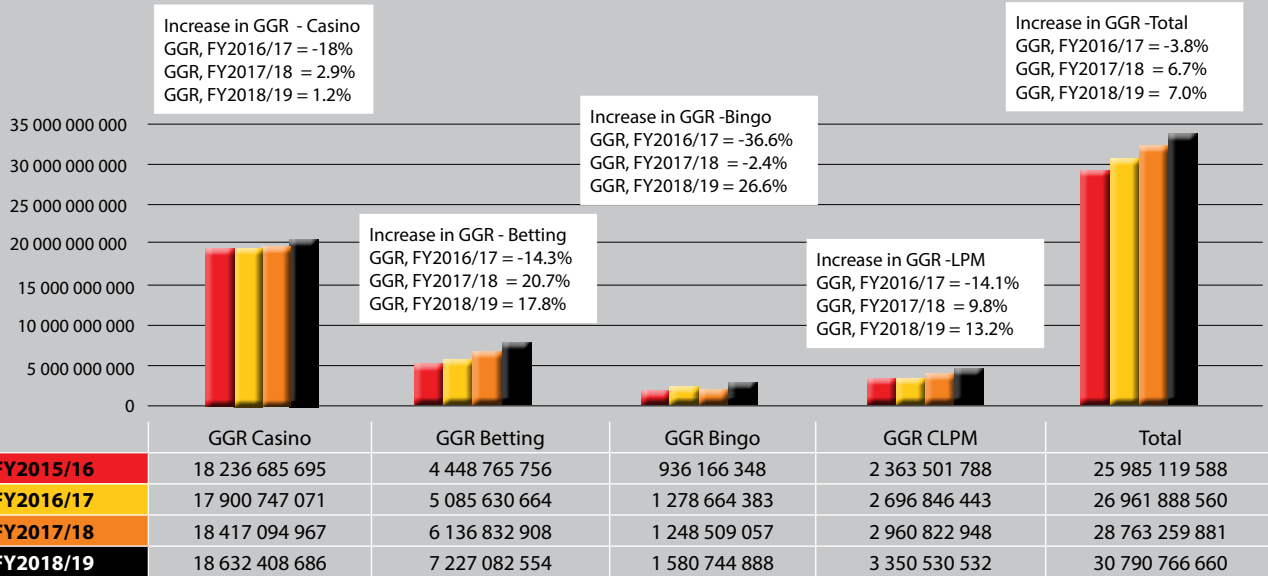
Harry Gwala – 13 Sites

Umkhanyakude – 7 Sites

King Cetwayo – 31 Sites

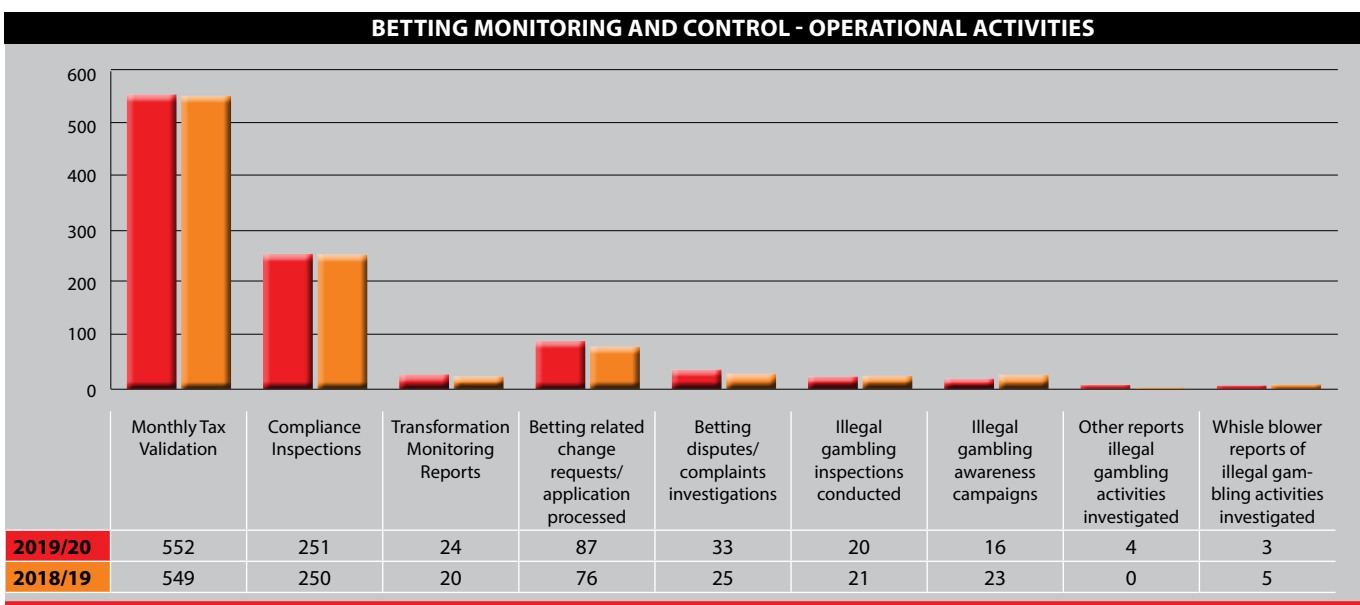
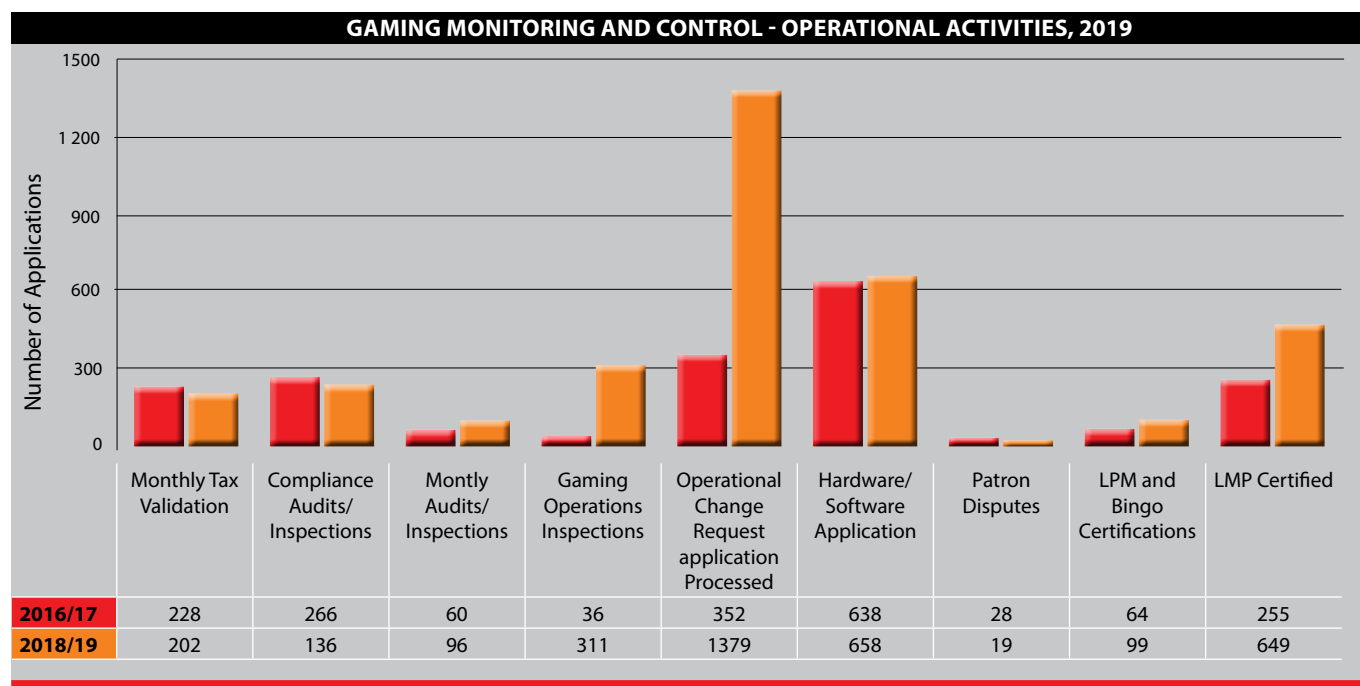
Illembe – 34 Sites

**INCREASE IN GGR (ALL MODES); FY2018/19**



### 3.2 Growth in Operations:

The number of Operational activities continues to grow as the industry grows.



There is further growth in operations anticipated due to the continued roll out EBTs, Type B sites, bookmaking rights, additional Bingo sites (since litigation has been settled), and casino expansions (Sibaya and Suncoast). This will add further strain on the operational units in respect of the following:

- An increase in revenues from newly rolled out operational gaming and betting sites.
- An increase in gaming operations results in an increase in tax validations, applications for change requests, and monitoring responsibilities).
- An increase in applications for operational changes (for example, slot machine changes, surveillance changes, and internal control changes) due to future casino expansions.
- Regularisation of standard bred and harness horseracing (traditional and rural).
- The National Gambling Board has indicated they the Board play a role in assisting with the curtailment of illegal gambling.

**Note: The comparative statistics below reflect the growth in operational activities required to ensure effective regulation and compliance monitoring within the Betting sector.**

### 3.3 IMPACTS OF LEGISLATIVE AMENDMENTS AND OTHER INDUSTRY MATTERS

The impacts of the recent legislative amendments and the current gambling environment include the following:

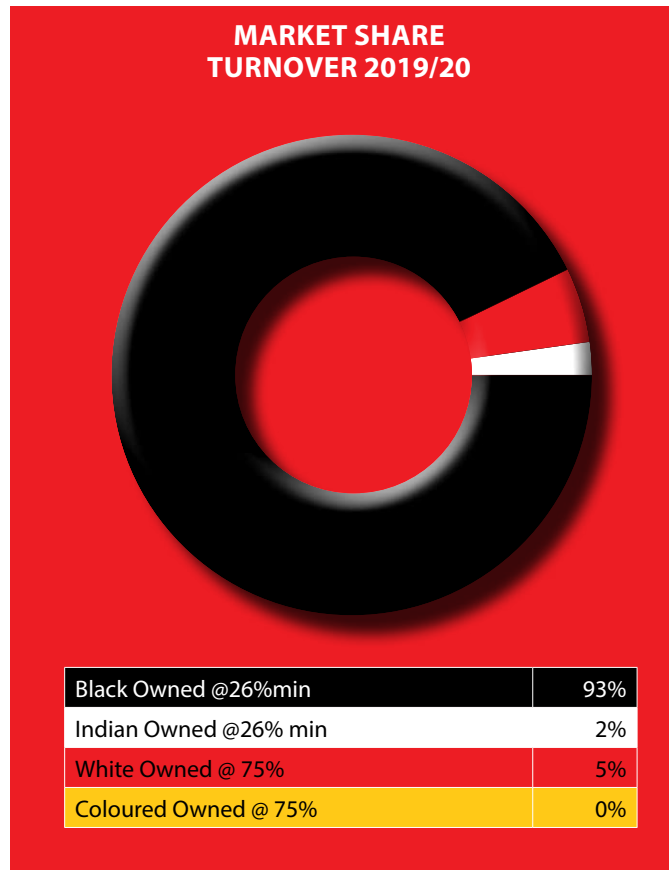
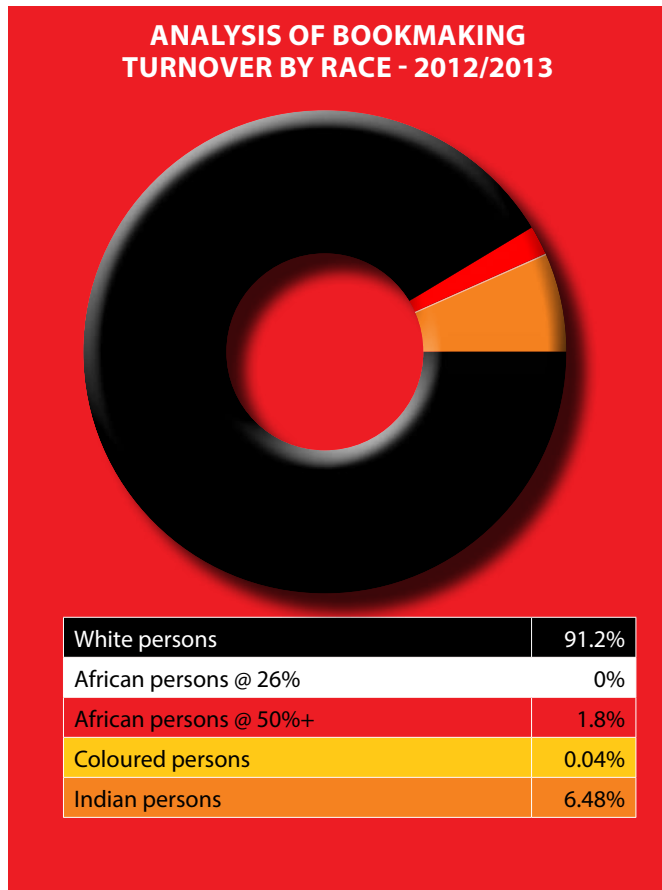
- All gambling taxes payable to Provincial Government are verified and collected by the KZNGBB for the Provincial Government.
- Post the amendments to legislation, the roll out of Bingo equipment (EBTs) resulted in further litigation.
- The roll out of Independent Site Operators continues to be delayed due to legal challenges and the way forward will be determined by the outcome of the litigation currently in progress. This will be further exacerbated by the National Gambling Act amendments.



- There is a potential for growth in gambling in KZN in the LPM, Bingo and Betting Sectors which would encourage further economic growth opportunities and create more B-BBEE owned businesses through site operations.
- Highly litigious industry which requires ongoing management of growing litigation. The continual litigation between the Casino and Bingo industry will require intervention by the Board.
- Consideration of over saturation of gambling.
- Restriction on betting on contingencies because of National legislation.
- Review of small businesses in the gambling industry, such as business models for Tote Agencies, and the roll out of new determined rights.

### 3.4 BOOKMAKING INDUSTRY: MARKET SHARE VALUE

The graphs below depict the progress made in respect of transformation by analysing the market share of the industry (by betting turnover) and how the number of Black persons participating in the industry has grown.



The total betting turnover amounted to R2 285 176 570 and the Market share values were as follows:

- White persons R2 085 560 283 - (91.2%)
- African persons @ 26% R 0 - (0%)
- African persons @ 50%+ R41 516 602 (1.8%)
- Coloured persons R9 938 596 (0.04%)
- Indian persons R148 161 087 (6.48%)

In 2019/20 (as at 31 August 2020): The total betting turnover amounted to R 5,175,148,684,01. Market share values are as follows:

- White owned R 255,879,084 (4.94%)
- African persons @ 26% R 4,660,724,929 (90.06%)
- African persons @ 50%+ R 157,947,265 (3.05%)
- Coloured persons R 465 (0%)
- Indian persons R 100,597,406 (1.94%)

This shows that the black owned businesses are garnering the larger share of the market. From an “ownership” perspective, the Board is monitoring to assess if that translates to actual “participation” and in respect of the 26% Black shareholding businesses, to what extent Black persons are benefitting.

### 3.5 ILLEGAL GAMBLING

Illegal gambling continues to be a threat to licensed gambling operations and has the highest risk of people becoming problem gamblers. Illegal gambling includes all formats of gambling not legalised in South Africa, such as, online gambling, Fafi or iChina, card and dice games on the internet, betting on dog fighting and other animal competitions, as well as gambling on mobile phones.

There have been challenges that relate to online gaming (Internet, social media) with no formal integrated response. The draft National Norms and Standards dated 23rd May 2014, outlined norms and standards in respect of online gaming which set out that online gaming requires a co-ordinated policy approach. The National Policy Framework has recommended that online gambling remain illegal at this point and that measures be introduced to close down existing operations and prosecute perpetrators. The intention is for all enforcement agencies to jointly ensure the eradication of illegal online gambling. Illegal gambling is growing (increase in online gambling, unlicensed gambling machines and gambling computer terminals and internet cafes) and is impacting on society.

The Board has included as part of its Betting Monitoring and Control Programme, a focus towards the eradication of illegal gambling activities in the Province. The strategy will include proactive initiatives to combat illegal gambling in internet cafes and online and to ensure that capabilities are strengthened to combat the scourge of illegal gambling, thereby protecting the interests of the public. Reports of illegal gambling through the Whistle-blower hotline will continue to be investigated. In addition, all reported cases of fraud and corruption within the industry will be investigated.

There has been an increase in the complexity of gaming systems and technological advancements within the gaming industry. General legislative challenges exist in an environment of technology, innovation and development and with the recent introduction of legislation regarding remote gambling, the Board will engage and input to the proposed gambling policy and monitor any impact on operations.

### 3.6 PROTECTION OF THE PUBLIC

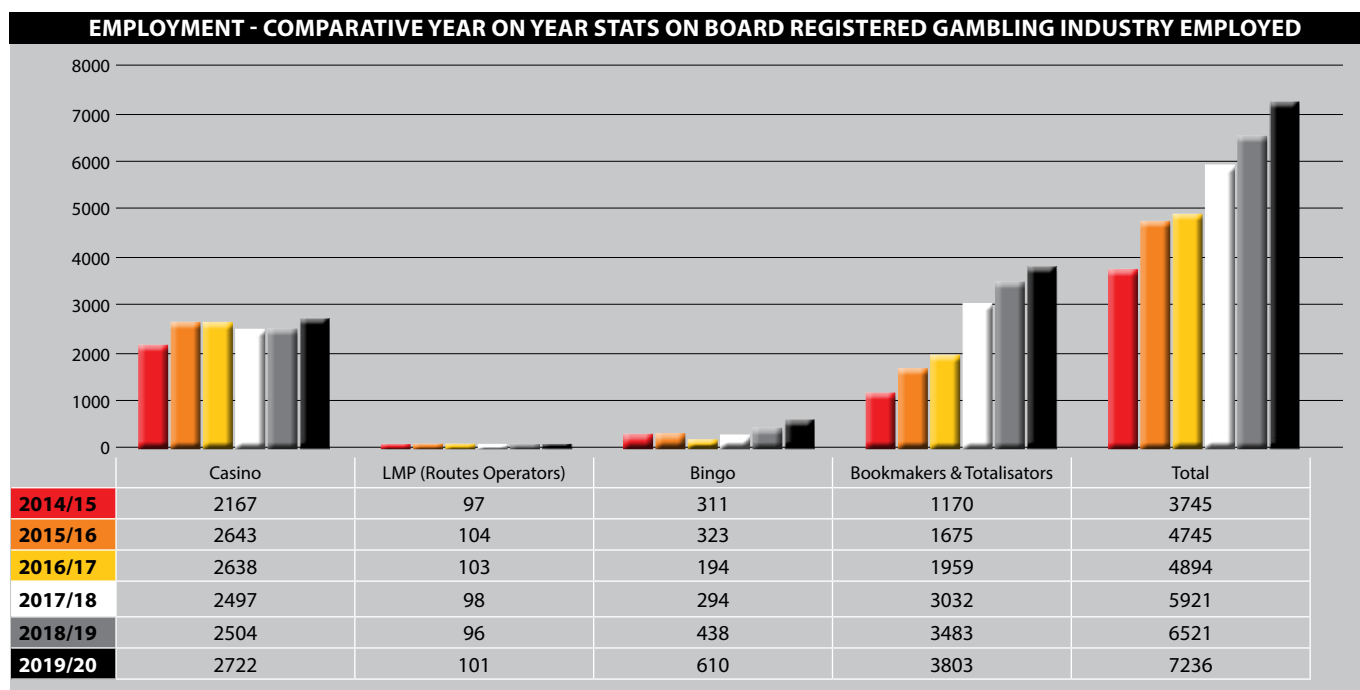
Communication related activities have evolved from internal and external communications, to incorporate initiatives that protect the interests of the public as well as stakeholder engagements. Activities include responsible gambling and illegal gambling awareness campaigns in communities. Recently, this unit's function has been broadened to include activities around corporate social responsibility where building stakeholder relationships with other Government Departments in respect of socio-economic development within the Province is required. Specific focus during 2019/20 must be given to creating awareness around the Board's transformation imperatives and developing appreciation for and knowledge of the industry amongst communities, particularly those comprised of disadvantaged persons.

The Board remains committed to ensure the **protection of the public** and consider the **social impact** of gambling on society by means of the following:

- **Educating communities** about responsible and illegal gambling. School and community awareness programmes will continue to be facilitated by the KZNGBB in partnership with the SA Responsible Gambling Foundation (SARGF). Additional interventions are required in respect of **responsible gambling** in both urban and rural areas.
- Monitoring access to gambling by vulnerable persons and **creating awareness** relating to the existence of self-exclusions. (Minors and self-excluded persons).
- Findings of research on **social and economic impact of gambling on communities** and levels of saturation to be implemented.
- Consideration and **assessment of oversaturation** of gambling when rolling out initiatives.

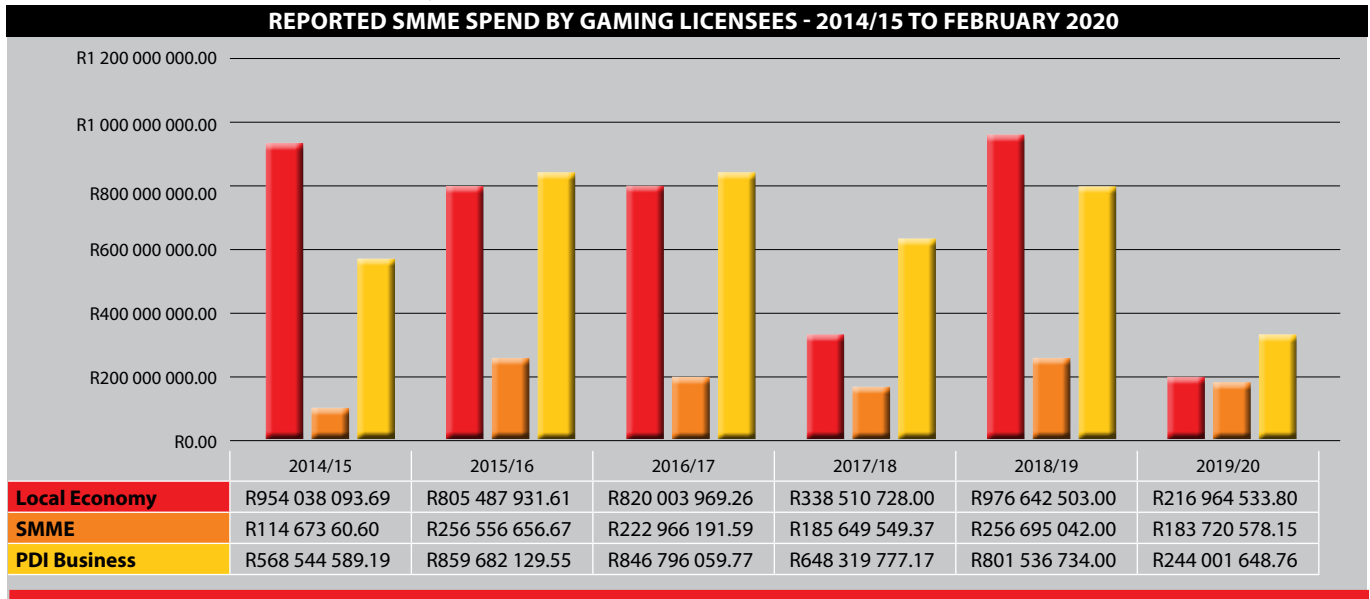
### 3.7 EXISTING REGISTERED EMPLOYEES

**Targets for job creation** within the gambling industry are set by the Board in licence conditions and **employment related commitments made by licensees are closely monitored**. The Board stipulates employment conditions for communities, specifying number of jobs for gambling operations as part of the licensing process. Gaming and Betting licensees provide access to employment opportunities, thereby encouraging new entrants into the industry within the provincial economy. Additional jobs continue to be created through the growth in existing licenced operations. The table below reflects the comparative registered gambling employee statistics within the Province (registered by Board in terms of the Act) which illustrated a total growth in employment of registered employees within the gambling industry of 10.7%

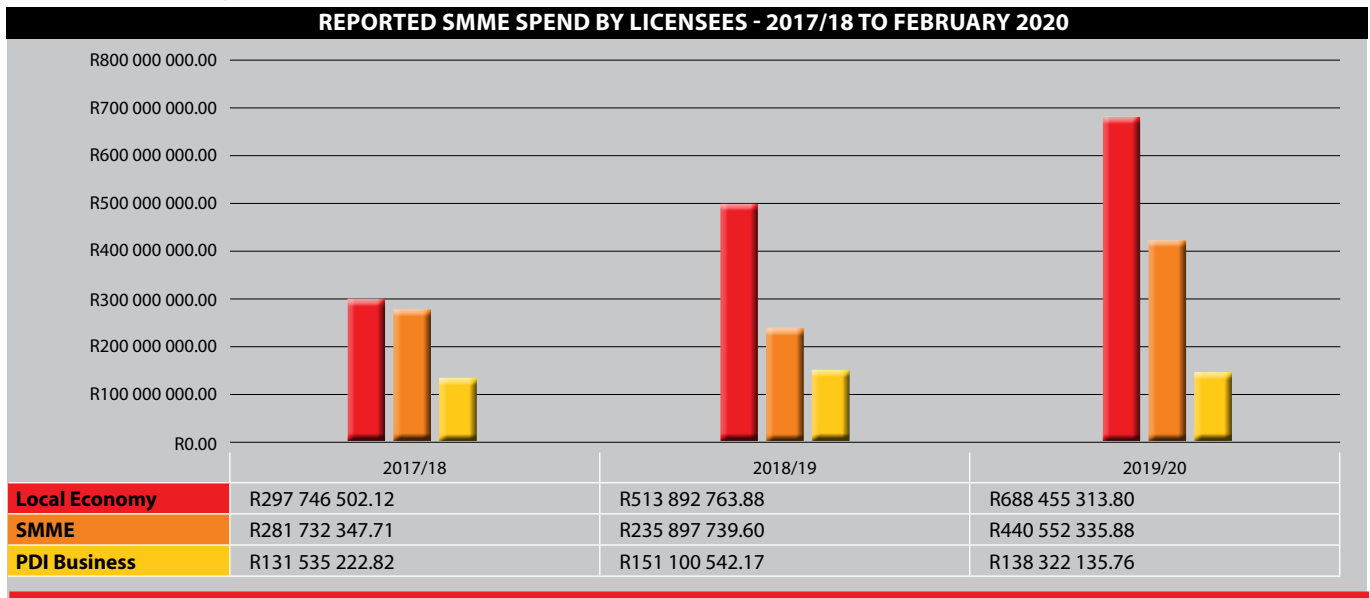


### 3.8 SMME DEVELOPMENT:

The reported spend in respect of SMMEs by the gaming licenses are listed here-below



The reported spend by Betting licensees are listed here-below



### 3.9 HUMAN RESOURCE DEVELOPMENT

The Board's Transformation agenda includes training and development opportunities for Black youth, Black women and designated groups to equip them with skills which will enhance opportunities for future employment in the Gaming and Betting industry. Focus during the upcoming Financial Year will be given to ensuring that knowledge and skills transfer is taking place within the industry to ensure equitable representation within gaming and betting businesses and development of a Black Industrialist Programme is planned. The Board incorporates a requirement related to skills development spend in licence conditions.

#### 3.10 Human and Community Development / Corporate Social Investment (CSI)

Focus on aligning socio-economic development initiatives by the gambling industry with PGDP and the Poverty Eradication Master Plan SED initiatives are ongoing. Each licensee continues to contribute to the community that falls within its jurisdiction of operation. Spend on CSI is included in licence conditions which is monitored by Programmes 5 and 6. In the main, contributions are made to projects that relate to health and welfare, education, community upliftment, sports and recreation, and arts and culture.

The entity has continued to support a growing gambling industry and has for the most part met the demands of increased service delivery and regulatory requirements. This industry growth is attributed to:

- An increase in the number of gambling operations and sites being licenced and becoming operational
- The continued roll out of Bingo, Type A and Type B sites
- New game types, EBT's and game changes in the industry
- An increase in internet cafes and online illegal gambling activities
- Increased monitoring responsibilities in respect of licensees' compliance with bid/licence commitments, licence conditions and B-BBEE legislation
- Increased responsibilities in respect of the verification and collection of gambling taxes payable to Provincial Government in terms of the Act



## 4 ORGANISATIONAL ENVIRONMENT

From 1 April 2019, the KZNGBB reports to the MEC of Economic Development, Tourism and Environmental Affairs. The Provincial Government announced austerity measures and the entity continues to operate within these parameters.

The KZNGBB is made up of 6 functional programmes

### PROGRAMME 1

The programme is responsible for providing strategic and administrative management through the Office of the CEO and various support functions to the KZNGBB through five sub-programmes, namely Office of the CEO, Governance, Risk and Compliance, Legal Services, Human Resources and Communications

### PROGRAMME 6: BETTING MONITORING AND CONTROL

This programme's functions are split namely Betting Monitoring and Control and Illegal Gambling

This programme is responsible for monitoring betting activities in the Province; verifying revenue collection for the Province, ensuring compliance with relevant legislation; and initiating steps to eradicate illegal gambling in the Province



### PROGRAMME 2: FINANCE

This programme is responsible for supporting the entity through the provision of financial administration, asset management and procurement services

### PROGRAMME 5: GAMING MONITORING AND CONTROL

This Programme consists of two units, namely Monitoring and Gaming Audit and Gaming Control  
This programme is responsible for monitoring gaming activities in the Province; auditing revenue collection for the Province; and ensuring compliance with relevant legislation

### PROGRAMME 4: LICENSING AND REGISTRATION

This programme consists of two units, namely Betting and Gaming  
This programme is responsible for receiving, investigating and preparing licenses and registration certificates for all applications to ensure the suitability and continuous suitability of all applicants in the gaming and betting industry and rolling out of new gaming and betting initiatives

### PROGRAMME 3: INFORMATION AND COMMUNICATION TECHNOLOGY

This programme is responsible for supporting the organisation through the provision of ICT and knowledge management services to the entity

The current approved organisational structure has 87 posts, 82 of which are funded. A total of 79 posts are filled, with 3 of the budgeted positions being vacant. In keeping with cost cutting measures by Provincial Treasury, vacant posts these positions can only be filled upon obtaining the necessary approvals and funding (Treasury Circular No PT10 of 2016-17). The lengthy approval process for the filling of critical vacant posts, however, result in additional workloads for the existing employees of the Board. Unbudgeted vacant posts still require funding in order for the entity to be fully effective in servicing and regulating the industry. In addition, despite the increase in demand for services over the past few years, as the number of positions in the entity structure has not grown. This continues to place additional strain on existing resources.

The KZNGBB continues to implement austerity measures in its planning and daily operations through the following:

- Vacant posts frozen and critical posts that have become vacant through natural attrition are motivated in line with cost cutting measures
- Catering and event costs – no events are hosted by the entity
- Travel related costs and S&T are in line with circular No PT (10)
- Advertising – all costs for notices are recovered from applicants. No marketing adverts placed by the entity.
- The KZNGBB's Gambling Regulatory Online Portal project ("GROP")(previously known as "BPR") is a key and critical project which will continue to bring about operational efficiencies for the entity, reduce the number of errors, audit findings and processing delays that arise through highly manual processes. GROP Phase 2 is progressing which will further enhance service delivery and turnaround times in the processing of various applications. The future impact of GROP on operational efficiencies will be closely monitored and assessed to ensure our human resources are appropriately allocated within the organisational structure.
- The existing human resources and financial resources do not adequately support the anticipated future growth in operations, plans to operationalize the Transformation Fund, and initiate the Black Gambling Industrialist Programme. In addition, the Communications Unit's functions have been broadened to include deliverables around corporate social responsibility, socio-economic development within the Province, and research in respect of transformation and rural horseracing. The Communication Strategy and Plan will include not only awareness campaigns in respect of responsible gambling and illegal gambling, but also to develop knowledge and appreciation of the industry amongst communities, particularly those comprised of disadvantaged persons.

Notwithstanding that the appropriateness of the organisational structure is reviewed annually to assess the adequacy of human resources capacity in supporting the entity in fulfilling its mandate and achieving its strategic outcome oriented goals, it is unlikely that any changes to the organisational structure will be considered or approved at this time. In light of Government's efforts to rationalise public entities, further considerations are being given to the merging of the Board with the KZN Liquor Authority. Going forward, the alignment with the National Budget Programme structure will also need to be considered and where applicable, the organisational structure revised.

In ensuring regulatory compliance and enforcement, such growth in the gambling industry has resulted in significant growth in Board operational activities in respect of licensing, registration monitoring and control activities. Such growth in operations was evidenced by the following:

- An increase in the number of licensing and registration applications received in the gaming sector
- An increase in the number of applications processed and investigated by the Licensing and Registration Units
- An increase in the number of corporate licences and certificates; and employee registration certificates issued within the Betting sector
- An increase in the number of operational changes request applications and gaming hardware and software applications processed for the Gaming sector
- An increase in the number of FICA inspections conducted on gaming sites
- An increase in the number of monitoring audits/inspections conducted
- An increase in the number of illegal gambling inspections/ investigations and awareness/training interventions conducted to combat illegal gambling

Notwithstanding the growth in operations and regulatory related activities, the resources within the units have remained the same. Where there are vacancies resulting from resignation or promotion, the lengthy delays in the filling of vacant funded positions (due to the requirement for obtain approval from the responsible MEC and Treasury), negatively impact on service delivery, and the achievement of performance targets, specifically within the operational units.

Challenges were experienced in meeting planned targets in respect of the processing of manual licensing and registration applications within targeted timeframes. The implementation of the automate application system (Gambling Regulatory Online Portal "GROP"; also known as Project Jika) during 2019/20 has enhanced operational efficiencies and service delivery turnaround times within certain units, and it is anticipated that a further improvement in turnaround times will continue into the next financial year. The continued implementation of the Board's authorised delegations to the Office of the CEO, including procurement and financial delegations have resulted in improved service delivery to stakeholders through reduced turnaround times for various applications and operational approvals.

Significant focus has been given to the transformation of the horseracing and betting sector during the period to increase the number of Black persons accessing and participating in the industry. Positive strides have been made which is evidenced by an increase in "ownership participation" by Black person in the black sector. Of the 26 new bookmaking rights approved in 2016 (compulsory 60% ownership to be held by Black People), 17 of such rights are operational. White ownership has reduced from 73% to 32% since 2011/12 while Black persons ownership in businesses with a minimum of 26% shareholding is a new category (28%). The graphs below depict the progress made specifically in respect of ownership since 2012, to April 2020.



## 4.1 Transformation of The KZN Gaming And Betting Industry

Consultation with the industry in terms of Section 30A of the Act and a review of licence conditions took place to ensure that the Boards mandate to transform the industry and increase participation by Black people were incorporated. Existing conditions were enhanced where necessary with the Boards requiring a B-BBEE Compliant licensee for all new applications and relevant Financial Acquisitions. Monitoring of compliance by licensees with their B-BBEE commitments were enhanced to ensure the Board meets its transformation and to ensure a compliant industry.

The Board introduced the Black Industrialist program during the year. This was in support of the objective to increase participation by those previously excluded in the industry. The **implementation of a Black Gambling Industrialist Programme** during this planning cycle was a catalyst in the realisation of the following:

- Advancing Black ownership and participation at executive management levels
- Securing financial sources to allow Black persons to access or buy into the gambling industry
- Tourism infrastructure development
- Promotion of small business within local communities and creating an enabling environment
- Economic development of local communities
- Educational assistance from existing licensees
- Employment creation

The Board remains committed to expedite economic empowerment within the industry, and as such monitoring compliance and implementation of licensees' transformation related commitments will receive additional focus in the forthcoming year. This includes the transfer of technical know-how and skills to run a gambling operation and services that support the gambling industry, (including supplier, manufacturers and maintenance providers that are registered with the Board in accordance with the Act). Non-compliant licensees are summoned to hearings held by the Board's Disciplinary processes. The Licensing Committee held stakeholders engagements with larger licensees that were not meeting the compliance targets and objectives of the Board. The Board met with all stakeholders to gain an understanding of the industries and their needs as well as outlined its key priorities which included transformation of the industry.

**TRANSFORMATION STATISTICS OF BOOKMAKING BUSINESSES AS AT 31 MARCH 2020**



Whites	73%
Indians	20%
Black	5%
Coloured	2%

**TRANSFORMATION OF BOOKMAKING BUSINESSES – AS AT 31 MARCH 2020**



Indian Sole	14%
Black Owned Corporates	24%
Coloured Sole Props	2%
Non-Black Empowerment Corporates	14%
Black Empowered Corporates	28%
White Females Sole Props	10%
White Males Sole Props	8%

## SERVICE DELIVERY DEMANDS

The Board continues to develop the entity's capacitated through the implementation of the Workplace Skills Plan, using the outcomes of the skills audit undertaken during 2016/17. Improved capacity will result in the improvement in entity performance. The entity's operations are very labour intensive and from an operational point of view, increased licensees mean additional inspections, audits and monitoring, resulting in increased operational costs over MTEF. The entity will continue to support a growing gambling industry and meet the demands of increased service delivery and regulatory activities in respect of:

- Licensing of gambling operations and sites and monitoring once operational.
- Rolling out of new gambling categories such as Bingo and Type B sites.
- Approval of new game types and game changes, especially in the Casino industry.
- Registration of gaming and betting employees and tote agents.
- Monitoring of licensees' compliance with bid /licence commitments, licence conditions and B-BBEE legislation.
- Stringent enforcement of licence conditions and licence commitments.
- Proactive initiatives to combat illegal gambling in internet cafes and online.
- Verification and collection of gambling taxes payable to Provincial Government in terms of the Act.
- Implementation and administration of the Transformation Fund.
- Implementation of the Black Gambling Industrialist Programme.

## 3. STRATEGIC OUTCOME ORIENTED GOALS

### Enhance the integrity of the Gaming and Betting Industry

**GOAL 1:** to create a fair regulatory environment that will enable an appropriately regulated and compliant Gaming and Betting Industry thereby maintaining the integrity of the industry

#### Increase inclusive and sustainable economic growth and contribution to job creation and tourism

**GOAL 2:** To propel participation, access, and Black ownership stakes in line with Provincial demographics; and the promotion of industry knowledge and skills transfer; SMME and entrepreneurial development of persons contemplated in the Broad-Based Black Economic Empowerment Act within the Gaming and Betting industry within the Province.

#### Grow revenue for Provincial Government and the entity

**GOAL 3:** To grow revenue for the Provincial Government through strategic interventions

#### Protect the interest of the Public

**GOAL 4:** To protect the interests of the Public through facilitation of illegal gambling initiatives in conjunction with SAPS.

#### Optimize institutional service excellence

**GOAL 5:** To optimise service excellence through accountable governance, effective administrative, human resources, and financial management services; and efficient delivery of services to industry stakeholders.

In developing the strategic goals and objectives of the Board, cognisance was taken of the Board's mandate as contained in the Act as well as strategic priorities of Government (as contained in the National Development Plan (NDP), the Provincial Growth and Development Strategy, the Provincial Growth and Development Plan (PGDP), the Poverty Eradication Master Plan; and the Medium Term Strategic Framework). The table below contains the Board's strategic outcome oriented goals as per its Strategic Plan, the links to Government's goals and the process made towards the achievement thereof. The entity has successfully contributed, either directly or indirectly, to provincial priorities contained in the NDP, PGDP, PEMP and MTSF through various interventions undertaken by its Programmes and Sub-Programmes as detailed in the tables below.

KZNGBB Strategic Outcome Oriented Goal	KZNGBB Strategic Objective	MTSF Outcome	PGDP Goal	EDTA Strategic Outcome Oriented Goal	
<b>1 ENHANCE THE INTEGRITY OF THE GAMING AND BETTING INDUSTRY</b>	1	To ensure a transformed and regulated gambling industry through the implementation of inclusive growth, economic development and empowerment strategies, effective regulation and co-operative governance	4 Decent Employment through inclusive economic growth 7 Spatial Equity	1 Inclusive Economic growth 6 Governance and Policy	2 Inclusive and sustainable economic growth that supports decent employment 3 Preferred tourism destination in the country
	5.	To provide efficient legal advisory services to the entity, to manage entity's legal risks and litigation, to develop licence conditions that comply with B-BBEE Laws and to institute enforcement proceedings			
	7	To promote the Board's strategic imperatives relating to transformation, social and economic development and protection of the public through effective communication, stakeholder engagement services and research			
	10	To license and register applicants in the Gaming and Betting industry who are deemed suitable and compliant with transformation requirements			
	11	To ensure a properly regulated, transformed and compliant gambling industry that generates revenue towards the socio-economic development of the Province and provides economic opportunities for previously disadvantaged individuals			
<b>3. GROW REVENUE FOR PROVINCIAL GOVERNMENT AND THE ENTITY</b>	3	To facilitate revenue growth for the Provincial Government and KZNGBB	4 Decent Employment through inclusive economic growth Spatial Equity	1 Inclusive Economic growth	Inclusive and sustainable economic growth that supports decent employment



KZNGBB Strategic Outcome Oriented Goal	KZNGBB Strategic Objective		MTSF Outcome		PGDP Goal		EDTA Strategic Outcome Oriented Goal	
<b>4 PROTECT THE INTERESTS OF THE PUBLIC</b>	12	To combat illegal gambling in the Province	12	An efficient, effective and development oriented public service	6	Governance and Policy	5	Achieve institutional excellence responsive to the needs of the Province
<b>5 OPTIMIZE INSTITUTIONAL SERVICE EXCELLENCE</b>	6	To optimize service excellence through enhanced Human Resource Management services which supports an efficient, ethical, effective and development-oriented public service	12	An efficient, effective and development oriented public service	6	Governance and Policy		Achieve institutional excellence responsive to the needs of the Province
	2	To optimise service excellence through strategic leadership, enhanced strategic planning and performance management and executive support						
	4	To strengthen governance, accountability, risk and compliance management services to ensure a sound internal control environment						
	6	To optimize service excellence through enhanced Human Resource Management services which supports an efficient, ethical, effective and development-oriented public service						
	8	To provide effective, efficient and transparent financial management services to the entity in compliance with the PFMA and other applicable financial regulations and policies					5	
	9	To optimize service excellence through compliance with DPSA ICT Governance Framework and improved ICT management services that support the entity in its service delivery						



## 2. PROGRAMME 1: ADMINISTRATION



The purpose of this programme is to provide strategic and administrative management and support to the entity. The Administration Programme is comprised of the following five sub-programmes:

Sub-Programme	Purpose
<b>1.1 Office of the CEO</b>	To provide leadership, strategic and executive support to Board and management of operations and programme performance to ensure the fulfilment of the entity's mandate and radical economic transformation within the gambling industry.
<b>1.2 Governance, Risk and Compliance</b>	To strengthen governance, accountability, risk and compliance management services to ensure a sound internal control environment.
<b>1.3 Legal Services</b>	To provide in-house legal resources for the Board and Management to ensure that the Board's regulation of the gambling industry in the Province complies with and conforms to legislation and regulatory requirements.
<b>1.4 Human Resources</b>	To ensure implementation of the human resources strategy by attracting, developing and retaining suitably qualified and competent human resources for the Board.
<b>1.5 Communications</b>	To address the communication requirements of all stakeholders, both internally and externally, and to create awareness of the Board's imperatives through stakeholder engagement using different communication mechanism (house under Office of the CEO).



## 2.1 SUB-PROGRAMME 1.1- OFFICE OF THE CEO

Strategic Objectives Annual Targets for 2019/20 and Medium-Term Target

Strategic Objective	Strategic Objective Indicator	Strategic Plan 5 Year Target	Baseline 2018/19	Planned target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations	
1	To ensure a transformed and regulated gambling industry through the implementation of inclusive growth, economic development and empowerment strategies	1.1 Number of core transformation strategy interventions implemented	10	Not applicable – not included in 2018/19	2	2	Not Applicable	Not Applicable
2	To optimise service excellence through strategic leadership enhanced strategic planning ,performance management and service delivery to the industry	2.1 Audit Opinion on performance information	Year 2019/20-Achieve unqualified audit opinion with no material findings on performance information Year 2020/21- 2023/24 achieve clean audit on performance information	Unqualified audit opinion in respect of performance information	Achieve unqualified Audit opinion with no material findings on performance information for 2018/19	Unqualified Audit Opinion	Not Applicable	Not Applicable
		2.2 % of CEO delegated applications recommended for approval or declination	100%	Not applicable – not included in 2018/19	100%	100%	Not Applicable	Not Applicable
3	To facilitate revenue growth for the Provincial Government and KZNGBB	3.1 Annual % increase for the KZN gambling Sector contribution the provincial fiscus	15% increase over a five year period - i.e. 3% per annum	Not applicable – not included in 2018/19	3%	13%	Not Applicable	Not Applicable

Performance Indicators and Annual Targets for 2019/20

SUB-PROGRAMME 1.1: OFFICE OF THE CEO							
PI No.	Key Output	Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
<b>Strategic Objective 1.1: To ensure a transformed and regulated gambling industry through the implementation of inclusive growth, economic development and empowerment strategies.</b>							
1.1(a)	Increased ownership and participation by Black people in gambling industry	% of existing qualifying gaming and betting licensees with minimum of 26% Black Ownership	Not Applicable – not included in 2018/19 APP	Not Applicable – not included in 2018/19 APP	75%	Not applicable	Not applicable
1.1(b)	Black Gambling Industrialist Policy	Black Gambling Industrialist Policy produced for approval within prescribed timeframes	Not Applicable – not included in 2018/19 APP	Not Applicable – not included in 2018/19 APP	Produced Black Gambling Industrialist Policy for approval by 31 March 2020	Not Applicable	Not applicable
<b>Strategic Objective 2. To optimise service excellence through strategic leadership, enhanced strategic planning, performance management and service delivery to industry.</b>							
2.1(a)	Approved Annual Performance Plan in compliance with regulatory requirements	Approved Annual Performance Planning Framework requirements	Annual Performance Plan submitted to Executive Authority within prescribed time frames	Approved 2019/20 APP by 1 April	Approved 2020/21 APP compliant with Strategic Planning Framework requirements	Not Applicable	Not Applicable
2.1(b)	APP targets achieved against planned targets	% of achievement of Annual Performance Plan target	Not Applicable – not included in 2018/19 APP	Minimum of 85%	Minimum of 85%	Not Applicable	Not Applicable
2.2(a)	Timeously consideration delegated applications	% of CEO delegated applications considered within prescribed timeframes	Not Applicable – not included in 2018/19 APP	Not Applicable – not included in 2018/19 APP	100%	Not Applicable	Not Applicable
<b>Strategic Objective 1.1.3 To facilitate revenue growth for the Provincial Government and KZN Gaming and Betting Board</b>							
3.1(a)	Finalised Saturation Study	Saturation Study Report finalised within prescribed timeframe	Not Applicable – not included in 2018/19 APP	Saturation Study Report finalised by 31 March 2020	Not Achieved	Delays due to public consultation	Finalize Consultation

## 2.2 SUB-PROGRAMME 1.2 - GOVERNANCE RISK AND COMPLIANCE

Strategic Objectives Annual Targets for 2019/20 Medium Term Targets

Strategic Objective	Strategic Objective Indicator	Strategic Plan 5 Year Target	Baseline 2018/19	Planned target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations	
4	To strengthen governance, accountability, risk and compliance management services to ensure a sound internal control environment	4.1 Compliance Level with KZNGBB Accountability and Governance management practice standards	Minimum level 3 compliance with KZNGBB Governance and Accountability management practise standards each year	Not applicable – not included in 2018/19	Minimum level 3 compliance with KZNGBB Governance and Accountability management practise standards each year	Achieved	Not Applicable	Compliance level exceeded with score of 89.8%

Performance Indicators and Annual Targets for 2019/20

Sub-Programme 1.2 – Governance Risk and Compliance							
PMI No.	Key Output	Performance Measure Indicator	Baseline Performance 2018/19	Target for 2019/20 as per Annual Performance Plan (APP)	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
<b>Strategic Objective 4: To strengthen governance, accountability, risk and compliance management services to ensure a sound internal control environment</b>							
4.1(a)	Governance and Accountability management practise compliance assessment reports	Number of Governance and Accountability Management Practice Compliance Assessment Reports	Not applicable – not included in 2018/19 APP	2 Reports	2 Reports	Not Applicable	Not Applicable
4.1(b)	Mitigation of strategic risks through implementation of SRM plan	% implementation of Strategic Risk Mitigation plan	1 Strategic Risk Management Plan produced by 30 September 2018	80%	89.8%	53 of 59 tasks in risk mitigation plan completed	Not Applicable
4.1(c)	Reduction in audit findings through facilitation of Annual Audit Improvement Plan	Number of quarterly reports on Annual Audit Improvement Plan implementation	Not applicable – not included in 2018/19 APP	4	4	Not Applicable	Not Applicable
4.1(d)	Quarterly Board Resolutions Status Reports to track implementation of Board resolutions	Number of quarterly Board Resolutions Status Reports	4	4	4	Not Applicable	Not applicable

## 2.3 SUB-PROGRAMME 1.3 LEGAL SERVICES

Strategic Objectives Annual Targets for 2019/20 and Medium Term-Targets

SUB-PROGRAMME 1.3 – LEGAL SERVICES								
Strategic Objective	Strategic Objective Indicator	Strategic Plan 5 Year Target	Baseline Target 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations	
5.	To provide efficient legal advisory services to manage entity's legal risk and litigation to develop licence conditions that comply with B-BBEE Laws and institute enforcement proceedings	5.1 % success rate in respect of outcomes of finalized litigation	80% success rate each year on finalized litigation	Not Applicable – not included in 2018/19 APP	80%	80%	Not Applicable	Not Applicable
		5.2 % of non-compliant licensees disciplined	100%	Not Applicable – not included in 2018/19 APP	100%	100%	Not Applicable	Not Applicable

SUB-PROGRAMME 1.3 LEGAL SERVICES							
PI No.	Key Output	Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
<b>Strategic Objective 5: To provide efficient legal advisory services to the entity to manage the entity's legal risks and litigation to develop licence conditions that comply with B-BBEE Laws and to institute enforcement proceedings.</b>							
5.1(a)	Litigation matters referred	% of litigation matters referred to Attorneys within 10 days of Board Resolution	Not Applicable – not included in 2018/19 APP	100%	100%	Not Applicable	Not Applicable
5.2(b)	Comments on proposed amendments to gambling laws submitted	% of Submissions in respect of proposed amendments to gambling laws within timeframes prescribed by Bill	100%	100%	100%	Not Applicable	Not applicable
5.2(c)	Non-compliance referrals decided and referred for hearing (where applicable)	% of non-compliance referrals decided within 21 days	100% of registrant contraventions processed	100%	91% of charge sheets / warning letters issued to licensees / registrants within 1 month of initiation by units	Target Not achieved by 9% (5 out of 8 charge sheets including one warning letter) were issued beyond time frames.	Human Resources Capacity within legal unit
5.2(d)	Annual review of B-BBEE related licence conditions	% of existing licence conditions reviewed annually	100% of 86 existing licence conditions reviewed during 2018/19	Not Applicable – not included in 2018/19 APP as target	Not Applicable	Not Applicable	Not Applicable

## 2.4 SUB-PROGRAMME 1.4 HUMAN RESOURCES

Strategic Objectives Annual Targets for 2019/20 and Medium-Term Targets

SUB-PROGRAMME 1.4 – HUMAN RESOURCES								
Strategic Objective	Strategic Objective Indicator	Strategic Plan 5 Year Target	Baseline 2018/18	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations	
6	To optimize service excellence through enhanced Human Resources Management services which supports an efficient, ethical, effective and development-orientated public service	6.1 Compliance level with KZNGBB Human Resources management practice standards	Minimum level 3 compliance with KZNGBB Human Resources management practice standards each year	Not Applicable – not included in 2018/19 APP	Minimum level 3 compliance with KZNGBB Human Resources management practice standards each year	Level 2 Compliance with KZNGBB Human Resources management practice standards	Not applicable	Not applicable

SUB-PROGRAMME 1.4 HUMAN RESOURCES							
PI No.	Key Output	Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
<b>Strategic Objective 1.5 Provide human resource management services to ensure that appropriately skilled human resources are in place</b>							
6.1(a)	Capacitated Organisational Structure	% of approved funded posts which are vacant per quarter	6.84%	10% or less	11%	Not Achieved	Financial Restrictions
6.2(b)	Employees Training needs implemented through WSP/Trained workforce	% of planned training interventions in Workplace Skills Plan achieved	55%	95%	100%	Not Applicable	Not Applicable
6.2(c)	Signed performance agreements	% of performance agreements and appraisals submitted within prescribed timeframe	Not Applicable	100%	100%	Achieved	Not applicable
6.2(d)	Effective management of disciplinary cases	Average number of days taken to resolve disciplinary cases	Not included in 2018/19 APP	90 days	90 days	Not Applicable	Not Applicable
6.1(e)	Employee declaration of financial or other interests	% of staff of the Board submitting declarations of financial or other interests within prescribed timeframes	91% of annual declaration of financial interests by staff of the Board undertaken	100%	99%	1%	Delays by unit

## 2.5 SUB-PROGRAMME 1.5 COMMUNICATIONS

During the period under review, the key focus areas in respect of the communications function include

Dundee July: The event attendance figures reach over 20 000 people in 2017 and this year it is expected that the attendance figures will exceed last year numbers. There is more economic potential that can be derived from this. The *Dundee July was attended by an estimated 25 000 spectators, punters, celebrities, top musicians and fashionistas from across the South Region and injecting over R30 million into Dundee's economy, was a clear indication of the growth of the event.* Dundee July has not been extended to the Harry Gwala Summer Cup, the Nkandla May Rural Horseracing event and the Willowfontein Rural Horseracing event. **This is a project for 2021 MTEF once the Transformation Fund is established and funded.**

The Rural horse racing calendar during the 2019/2020 Financial Year saw the holding of the Umtelebelo Heritage Racing Festival at the Scottsville Race Course during September 2019. The Harry Gwala Summer Cup was held at the Kilomon Race Track located in Underberg during November 2019. CSI highlights for the period under review are as follows:

- **R600 000 spent on Nkungwini Water Community Project:** Project site selected in Ward 18 of the Umkhanyakude District Municipality (UDM). The project will serve approximately 5000 members of the community.
- **Pledge toward the support of interventions to address Gender Based Violence:** The KZN Gaming and Betting industry has pledged an amount of R6.5 million towards the interventions;

The protection of the public interest is also contained in the license conditions of every licensee within the KwaZulu-Natal Gaming and Betting Industry. In that, there must be a concerted effort to combat the incidence of addictive and compulsive gambling. The National Responsible Gambling Programme is undertaken by the industry funded South African Responsible Gambling Foundation. License conditions compel licensees to support this programme.

In order to fulfil the mandate in respect of the protection of the public interest as well as consumer protection, the KwaZulu-Natal Gaming and Betting Board has partnered with a key stakeholder, the South African National Responsible Gambling Foundation. The organization is funded by the gambling industry, and provides free treatment and counselling to problem gamblers and their families. One of the areas of cooperation includes the undertaking of awareness programmes to highlight the free treatment services that are available to the public. There are also programmes involving schools wherein awareness sessions in the form of industrial theater are provided to the schools to encourage learners to live responsibly and make the correct choices in life. The programmes has been running for the past four years and there have been approximately seven thousand five hundred beneficiaries thus far. The KZNGBB undertakes awareness campaigns throughout the Financial Year. The KZNGBB also supports the community based events that are undertaken by EDTEA. This opportunity is fully utilized by the entity to engage with the public on the matters relating to the role and functions of the entity as well to create awareness around illegal gambling as well as responsible gambling.

The KZNGBB held a Charity Golf Day in 2019. The gaming and betting licensees participated in the event and supported the Kungami School Shoe Campaign. All proceeds raised during the Golf Day and were utilized to procure school shoes for underprivileged children in the deeply rural areas within the province. A total of 913 shoes were procured.

The schools which constitute the beneficiaries to the Kungami School Shoe Campaign are listed in the Table here-below:

No	Name of School	Area
1	Hlomoyi Primary School	Illembe District
2	Fundani Primary School	Ilembe District
3	Doremy Primary School	Illembe District
4	Hlazakazi Primary School	Nqutu Local Municipality
5	Enggoqweni Primary School	Nqutu Local Municipality
6	Diyane Primary School	Ingawvuma Local Municipality
7	Ekulingeni Primary School	Ingawvuma Local Municipality
8	Isigcinco Primary School	Zululand District Municipality
9	Hlwathika Primary School	Ugu District Municipality
10	Emolhweni Primary School	Ugu District Municipality



Water project in Ingwavuma

A Gender Based Violence Interventions Workshop was held during December 2019, here above are the photos from the event

Strategic Objectives Annual Targets for 2019/20 Medium-Term Targets

SUB-PROGRAMME 1.5: COMMUNICATIONS								
Strategic Objective	Strategic Objective Indicator	Strategic Plan 5 Year Target	Baseline 2018/20	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations	
7	To promote the Board's strategic imperatives relating to transformation, social and economic development and protection of public through effective communication	7.1 Annual % Implementation of the Annual Communications Plan by 31 March 2020	80% of Annual Communications Plan implemented each year	Not applicable – not included in 2018/19	1 Number of revised Communication Strategy Implementation Plans by due dates	1 revised Communications Strategy implementation plans by due date	Not applicable	Not applicable

SUB-PROGRAMME 1.5: COMMUNICATIONS							
PI No.	Key Output	Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
<b>Strategic Objective 1.6: Provide communication and stakeholder engagement services to promote internal and external communications</b>							
7.1 (a)	Signed Memoranda or service level agreements	Number of Strategic Partnerships established to support the Board strategic objectives	Not applicable – not included in 2017/18 APP	Not applicable – not included in 2018/19 APP	3 Signed Memoranda with SABA, (including SLA), Department of Water Affairs and KZNQA	Not applicable	Not applicable
7.1 (b)	Public awareness created in respect of Responsible gambling and opportunities for Black people with the gambling industry	Number of Public Awareness Campaigns Facilitated	10 public awareness campaigns - 5 responsible gambling awareness campaigns within communities and 5 at high schools (SARGF School Awareness Programme).	3	44 Awareness campaigns , Target exceeded	Positive Variance of 34 awareness campaigns	Increase due to increased volume of Responsible Gambling awareness sessions and attending Community Based events undertaken by EDTEA
7.1 (c)	Transformation Research Report	Number of Transformation Research Reports conducted by 31 March 2020	Not Applicable – not included in 2018/19 APP	1	1	Not Applicable	Not Applicable
7.1 (d)	Socio Economic Impact Study findings implementation Report	Socio-Economic Impact Study Findings implementation reports	Not applicable – not included in 2017/18 APP	Social Impact Not applicable – not included in 2018/19 APP	80% implementation of Year 1 : Socio Economic Impact Study Findings implementation plan	Not applicable	Not applicable

### 3. PROGRAMME 2: FINANCE

Strategic Objectives Annual Targets for 2019/20 and Medium-Term Targets

Strategic Objective	Strategic Objective Indicator	Strategic Plan 5 Year Target	Baseline 2018/19	Planned target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
<b>8 To provide effective, efficient and transparent financial management services to the entity in compliance with the PFMA and other applicable financial regulations and policies</b>	8.1 Audit opinion on financial information	Year 2019/20 - Achieve unqualified audit opinion with no material findings on finance information Year 2020/21 – 2023/24 achieve clean audit on finance information	Achieve unqualified audit in respect of financial information	Achieve unqualified audit opinion with no material findings on financial information for 2018/19	Unqualified audit opinion	Target achieved	Not applicable
<b>3 To facilitate revenue growth for the Provincial Government and KZNGBB</b>	3.2 Annual % increase in own revenue/ funding outside of the Provincial Grant	Grow revenue by 30% over the 5 year period i.e. 6% annual increase each year	Not applicable - New target	6% annual increase	(3%) annual growth	9% variance in achievement	Revenue from fees declined due to once off in the prior year. Certain applications were still subject to litigation. Interest rate cuts impacted interest received. The COVID-19 impact was felt during March.



PROGRAMME 2: FINANCE							
PI No.	Key Output	Performance Indicator	Baseline Performance 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
<b>Strategic Objective 8: To provide effective, efficient and transparent financial management services to the entity in compliance with the PFMA and other applicable financial regulations and policies</b>							
8.1(a)	Quarterly financial reports	Number of quarterly financial reports submitted in compliance with reporting requirements	4	4	4	100% Target achieved	Not applicable
8.1(b)	Report of invoices paid reflecting timely payment to SMMEs and QSEs	% of valid invoices paid to SMMEs and QSEs within 30 days	96%	95%	95.64%	100% Target achieved	Not applicable
8.1(c)	SCM Procurement spend on B-BBEE service providers	% of total procurement spent on B-BBEE compliant service providers (level 3)	Not applicable – new indicator	90%	85.42%	94.91% of Target achieved	Certain software licenses / applications could only be obtained from Level 4 service providers
<b>Strategic Objective 3: To facilitate revenue growth for the Provincial Government and KZNGBB</b>							
3.2(a)	Proposed Revised Fees Schedule	Proposed Revised Fees Schedule produced within prescribed timeframe	Not applicable – new indicator	Proposed Revised Fees Schedule produced by 30 September 2019 for approval	Fee schedule prepared by 30 September 2019 for approval	100% Target achieved	Not applicable

## 4. PROGRAMME 3: INFORMATION AND COMMUNICATION TECHNOLOGY

The purpose of the programme is to provide information and communication technology (ICT) and knowledge management services to the entity. Strategic Objectives Annual Targets for 2019/20 and Medium-Term Targets

Strategic Objective	Strategic Objective Indicator	Strategic Plan 5 Year Target	Baseline 2018/19	Planned target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations	
9	To optimize service excellence through compliance with DPSA ICT Governance Framework and Improved ICT services management that support the entity in its service delivery	9.1 Annual compliance level with DPSA ICT Governance Framework	Achieve minimum compliance level 2 with DPSA ICT Governance Framework each year	Not applicable – not included in 2018/19	Achieve minimum compliance level 2 with DPSA ICT Governance Framework	Level 2	Not Applicable	Not applicable
	9.2 Annual % implementation of the GROF Project activities (Phase 2 and 3)	100% implementation of Phase 2 by year 2020/21 and 50% Phase 3 by year 2021/22	Not applicable – not included in 2018/19	60% of Phase 2	Achieved set target of 15 new and improved processes for this financial year	Not Applicable	Not applicable -National lockdown due to the threat of the global pandemic impact was felt during March.	

Performance indicators Quarterly Targets for 2019/20

PROGRAMME 3: INFORMATION COMMUNICATION AND TECHNOLOGY							
PI No.	Key Output	Performance Indicator	Baseline Performance 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
<b>Strategic Objective 9: To optimize service excellence through compliance with DPSA ICT Governance Framework and Improved ICT services management that support the entity in its service delivery</b>							
9.1(a)	Revised ICT policies / plans / procedures	Number of policy / plans / procedures reviewed	Not applicable – not included in 2018/19	4 reports	4 reports	Not Applicable	Not applicable
9.2(a)	Deployed GROF processes / implementation of GROF project	Number of GROF processes deployed by 31 March 2020	Not applicable – not included in 2018/19	15 processes	15 processes (12 new and 3 changed / updated processes)	Not Applicable	Not applicable

# 5. PROGRAMME 4: LICENSING AND REGISTRATION

## PROGRAMME 4: LICENSING AND REGISTRATION

The purpose of the programme is to receive, investigate and prepare licences and registration certificates for all applications in the Gaming and Betting sector (Racecourse Operators, Totalisator, Casinos, LPMs, Bingo and Bookmaker) as required in the Act to ensure the suitability and continuous suitability of all applicants; and to roll out new gaming and betting initiatives. The Licensing and Registration Program is comprised of the following sub-programs.

Sub-Programme	Purpose
4.1 Licensing & Registration: Betting	To receive, investigate and prepare licences and registration certificates for all applications (corporate, natural persons and employees) in the Betting sector (Racecourse Operators, Totalisator and Bookmaker sectors) as required in the Act and the roll out of new betting initiatives.
4.2 Licensing & Registration: Gaming	To receive, investigate and prepare licences and registration certificates for all applications (corporate, natural persons and employees) in the Gaming sector (Casinos, LPMs and Bingo) as required by the Act and roll out new gaming initiatives.

Strategic Objective Annual Target for 2019/20 and Medium-Term Targets

PROGRAMME 4: LICENSING AND REGISTRATION								
Strategic Objective	Strategic Objective Indicator	Strategic Plan 5 year Target	Baseline 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to actual achievement for 2019/20	Comments on Deviation	
10 To license and register applicants in the Gaming & Betting industry who are deemed suitable and compliant with transformation requirements	10.1	% of suitable applicants issued with licences/certificates of registration within prescribed time-frames	100% suitable applicants issued with licences/certificate of registration	Not applicable. Not included in 2018/19	100%	97% (2402 out of 2476 suitable applicants issued with licences/certificates of registration within the prescribed timelines.	3% Not Achieved	The strategic objective indicator is new. At the time of its implementation the Unit already had a backlog of applications dating as far back as the establishment of the Board in 2011. Glitches within the GROPS system contributed to certain licenses not being issued within time-frames.
	10.2	Percentage of new corporate gaming and betting applicants with at least 26% Black Ownership	100% corporate betting applicants compliant or make commitments on B-BBEE requirements	Not applicable. Not included in 2018/19	100%	100% (1 out of 1 corporate betting applicant's B-BBEE related commitments probed.	Not applicable	None

### 5.1 SUB-PROGRAMME 4.1: LICENSING AND REGISTRATION: BETTING

Performance Indicators and Annual Targets for 2019/20

PI No.	Key Outputs	Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
10.1 (a)	Corporate betting applicants probed to assess and ensure suitability	Percentage of corporate betting licence and registration applications investigated within prescribed timeframes (licences and certificates of registration).	92% (23 out of 25) of corporate licence and registration applications investigated within prescribed timeframes	70%	90.32% (28 out of 31) of all Corporate licence applications investigated within prescribed timeframes (90 days).	Target achieved and exceeded by 20.32%	The target is critical for attaining transformation of the industry. Therefore there has been a huge drive to attain it.

<b>10.1 (b)</b>	Betting employee applicants probed to assess and ensure suitability	Percentage certificate of registration applications for betting industry investigated within prescribed timeframes (natural persons – excluding Bookmaker Clerks)	<b>8.77%</b> (104 out of 1 186) of applications for betting sector employee and tote agent registrations investigated within prescribed timeframes	60%	<b>36 %</b> (31 out of 87) Certificate of registration applications investigated within prescribed timeframes.	24% not achieved	Focus has been on improving this target since it has been difficult to achieve since the establishment of the Board in 2011 that created a huge backlog. Glitches within the GROF system contributed to certain applications not being processed within timeframes.
<b>10.1 (c)</b>	Renewed betting licences and registration certificates issued to suitable applicants	Percentage betting licence renewal applications processed within prescribed timeframes	<b>75.68%</b> (112 out of 148) of licence/certificate renewal applications processed within prescribed timeframes	100%	<b>91.89% (204 out of 222)</b> betting licence renewal applications processed within prescribed timeframes	8.11% Target not achieved	The absence of delegation of authority to renew betting licence applications has resulted in delays in obtain Board approval of applications since the number of scheduled Board meetings is limited.
<b>10.2</b>	Probity investigation reports reflecting corporate betting applicants B-BBEE/ Transformation commitments	Percentage of new corporate betting applicants probed on B-BBEE	<b>100%</b> (14 out of 14) of new corporate applicants probed on B-BBEE	100%	<b>100%</b> (1 out of 1 corporate applicants probed on B-BBEE)	Not applicable	Not applicable

## 5.2. SUB-PROGRAMME 4.2: LICENSING AND REGISTRATION: GAMING

<b>PI No.</b>	<b>Key Outputs</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2018/2019</b>	<b>Planned Target 2019/20</b>	<b>Actual Achievement 2019/20</b>	<b>Deviation from Planned Target to Actual Achievement for 2019/20</b>	<b>Comment on Deviations</b>
<b>10.1 (d)</b>	Corporate gaming applicants probed to assess and ensure suitability	Percentage corporate applications for gaming industry investigated within prescribed timeframes (licences and certificates of registration)	<b>57.69%</b> (75 out of 130) of corporate licence and registration applications processed and investigated within prescribed timeframes	70%	<b>86.90%</b> (73 out of 84 corporate license and registration applications investigated within prescribed timeframes)	Target achieved and exceeded by 16.90%	The target is critical for attaining transformation of the industry. Therefore there has been a huge drive to attain it.
<b>10.1 (e)</b>	Gaming employee applicants probed to assess and ensure suitability	Percentage certificate of registration applications for gaming industry investigated within prescribed timeframes (natural persons excluding NCEMS Employees)	<b>58.37%</b> (272 out of 466) of applications for employee registrations in Casino, Bingo and LPM industry processed and investigated within prescribed timeframes	70%	<b>72.73%</b> ( 715 out of 983) applications for employee registrations investigated within prescribed timeframes.	Target achieved and exceeded by 2.73%	The target is critical for measuring contribution of the industry towards attainment of provincial strategic goal of increasing employment opportunities. Therefore there has been a huge drive to attain it
<b>10.1 (f)</b>	Renewed gaming licences and registration certificates issued to suitable applicants	Percentage gaming renewal applications processed within prescribed timeframes	100% (627 out of 627) of licence/ certificate renewal applications processed within prescribed timeframes	100%	<b>100%</b> (631 out of 631) renewal applications processed within prescribed timeframes.	Not applicable	Not applicable
<b>10.2 (b)</b>	Probity investigation reports reflecting corporate betting applicants B-BBEE/ Transformation commitments	Percentage of corporate gaming applicants probed on B-BBEE	100% (2 out of 2 corporate applicants probed on B-BBEE)	100%	Not Applicable.	100%	The investigated corporate applications were financial acquisitions and Type A sites that are excluded from this target

# 6. PROGRAMME 5: GAMING, MONITORING AND CONTROL

## 4.5 DESCRIPTION OF PROGRAMME 5: GAMING MONITORING AND CONTROL

This programme is made up of two sub-programmes, namely: 5.1 Monitoring and Gaming Audit and 5.2 Gaming Control which are mandated to perform the functions as set out in Section 7 of the KZN Gaming and Betting Act, which is essentially to regulate and control gambling activities in the Province.

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

#### PURPOSE

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

#### OBJECTIVES

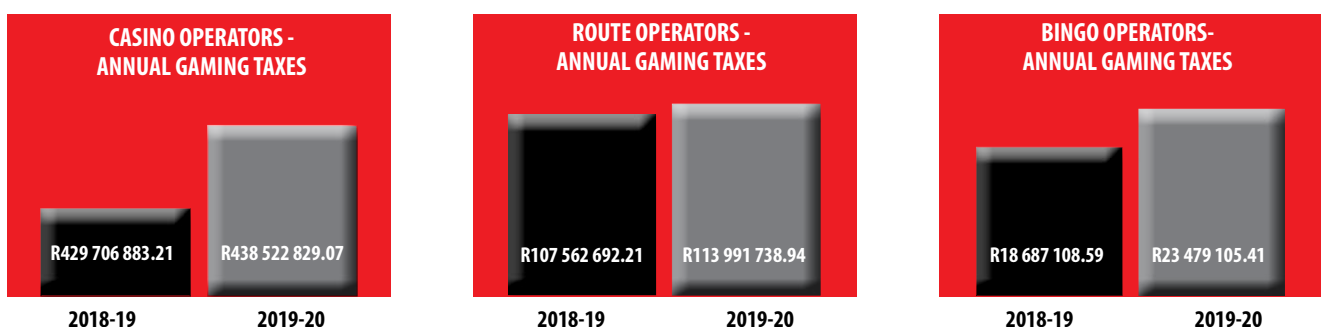
- **Provide assurance of accurate and timely payment of taxes by Gaming licensees** – This provides assurance of accurate and timely payment of taxes by Gaming licenses through monthly verification of taxes.
- **Enforce compliance of applicable legislation by the Gaming industry** – This ensures the enforcement of compliance of applicable legislation by gaming licensees.
- **Monitor adherence to bid commitments (including B-BBEE) and licence conditions by Gaming licensees** – This ensures regulatory compliance, adherence to bid commitments and licence conditions by gaming licensees.
- **Ensure operational change requests are processed and evaluated as required in terms of legislation** – This ensures that operational requests pertaining to internal control standards and licence conditions are processed and evaluated as required in terms of legislation.

#### STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

The Monitoring and Gaming Audit unit has contributed to the achievement of the entity's strategic outcome oriented goals which impact on the strategic priorities of Government in respect of the following: the execution of the Board's statutory mandate; effective regulation of the industry; delivering a source of revenue collection; protecting the interests of the public; promoting industry transformation in line with B-BBEE legislative requirements and promoting socio-economic development. Significant achievements for 2019/20 include the following:

- 100% of planned Annual Performance Plan targets were achieved.
- Regulated the gaming industry and enforced compliance with applicable legislation to maintain the integrity of the industry and protect the interests of the public by means of:
  - 130 Compliance audits were conducted on Casino Operators, Route Operators, Bingo Operators and Limited Payout Machine Site Operators to enforce adherence to legislative prescripts by licensees.
  - Conducted 24 monitoring audits on gaming licensees (casino operators, route operators and bingo operators) to assess compliance with licence conditions and the B-BBEE Codes of Good Practice.
  - Licensees' contributions to the Province in respect of: job creation; CSI spend relating to health and welfare, education, sports, and community upliftment projects in local communities; tourism infrastructure; spatial economic development (including rural development); spend on local economy, SMMEs and HDP businesses; poverty and inequality eradication are monitored and reported on.
  - 73 Operational change request applications, which includes structural developments and internal control amendments were evaluated and processed in accordance with legislation.
  - Conducted 249 monthly tax verifications on operational gaming licenses to provide Provincial Government with assurance of accurate tax revenue payments made by gaming licensees. The total amount of Gaming taxes payable to Government for this financial period amounted to **R575 993 673.42**. As can be seen in the graphs below, gaming tax revenues for 2019/20 have grown in all three sectors when compared with the previous financial year:
    - Casino licensees R438 522 829.07 (increase of 2%)
    - Route Operator licensees R113 991 738.94 (increase of 6%)
    - Bingo licensees R23 479 105.41 (increase of 26%)

Such growth is attributable to the continuous roll out of LPM sites, additional Bingo sites rolled out during the year, and LPM operations at Bingo sites attract patrons who opt to play lower revenue machines.



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

## 4.5.2 SUB-PROGRAMME 5.2: GAMING CONTROL

### PURPOSE

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

### Objectives

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

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

The Gaming Control unit has contributed to the achievement of the entity's strategic outcome oriented goals which impact on the strategic priorities of Government in respect of the following: the execution of the Board's statutory mandate; effective regulation of the industry; and protecting the interests of the public. Significant achievements for 2017/18 include the following:

- 100% of planned Annual Performance Plan targets were achieved.
- 37 Gaming 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.
- 1 Additional casino site certification conducted as a result of casino expansion project.
- 1 Additional operational certification conducted at bingo site for electronic bingo operations.
- A total of 42 LPM sites and 187 limited payout machines were authorized and certified for operations.
- 681 Applications for casino gaming hardware software changes were evaluated and approved as compliant with the South African National Standards 1718.
- 493 Operational change request applications were evaluated and processed in accordance with legislation and applicable rules.
- Reports of improper conduct on the part of licensed persons and patrons were investigated to ensure the integrity of the industry is maintained and that the interests of the public are protected. A total of 29 patron disputes and 4 reported cheating incidents investigated.

## 4.6 GAMING, MONITORING AND CONTROL PROGRAMME

The purpose of this programme is to ensure a properly regulated, transformed and compliant industry which enhances inclusive economic growth, generates revenue and drive human and socio-economic development, in order to protect the interest of the public. The Gaming Monitoring and Control Programme is comprised of two sub-programmes.

Sub-Programme	Purpose
<b>5.1 Monitoring and Gaming Audit</b>	To monitor gaming activities in the Province through tax audits, transformation monitoring audits ensuring adherence to bid commitments and license conditions and compliance audits thereby providing reasonable assurance on gaming revenue collection for the Province as well as enforcement on gaming licenses to achieve a transformed and compliant gaming industry in terms of the legislative prescripts.
<b>5.2 Gaming Control</b>	To control all forms of gaming operations through technical regulatory inspections, certifications of new sites and updated systems and processing of gaming applications thereby ensuring that gaming operations are conducted in compliance with legislation and to ensure punter protection.

## SUB-PROGRAMME 5.1 MONITORING AND GAMING AUDIT

To monitor gaming activities in the Province through tax audits, transformation monitoring audits ensuring adherence to bid commitments and license conditions and compliance audits thereby providing reasonable assurance on gaming revenue collection for the Province as well as enforcement on gaming licenses to achieve a transformed and compliant gaming industry in terms of the legislative prescripts. Strategic Objective Annual Targets for 2019/20 and Medium-Term Targets

PMI No.	Key Output	Performance Measure Indicator	Baseline Performance 2018/2019	Target for 2019/20 as per Annual Performance Plan (APP)	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
<b>Measurable Objective 11.1: To ensure a properly regulated, transformed and compliant gambling industry that generates revenue towards the socio-economic development of the Province and provides economic opportunities for previously disadvantaged individuals</b>							
11.1 (a)	Accurate gaming taxes collected for Provincial Government.	% of gaming taxes collected against verified taxes payable	100%	100%	100% Achieved - R575,993,673.42 taxes verified as payable and R575,993,673.42 taxes confirmed as being paid to the Board and distributed in terms of the KZNGBB Tax Act.	Not applicable	Not applicable
11.2 (a)	Gaming Rules Amendments published in the Gazette.	Number of Government Gazette publications in respect of gaming rule amendments	Not applicable - not included in 2018/19	1	1 Electronic record on the website and Gazette Publication.	Not applicable	Not applicable
11.3 (a)	Gaming compliance inspection reports reflecting compliance findings.	Number of gaming compliance audits conducted	136 compliance inspection checklists in respect of gaming inspections were conducted.	130	130	Not applicable	Not applicable
11.3 (b)	Transformation Monitoring inspection reports reflecting compliance levels.	Number of transformation monitoring audits conducted on gaming licensees	48 transformation monitoring audit conducted.	24	24	Not applicable	Not applicable
11.3 (c)	Gaming audit change request applications processed within prescribed timeframes.	% of Gaming Audit change request applications processed within targeted timeframes	100% of operational change request applications processed	100%	88% - Achievement 64/73 change request applications processed within prescribed timeframe.	Negative variance of 12% 9/73 change request application processed out of time. Delayed approval processes due the following; The applications were complex and required a lot of engagement with various stakeholders and request of information.	The applications were complex and required a lot of engagement with various stakeholders and request of information.

## SUB-PROGRAMME 5.2 GAMING CONTROL

To control all forms of gaming operations through technical regulatory inspections, certifications of new sites and updated systems and processing of gaming applications thereby ensuring that gaming operations are conducted in compliance with legislation and to ensure punter protection.

PMI No.	Key Output	Performance Measure Indicator	Baseline Performance 2018/2019	Target for 2019/20 as per Annual Performance Plan (APP)	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
<b>Measurable Objective 11.1: To ensure a properly regulated, transformed and compliant gambling industry that generates revenue towards the socio-economic development of the Province and provides economic opportunities for previously disadvantaged individuals</b>							
11.3 (d)	Gaming technical inspection reports reflecting compliance findings.	Number of technical compliance inspections conducted	39 technical compliance inspections conducted (18 inspection checklists and 21 certification checklists)	32	36  113% Exceeded Achievement - Total of 36/32 Technical compliance and special certification projects conducted during the period under review.  4 additional inspections were unplanned special certification projects undertaken during the year.	Not applicable	Not applicable
11.3 (e)	Gaming related applications processed within prescribed timeframes.	% of gaming related change requests/ applications processed within targeted timeframe	100% of gaming related change requests/ applications processed	100%	98% Achievement  376/384 change requests/ applications processed within prescribed timeframe	8/384 change requests/ applications processed out of time.	The applications delayed due to further engagements with the applicants at the approval stage and others by failure of the applicant to furnish relevant information on time.
11.3 (f)	Gaming sites certified as compliant with regulatory and technical standards.	% of certification of compliant gaming sites within targeted timeframe	100% of new compliant gaming sites and gaming machines certified within prescribed timeframe 99 sites 469 gaming machines	100%	100% Achieved within time out of 79/79 received and processed within time	Not applicable	Not applicable

PMI No.	Key Output	Performance Measure Indicator	Baseline Performance 2018/2019	Target for 2019/20 as per Annual Performance Plan (APP)	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
11.3 (g)	LPM sites migrated to new CEMS.	Number of limited payout machine sites migrated to new National Central Monitoring Control System (CEMS) Evolution project	Not applicable - not included in 2018/19	433 LPM Sites	559LPM Sites Project commenced and completed ahead of time.	Not applicable	Not applicable
11.3 (h)	Gaming equipment registered as compliant with regulatory and technical standards.	% of registration of gaming equipment within targeted timeframe	Not applicable - not included in 2018/19	100%	97% - Achievement 721/745 registration of gaming equipment within targeted timeframe.	Negative variance of 3% 24/745 registration of gaming equipment out of time.	Delays were caused by queries dealt with during processing of applications.

## 7. PROGRAMME 6: BETTING MONITORING AND CONTROL

### DESCRIPTION OF PROGRAMME 6: BETTING MONITORING AND CONTROL

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

#### PURPOSE

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

#### Objectives

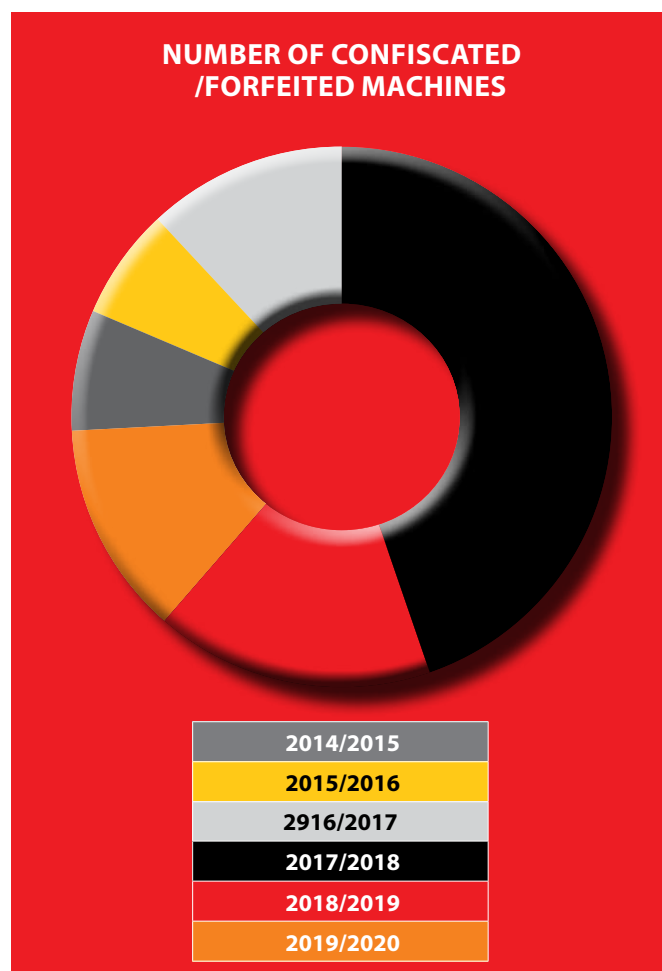
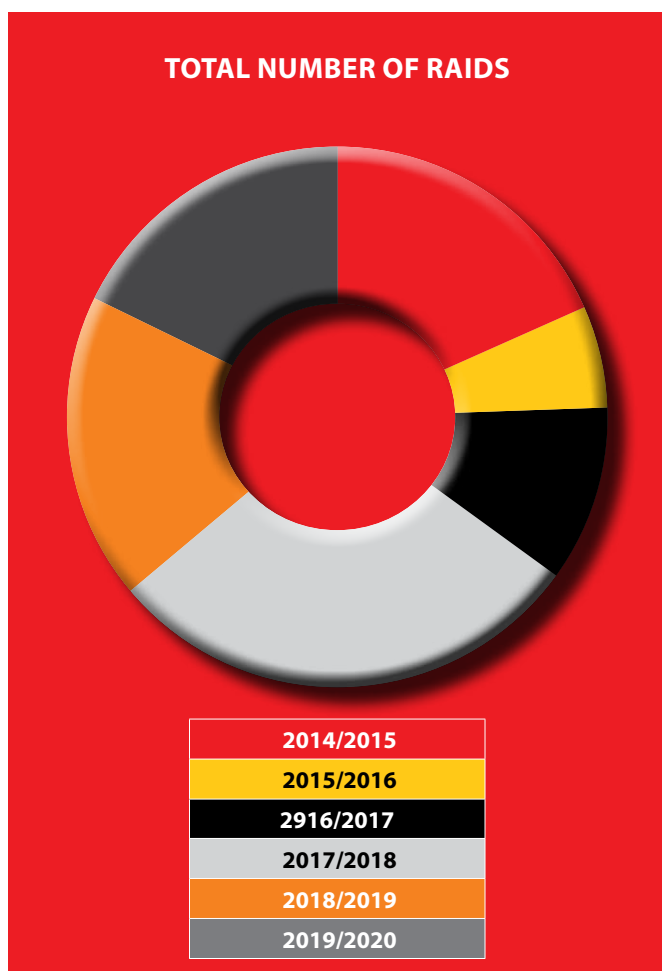
- **Ensure the completeness of betting taxes payable to the Provincial Revenue Fund** – This ensures compliance with the KZN Gaming and Betting Act and the KZN Gaming and Betting Tax Act by licensees and to provide assurance that all operational betting licensees are paying the correct taxes as prescribed in the KZN Gaming and Betting Tax Act.
- **Maintain regulatory and technical compliance in the Betting industry** – This ensures the Board's mandate as set out in the KZN Gaming and Betting Act is fulfilled, thereby limiting the potential negative impact on society and promoting the integrity of the industry.
- **Protect the interests of the public within the betting industry** – This ensures protection of the interests of the public as required in the KZN Gaming and Betting Act.

#### MEASURABLE OBJECTIVES, PERFORMANCE MEASURE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

The Betting Monitoring and Control unit has contributed to the achievement of the entity's strategic outcome oriented goals which impact on the strategic priorities of Government in respect of the following: the execution of the Board's statutory mandate; effective regulation of the industry; delivering a source of revenue collection; protecting the interests of the public; promoting industry transformation in line with B-BBEE legislative requirements and promoting socio-economic development. Significant achievements for 2019/20 include the following:



- Regulated the betting industry and enforced compliance with applicable legislation to maintain the integrity of the industry and protect the interests of the public by means of:
- 251 Compliance inspections were conducted on betting operators (bookmakers and totalisators) to ensure that licensees adhered to prescribed legislation requirements [KZN Gaming and betting Act, National Gambling Act and B-BBEE Act.
- Conducted 24 transformation monitoring inspections on betting licensees (QS, Large and Exempted Micro Enterprises operating for more than 12 consecutive months) to assess compliance with licence conditions and the B-BBEE Codes of Good Practice.
- Monitored and reported on licensees' contributions to the Province in respect of:
  - Job creation;
  - CSI spend relating to health and welfare, education, sports, and community upliftment projects in local communities; tourism infrastructure; spatial economic development (including rural development);
  - Spend on local economy, SMMEs and HDP businesses.
- Processed and evaluated Eighty Eight [88] Betting related change requests/applications in accordance with legislation.
- Investigated thirty three [33] betting disputes / complaints and notified complainants of the outcome to ensure that the integrity of the industry is maintained and that the interests of the public are protected.
- Processed and provided opinions on 10 requests from the Office of the MEC: EDTEA in respect of applications received by them to have certain events determined as contingencies on which licensed betting operators may bet on by the MEC responsible for gambling.
- Investigated six [6] Whistleblower hotline reports to ensure the integrity of the industry is maintained and the interests of the public protected.
- Conducted twenty [20] illegal gambling raids and confiscated fourteen [14] illegal gambling machines in conjunction with the SAPS to protect the interests of the public and maintain the integrity of the industry.
- Conducted sixteen [16] campaigns to raise awareness of illegal gambling.

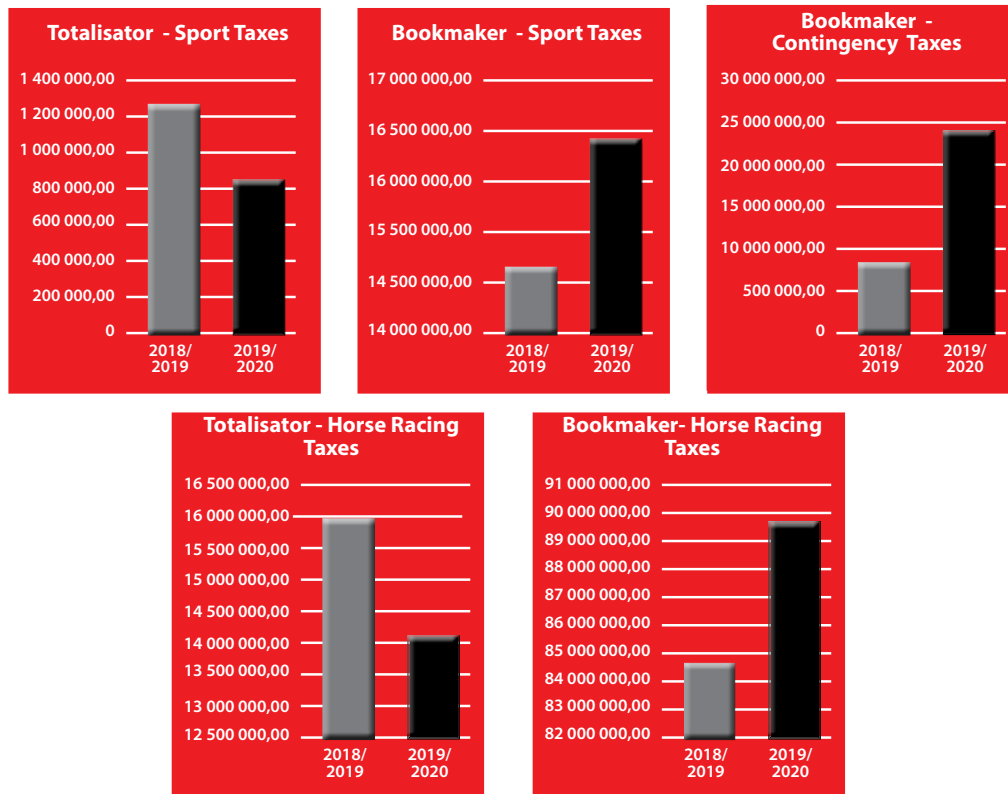


- Conducted 549 monthly tax verifications on operational betting licensees to provide Provincial Government with assurance of accurate tax revenue payments made by betting licensees.
- The total amount of Betting taxes generated by the Betting Industry during this financial period amounted to **R 147 771 134.31** which is an increase of **15.75%** when compared to the previous financial year.

The stats and graphs below clearly reveal that the increase in betting tax revenues of certain sectors has compensated for the decreases in the other sectors:-

SECTOR	TOTAL TAXES	PERCENTAGE INCREASE / DECREASE
BOOKMAKER HORSERACING TAXES	R 90 155 393.13	+6.13%
BOOKMAKER SPORT TAXES	R 16 512 745.24	+11.08%
BOOKMAKER CONTINGENCY TAXES	R 26 199 404.50	+156.91%
TOTALISATOR HORSERACING TAXES	R 13 976 943.47	-14.23%
TOTALISATOR SPORT TAXES	R 926 647.97	-31.75%

From the R 90.1 million in taxes generated by Bookmakers on Horseracing an amount of R 45.07 million was distributed to Gold Circle by the Board in terms of Section D1 of the Gaming and Betting



SUB-PROGRAMME 6.1: BETTING MONITORING AND CONTROL						
No.	Strategic Objective	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
11	To ensure a properly regulated, transformed and compliant gambling industry that generates revenue towards the socio-economic development of the Province and provides economic opportunities for previously disadvantaged individuals	Not applicable – New Target	Rand value of taxes collected per annum – R 135 060 219.00	Betting Taxes – R 147 776 174.00	Target exceeded	The additional tax collection was driven by a growth in betting revenues generated by the industry
		Not applicable – New Target	Number of reviews of applicable Board rules and gambling legislation with recommendations – 1	0	Target not achieved	Review process commenced but not completed
		Not applicable – New Target	90% compliance by betting industry	94.92% Compliant	Target exceeded	Positive attitude to compliance shown by the industry
		Not applicable – New Target	Number of strategic interventions to regularise standard bred / harness racing sector	3	6	Additional interventions undertaken
12	To protect the interests of the public by combating illegal gambling in the Province	Not applicable – New Target	Number of strategic partnerships maintained to combat illegal gambling	3	3	Not applicable



**PROGRAMME 6: BETTING MONITORING AND CONTROL**

PI No.	Key Outputs	Performance Indicator	Baseline Performance 2018/2019	Target for 2019/20 as per Annual Performance Plan (APP)	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
<b>Strategic Objective 11: To ensure a properly regulated, transformed and compliant gambling industry that generates revenue towards the socio-economic development of the Province and provides economic opportunities for previously disadvantaged individuals</b>							
11.1 (b)	Accurate betting taxes collected for Provincial Government	% of betting taxes collected against verified taxes payable	100%	100%	100% Achieved - R146,018,381.48 taxes verified as payable and R146,018,381.48 taxes confirmed as being paid to the Board and distributed in terms of the KZNGBB Tax Act.	Not applicable	Not applicable
11.2 (b)	Betting Rules Amendments published in Government Gazette	Number of Government Gazette publications in respect of Betting Rules Amendments	Not applicable - not included in 2018/19	1	0	Negative variance of 1	Internal review of Rules still on-going.
11.3(i)	Betting compliance inspection reports	Number of onsite betting compliance inspections conducted	250 onsite compliance inspections conducted.	260	251	Negative variance of 9	Reduced number of inspections were conducted due to resources being allocated to assist with other priority operational areas as well as the covid-19 pandemic
11.3(j)	Transformation monitoring inspection reports	Number of transformation monitoring inspections conducted	20 Transformation monitoring reports in respect of betting licensees	58	24	Negative variance of 34	Resource capacity and capabilities in respect of enhanced monitoring requirements compromised quality and delayed finalisation of reports
11.3(k)	Betting related applications processed within prescribed timeframes	% of betting operations change request applications processed within targeted timeframe	100% of betting related change requests/ applications processed within prescribed	100%	95.45% achieved 84 out of 88 betting related change requests/ applications were processed within targeted timeframe	Negative variance of 4.55% 4 out of 88 betting related change requests/ applications were processed outside of targeted timeframe	Some processes still manual and delays were experienced in process

**PROGRAMME 6: BETTING MONITORING AND CONTROL**

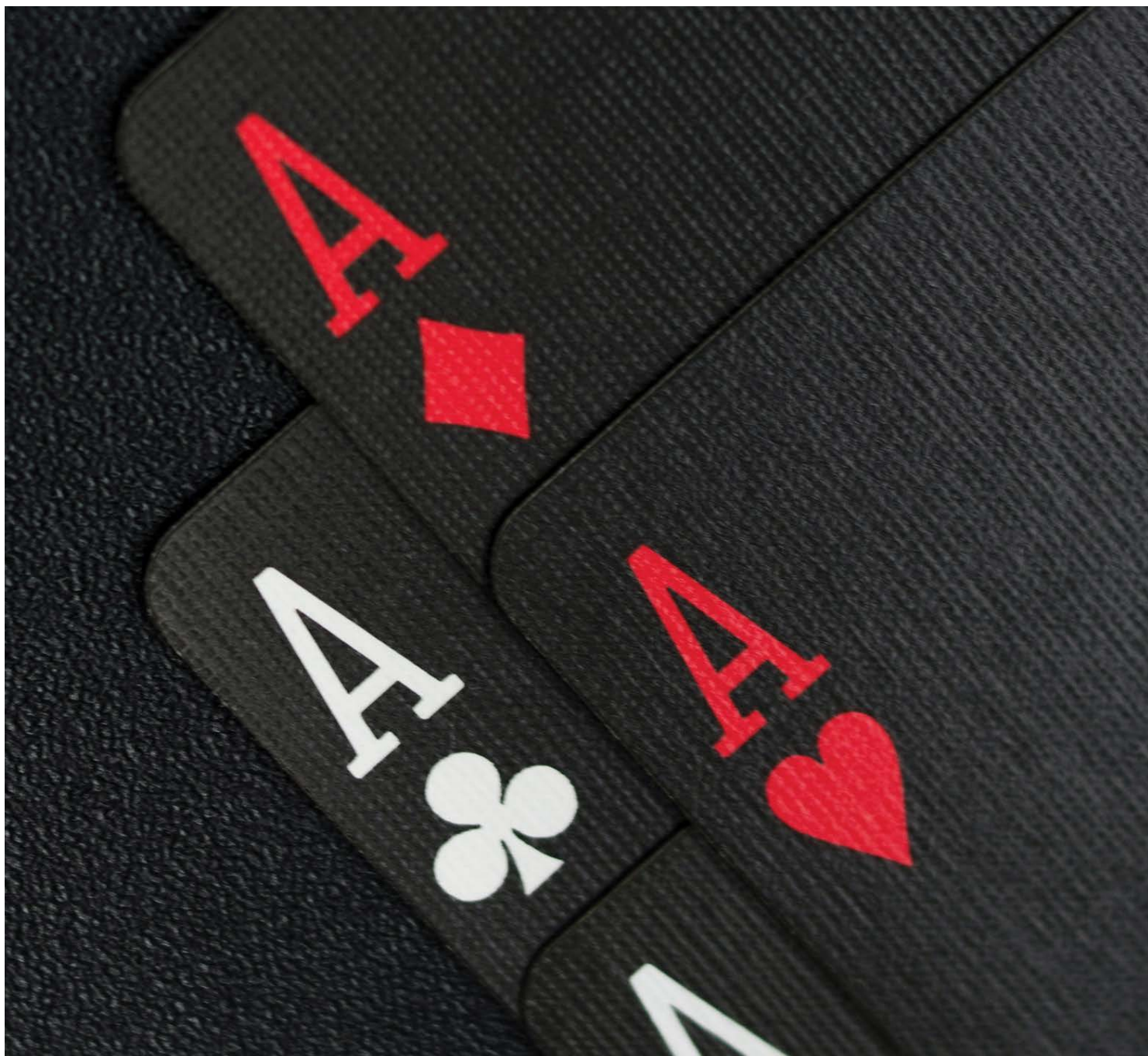
PI No.	Key Outputs	Performance Indicator	Baseline Performance 2018/2019	Target for 2019/20 as per Annual Performance Plan (APP)	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement for 2019/2020	Comment on Deviations
11.4(a)	Quarterly progress reports on regularisation of standard bred / harness racing	Number of strategic engagements to regularise standardbred / harness racing sector	Not applicable - not included in 2018/19	3	9	Positive variance of 6	Additional engagements held to include various Government Departments in the programme
<b>Strategic Objective 12: To protect the interests of the public by combating illegal gambling in the Province</b>							
12.1(a)	Illegal gambling raids	Number of illegal gambling raids conducted in conjunction with the SAPS	20	15	20	Positive variance of 5	All reports of illegal gambling must be investigated by SAPS and the KZNGBB inspectors must accompany the SAPS when requested.
12.1(b)	Illegal gambling awareness	Number of illegal gambling awareness campaigns conducted	Not applicable - not included in 2018/19	10	16	Positive variance of 6	Additional engagements held with members of the public to prevent illegal gambling operations
12.1(c)	Illegal gambling investigations	% of whistle blower reports of illegal gambling activities investigated	Not applicable - not included in 2018/19	100%	100%	Not applicable	Not applicable

## 8. LINKING PERFORMANCE WITH BUDGETS

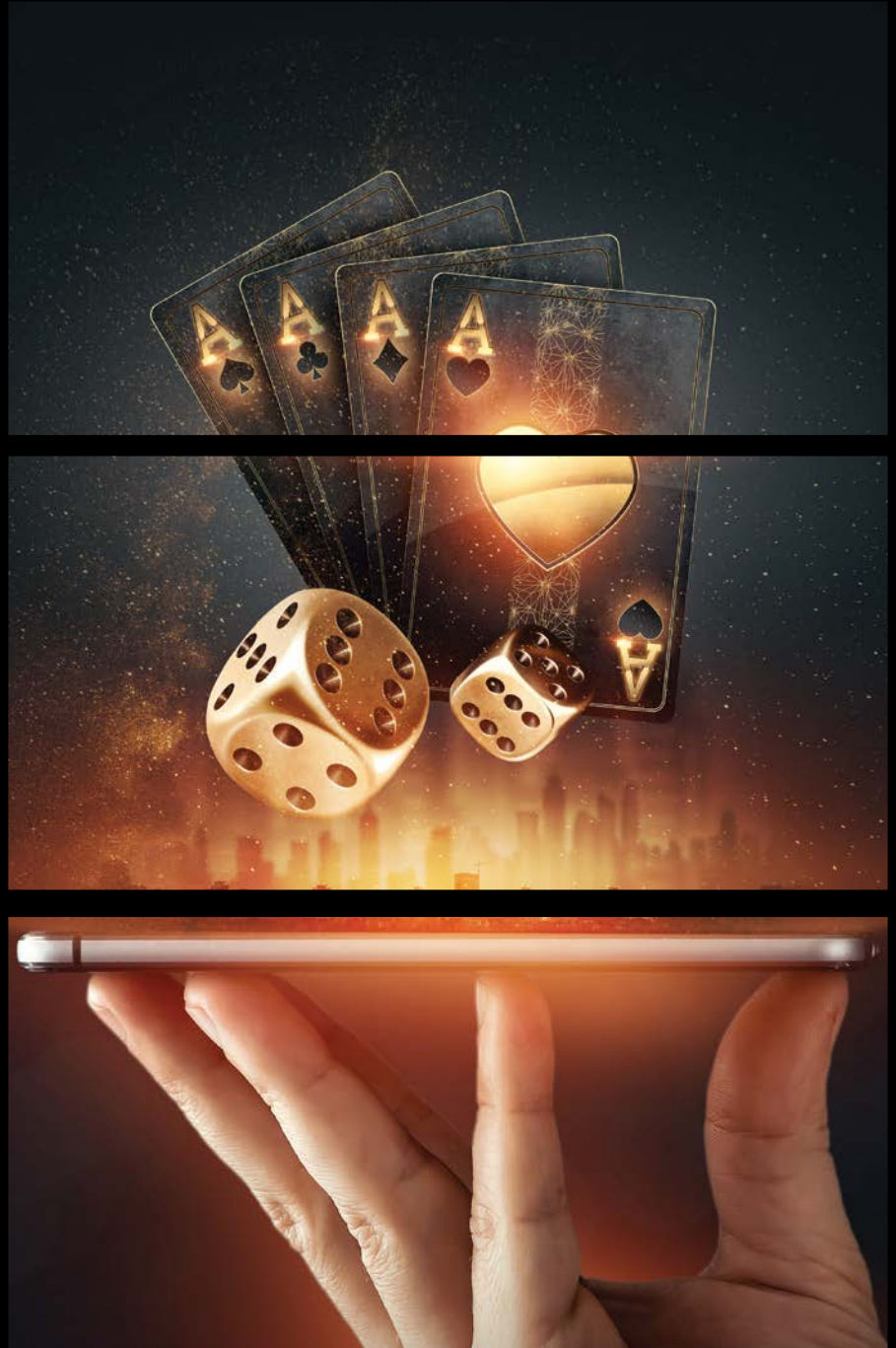
SUB-PROGRAMME NAME	2019/2020			2018/2019		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	26 985	24 092	2 893	25 285	24 128	1 157
Financial management	21 356	19 124	2 232	26 059	18 952	7 107
Information, Communication & Technology	11 583	8 857	2 726	9 688	6 926	2 762
Licensing & Registration	11 545	11 637	-92	10 447	9 087	1 360
Gaming Monitoring & Control	16 324	16 325	-1	14 332	13 483	849
Betting, Monitoring & Control	9 737	8 772	965	9 484	8 186	1 298

## 9. REVENUE COLLECTION

SUB-PROGRAMME NAME	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION
	R'000	R'000	R'000	R'000	R'000	R'000
Fees Received	29 314	23 915	5 399	27 059	23 348	3 711
Grants Received	44 771	44 771	0	42 104	42 310	-206
Interest Received	7 800	6 895	905	4 776	7 225	-2 449
Other Income	23	240	-217	22	574	-552
Rollover/Retention	15 622	15 622	0	21 336	21 336	0
Gain on disposal of Assets	0	-	0		28	-28
<b>TOTAL</b>	<b>97 530</b>	<b>91 443</b>	<b>6 087</b>	<b>95 297</b>	<b>94 821</b>	<b>476</b>



PART C:  
**GOVERNANCE REPORT**



## INTRODUCTION

- 1.1 The Board provides strategic direction and ethical leadership to the KwaZulu-Natal Gaming and Betting Board (the Entity).
- 1.2 The Board is the accounting authority of the Entity.
- 1.3 The Board is committed to the highest standards of business integrity, ethical values and governance. It recognises its responsibility to conduct its affairs with prudence, transparency, accountability, honesty, fairness and in a socially responsible manner, in compliance with legislation, regulation and voluntary codes to ensure the sustainability of the business.
- 1.4 Governance structures and processes are regularly reviewed to align them with legislative and regulatory changes and to reflect best practice.
- 1.5 In addition to the KwaZulu-Natal Gaming and Betting Board legislation, the corporate governance principles embodied in the Public Finance Management Act (PFMA) apply to the entity and are complied with. Further, the Board is committed to compliance with the principles for good governance embodied in the Protocol for Corporate Governance in the Public Sector (2003) as amended.
- 1.6 The 31<sup>st</sup> of March 2020 marks the end of the second year in office for the Member of the Board.

## 2. PORTFOLIO COMMITTEES

- 2.1 Parliament exercises its role by evaluating the performance of the entity, by interrogating its annual financial statements and other relevant documents which are tabled.
- 2.2 The Standing Committee on Public Accounts (SCOPA) reviews the annual financial statements and the audit reports of the external auditors.
- 2.3 The Portfolio Committee exercises oversight over the service delivery performance and reviews the non-financial information that is contained in the annual reports of the entity. The Portfolio Committee is concerned with service delivery and the enhancement of economic growth.

## 3. EXECUTIVE AUTHORITY (DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS)

- 3.1 The PFMA governs and gives oversight authority to the Executive Authority over the Board.
- 3.2 The Executive Authority also has power to appoint and dismiss the Board. When appointing the Board, the Executive Authority ensures that there is an appropriate mix of Members with the necessary skills to guide the entity.
- 3.3 During April 2020, the Financial and Non-Financial Report was presented to the Executive Authority, for the Quarter 4 period which is from 01 January 2020 to 31 March 2020. The report detailed revenue, expenditure, service delivery information all required in terms of Regulation 3 to the KZN Gaming and Betting Act, as amended.

## 4. THE BOARD GOVERNANCE STRUCTURES

- 4.1 Board Composition:
  - 4.1.1 The Board has a unitary structure with nine non-executive members and the CEO as an executive Board Member.
  - 4.1.2 The MEC Responsible had appointed Representatives on the Board, as she is empowered to do by Section 8 of the Act. This role has been performed by Ms N. Thaver, Mr T. Selepe (Alternative Representative) and Ms Z. Mtongana during the financial year.
  - 4.1.3 Details of the Board Members are as follows:

Name	Designation	Date Appointed	Area of Expertise	Committee Membership
Dr S.G. Ngcobo	Chairperson	11 April 2018	Governance, Business Development, Education	1. Attends All Board Meetings 2. Finance Committee
Mrs M.P. Myeni	Deputy Chairperson	11 April 2018	Communications, ICT	1. Licencing, Registration, Monitoring, Control and Compliance Committee (Chairperson)
Mr S.N. Chetty	Member	11 April 2018	Legal	1. Licencing, Registration, Monitoring, Control and Compliance Committee 2. Disciplinary and Dispute Hearings Committee (Chairperson)
Prof B.S. Stobie	Member	11 April 2018	Finance	1. Audit and Risk Committee 2. Finance Committee (Chairperson)
Ms Z.P. Tenza	Member	11 April 2018	Legal	1. Human Resources and Remuneration (Chairperson) 2. Licencing, Registration, Monitoring, Control and Compliance Committee 3. Disciplinary and Dispute Hearings Committee

Name	Designation	Date Appointed	Area of Expertise	Committee Membership
Mr L.S. Gabela	Member	11 April 2018	Finance, Auditing, Public Administration	1. Licencing, Registration, Monitoring, Control and Compliance Committee 2. Finance Committee 3. Audit and Risk Committee (Chairperson)
Mr S.S. Zondi *resigned with effect from 18 February 2020	Member	11 April 2018	Marketing, Public Administration	1. Social Ethics and Transformation Committee
Adv K.P. Thango	Member	11 April 2018	Legal	1. Social Ethics and Transformation Committee (Chairperson) 2. Disciplinary and Dispute Hearings Committee
Dr T.I. Nzimakwe	Member	11 April 2018	Public Administration	1. Audit and Risk Committee 2. Human Resources and Remuneration Committee 3. Social Ethics and Transformation Committee
Ms P.N. Baloyi	Chief Executive Officer	May 2015	Governance, Legal and Compliance	1. MANCO 2. IT Steering Committee 3. Attends all Board and Committee meetings

- 4.1.4 The role of the non-executive Chairperson and the Chief Executive Officer is formalised, separate and clearly defined. The Chairman is responsible for leading the Board, while the Chief Executive Officer is responsible for the operational and financial management of the entity. The division of responsibilities at the helm of the entity ensures a balance of authority and power with no single individual having unrestricted decision making powers.
- 4.1.5 The non-executive Board Members have extensive business experience and specialist skills across a range of sectors including Public Administration, finance, law and human resources. This enables them to provide balanced, independent advice and judgment \*in the decision making process.
- 4.1.6 The Board Members are free from any business relationship that could interfere with their objectivity or judgment in the implementation of the business of the entity. Should a matter arise that has potential conflict with a Board Member's personal interest and the Member's obligation to act in the best interest of the entity, such Member is required to declare such conflict and recuse themselves from that part of the meeting where such matter will be discussed
- 4.1.7 The Board Members provide effective leadership that is based on an ethical foundation, which is characterised by acting responsibly, accountably, honestly, with integrity and transparency. This sets the tone from the top, to promote an ethical culture within the Entity.
- 4.1.8 The Board meets at least eight times a year and additional meetings can be convened to consider specific business issues which may arise between scheduled meetings. Only one special Board meeting and a number of workshops were required during the year.

## 4.2. INDEPENDENCE OF BOARD MEMBERS

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

## 4.3 BOARD CHARTER

- 4.3.1 The scope of authority, responsibility, composition and functioning of the Board is contained in a formal charter which is regularly reviewed.
- 4.3.2 Board Members retain overall responsibility and accountability for:
- 4.3.2.1 Approving strategic plans;
  - 4.3.2.2 Monitoring operational performance and management;
  - 4.3.2.3 Ensuring effective risk management and internal controls;
  - 4.3.2.4 Legislative, regulatory and governance compliance;
  - 4.3.2.5 Approval of significant accounting policies and annual financial statements;
  - 4.3.2.6 Monitoring transformation and empowerment;
  - 4.3.2.7 Balanced and transparent reporting to stakeholders.



## 4.4 BOARD COMMITTEES

4.4.1 The Board has delegated specific functions to Committees, established in terms of Section 18 of the Act, to assist the Board in meeting its oversight responsibilities. All Board Committees are chaired by a Board Member.

4.4.2 The Board does not abdicate its responsibilities to the Committees, the ultimate responsibility still rests with the Board.

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

## 4.5 BOARD AND COMMITTEE MEETING ATTENDANCE

	Number of meetings held	Dr SG Ngcobo	Mrs MP Myeni	Mr SN Chetty	Prof BS Stobie	Ms ZP Tenza	Mr LS Gabela	Mr SS Zondi	Adv KP Thango	Dr TI Nzimakwe	Mr V. Ramphal (External)	Ms V. Ndlovu (External)
Board	6	6	6	4	5	5	6	4	6	5	-	-
Special Board (&Strategy)	2	2	2	-	1	-	2	1	1	1	-	-
Board Workshop (Ethics Training)	1	-	1	-	1	-	1	-	1	1	-	-
Appeals	-	-	-	-	-	-	-	-	-	-	-	-
Audit Committee	4	-	-	-	3	-	4	-	-	2	3	3
Dispute Hearing	1	-	-	1	-	-	-	-	1	-	-	-
SET Committee	4	-	-	-	-	-	-	2	4	4	-	-
Finance Committee	5	4	-	-	5	-	5	-	-	1	-	-
Human Resources Committee	5	-	-	-	5	5	1	-	-	5	-	-
Licensing, Committee	7	-	6	6	-	6	7	-	-	-	-	-
Public Hearings	6	-	6	6	-	6	6	-	-	-	-	-
Ad Hoc Meetings*	4	-	1	-	1	1	2	-	-	1	-	-
Finance Portfolio	-	-	-	-	-	-	-	-	-	-	-	-
Premier's Portfolio Committee	-	-	-	-	-	-	-	-	-	-	-	-
SCOPA	1	-	-	-	-	-	1	-	-	-	-	-
Section 87	-	-	-	-	-	-	-	-	-	-	-	-
Section 41	-	-	-	-	-	-	-	-	-	-	-	-
Stakeholder Engagement	18	3	1	-	1	4	9	2	6	1	-	-
<b>Total</b>	<b>64</b>	<b>15</b>	<b>23</b>	<b>17</b>	<b>22</b>	<b>27</b>	<b>44</b>	<b>9</b>	<b>19</b>	<b>21</b>	<b>3</b>	<b>3</b>

\* Ad Hoc includes HR Workshop, HR Moderation, Meeting with Management and Inspection in locos

## 4.6 MANAGEMENT COMMITTEE

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

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

4.6.3 The responsibilities of Management include:

- Developing and implementing the annual performance plan and action plans;
- Preparing budgets and monitoring expenditure;
- Monitoring operational performance against agreed targets;
- Adhering to financial management policies;
- Determining human resources policies and practices;
- Monitoring and managing risk; and
- Communicating with stakeholders.

## 4.7 BOARD SECRETARY

- 4.7.1 The Board Secretary ensures that board procedures, all regulations and governance codes are observed and also provides guidance to the Board Members on governance, compliance and their fiduciary responsibilities. Members have unrestricted access to the advice and services of the Board Secretary.
- 4.7.2 The current Board Secretary was appointed and resumed her duties on the 01<sup>st</sup> of February 2018.
- 4.7.3 The Board is satisfied that the Board Secretary has the necessary skills and expertise to fulfil the role.

## 5. RISK MANAGEMENT

- 5.1 The KZNGBB follows a disciplined approach to evaluating risks and developing appropriate strategies to mitigate and manage risk. The risk management methodology is considered by the Audit and Risk Committee and any enhancements recommended during the financial year have been adopted.
- 5.2 The Board is responsible for the oversight of risk management and has delegated the responsibility to the Audit and Risk Committee. The Audit and Risk Committee is responsible for ensuring that the entity has implemented an effective policy and plan to manage risk and that disclosures regarding risk are comprehensive, timely and relevant.
- 5.3 The Head of Governance Risk and Compliance is responsible for designing and implementing the risk management process and monitoring ongoing progress. With the assistance of a Risk Officer, she regularly reviews the entity's risk to ensure mitigation strategies are being implemented by the business units. Internal Auditors conduct risk based assessments of various processes and operations of the business units of entity and developed to manage risks and report their findings to the Audit Committee quarterly.
- 5.4 Risk management is embedded in the entity's annual business cycle. In the operational plans for the year ahead each business unit is required to review its operational risk register. This includes a review of the risks of the previous financial year, considering new and emerging risks and facilitated workshops with all levels of management. A risk framework sets out the various risks that should be considered as part of the risk identification process. Potential risks are updated annually to ensure all relevant issues are considered.
- 4.8.5. Each risk on the register is assigned an impact and probability rating. The impact assigned to a risk is assessed and takes account of the financial, compliance, reputation and people effects on the entity. The probability of a risk materialising is also measured. The impact and probability ratings are then used to determine the inherent risk rating and its significance to the entity.
- 4.8.6 Detailed risk mitigation plans are developed for each risk, which then determines the level of residual risk. Residual risk ratings are then assigned to each risk.
- 4.8.7 Quarterly reports are furnished to the Audit and Risk Committee and to Board on the implementation of the risk mitigation plans.

## 6. THE AUDIT AND RISK COMMITTEE

### 6.1 ROLE

The Committee has an independent role with accountability to both the Board and stakeholders. The Committee's responsibilities include the statutory duties prescribed by the Public Finance Management Act, the KZN Gaming and Betting Act and activities recommended by King IV, Principles for good governance embodied in the Protocol for Corporate Governance in the Public Sector, as well as additional responsibilities assigned by the Board.

### 6.2 FUNCTION

The Committee's functions cover reporting, combined assurance, internal audit, financial management, performance management, risk management and external audit and are outlined in detail in the Audit and Risk Committee report on page 66 of the audited financial statements.

### 6.3 COMPOSITION

Prior to August 2019 the Committee was composed of 2 independent external members who were appointed during 2016 and two Board Members, one of whom is the Chairperson of the Audit and Risk Committee, Mr L Gabela and one who is the Chairperson of the Board's Finance Committee, Prof B Stobie. The term of office for the two (2) external members came to an end on 30 August 2019.

The Committee now comprises three (3) Board Members namely Mr L Gabela who is the Chairperson of the Committee, Prof Stobie who is the Chairperson of the Board's Finance Committee and Dr T Nzimakwe. The Responsible MEC further appointed the CFO of EDTEA, Ms Zamasomi Mtongana as a Section 8 Representative to sit on the Audit and Risk Committee.

## 7. ACCOUNTABILITY AND COMPLIANCE

### 7.1 INTERNAL AUDIT

The internal audit function provides information to facilitate the establishment and maintenance of an effective system of internal control and to manage risks associated with the entity's business. The role of internal audit is outlined in the terms of reference of the Audit Committee and in the Internal Audit Charter. Details of the internal audit function are contained in the Audit and Risk Committee Report on page 66 the audited financial statements.

## 7.2 INTERNAL CONTROL

Systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve the entity's strategic objectives and to provide reasonable, not absolute, assurance against misstatement or loss. The Audit and Risk Committee considers the results of formal documented reviews of systems of internal controls and risk management including the design, implementation and effectiveness of internal financial controls. In addition the Audit and Risk Committee has oversight of the entity's performance against its strategic targets and annual performance plan.

## 7.3 EXTERNAL AUDIT

The Board members are ultimately responsible and accountable for the preparation of the audited annual financial statements and performance reports and that they fairly represent the results of the entity in accordance with the PFMA and GRAP Standards. The Auditor General as "External Auditor" for the entity is responsible for independently auditing and reporting on the financial statements, in conformance with GRAP Standards and applicable laws, as well as the performance of the entity.

## 8. LEGISLATIVE AND REGULATORY COMPLIANCE

- 8.1 Legislative and regulatory compliance is monitored by the Head: Governance, Risk and Compliance and the Chief Legal Advisor.
- 8.2 They are responsible for providing advice to the operational business units, creating awareness and developing an understanding of relevant legislation and regulation.
- 8.3 Compliance with the KZN Gaming and Betting Act has received primary attention during the financial year as has compliance the PFMA, Treasury Regulations and the Protection of Personal Information Act.
- 8.4 Five requests for information were received by the KZNGBB in terms of the promotion of Access to Information Act during the period. Where the entity was in possession of the requested information, this was provided.
- 8.5 The entity has no instances of non-compliance with legislation during the period for which any fine or regulatory notice has been incurred.

## 9. ETHICS AND VALUES

- 9.1 The KZNGBB subscribes to the highest ethical standards of business conduct. A set of values and a Code of Conduct requires staff to display integrity, respect, openness, and affords them the right and obligation to challenge others who are not adhering to these values.
- 9.2 The KZN Gaming and Betting Act and Code of Conduct also set stringent standards relating to the acceptance of gifts from third parties and declarations of potential conflicts of interest.
- 9.3 A fraud prevention policy ensures the entity's firm stance against fraud and prosecution of offenders. This policy outlines the Board's response to fraud, theft and corruption committed by staff and external parties against the entity. During the year fraud awareness has been a priority for the GRC Unit.

## 10. WHISTLEBLOWERS LINE

- 10.1 Staff and the entities stakeholders are encouraged to report suspected fraudulent or unethical behaviour via a toll-free telephone service managed by an external service provider. All reported incidents are investigated.
- 10.2 Awareness of this facility is created and staff members are encouraged to report incidents before significant losses are incurred.

## 11. SOCIAL RESPONSIBILITY

- 11.1 It is the Board's mandate to ensure that all gambling authorised by it is conducted in a manner that promotes the integrity of the gambling industry and does not cause harm to the public interest. The KwaZulu-Natal Gaming and Betting Board in accordance with the entity's legislated mandate, must ensure that the interests of the public are maintained whilst ensuring that the industry invests in socio-economic development of communities. The entity maintains a balance between job creation, socio-economic development and revenue collection contributions by this sector.
- 11.2 The KwaZulu-Natal Gaming and Betting industry's Corporate Social Responsibility Commitments are based on license conditions and are aligned to education and infrastructure programmes incorporating community education, health infrastructure and social development, community development, support and moral regeneration programmes, agriculture, conservation and environmental programmes and arts, culture, sports and recreation programmes. The KZNGBB ensures compliance by the licensee in terms of Corporate Social Responsibility commitments,
- 11.3 The Board takes this mandate seriously when granting licences or registration and in its monitoring function. Licence conditions are imposed which take the community's, in which our licensees operate, best interest into account. The Monitoring and Compliance Business Units ensure adherence to these licence conditions as well as initiatives of the South African Responsible Gambling Foundation with whom the KZNGBB has a close working relationship.
- 11.4 The Board has embarked on awareness campaigns with the South African Responsible Gambling Foundation (SARGF), the assessment of gambling saturation levels and a social impact study. As part of the Socio-Economic Impact study, there were focus groups that were held in various communities within the Province. These groups included the youth, patrons at gambling establishments, senior citizen groups as well as religious groups. The awareness campaigns undertaken within the year under review comprises of

KZNGBB and SARGF school campaigns as well as reporting illegal gambling incidents. Community awareness programmes were held during the year. The key activities that were undertaken included Community Radio Talkshows on Responsible Gambling assistance as well as the implications of Illegal Gambling. In addition, Community awareness programmes were undertaken in the Communities of Chatsworth, Phoenix, Umkomaas and various EDTEA Community events

11.5 Future initiatives include events that would be jointly held with the National Gambling Board and the Department of Trade and Industry which will create awareness about the possible harms of gambling and illegal gambling.

## 12 SOCIO-ECONOMIC DEVELOPMENT

12.1 A total of R11.68 Million in contributions to CSI initiatives by Gaming and Betting Licensees in the period under review. A breakdown of the reported contributions in the various categories and by sector are reflected below, with the largest contributions being in respect of Education (54%) and Community Upliftment (18%)

Category of CSI	Casino	Route Operator	Bingo	Betting	Total
Health and Welfare	218 695.79	410 250.00	80 000	803 143.64	1512 089.43
Education	4385 625.18	1 358 963.00	295 584.00	321 560.34	63 361 732.52
Community and Upliftment Projects	475 467.71	1 002 300.00	339 130.10	322 195 .70	2 1 39 093.51
Sports and Recreation	8 183.83	50 000		111 5 799.66	1 1 73 963.49
Arts and Culture	320 200.00	40 000		1760.00	361 960.00
Other Donations				135 135.41	135 135.41
Total CSI Contributions	5 408 172.51	2861 513.00	714 714.10	2699 574.75	11 683 974.36

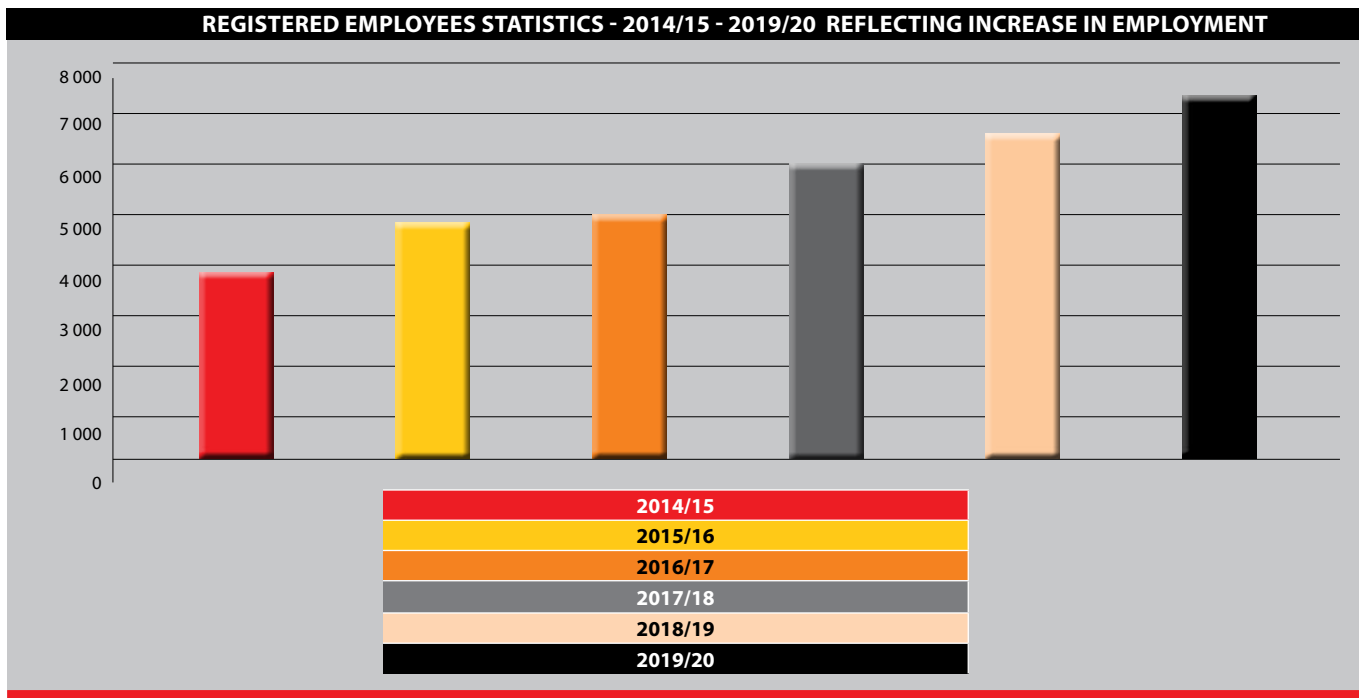


### BREAKDOWN OF CSI CONTRIBUTIONS IN GAMING AND BETTING INDUSTRY

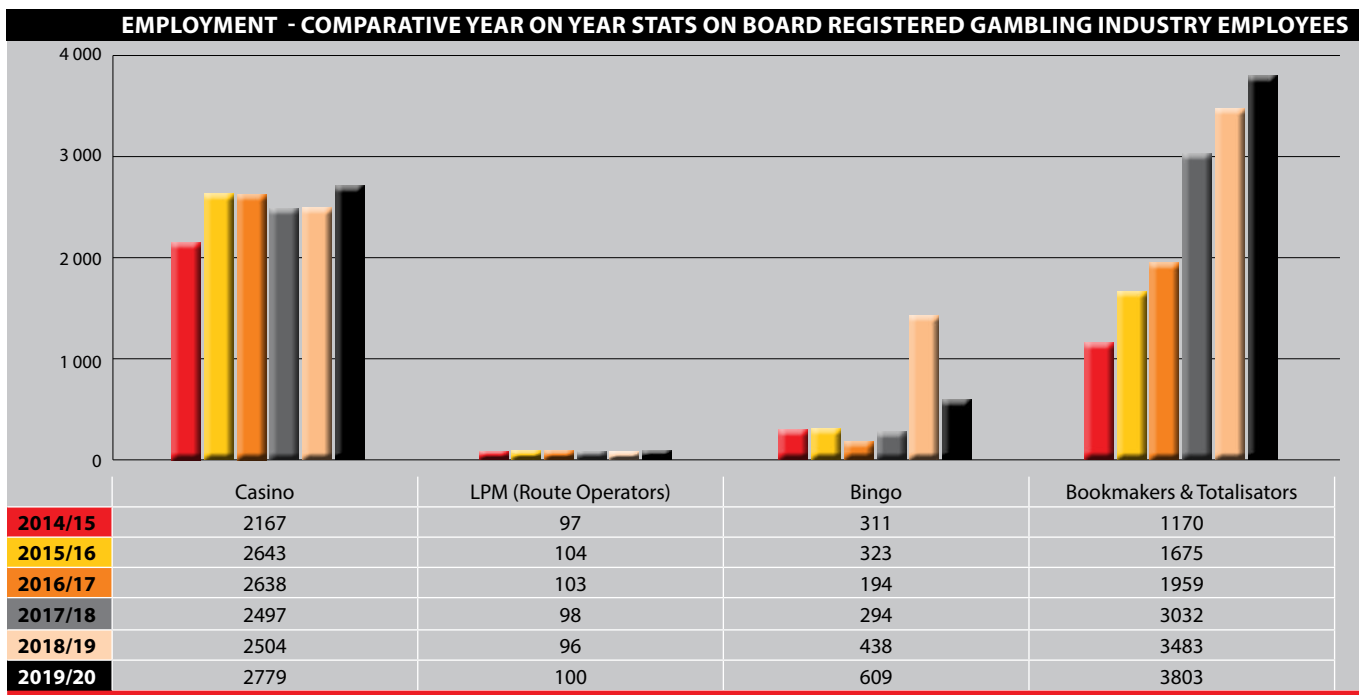


Education	54%
Community Upliftment	18%
Health and Welfare	8%
Sports and Recreation	10%
Arts and Culture	3%
Other Donations	7%

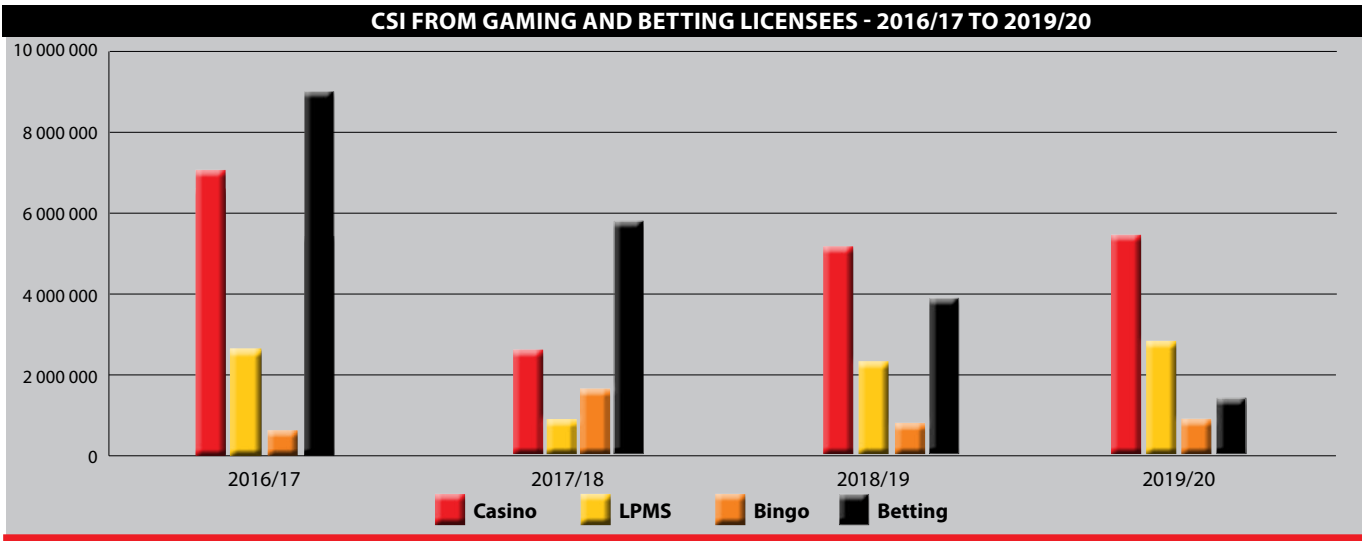
As can be seen in the chart below, overall, there has been a growth in the number of registered gambling employees since 2013/14 – growth of 51.36%. This growth is as a result of increased gaming and betting licence operations.



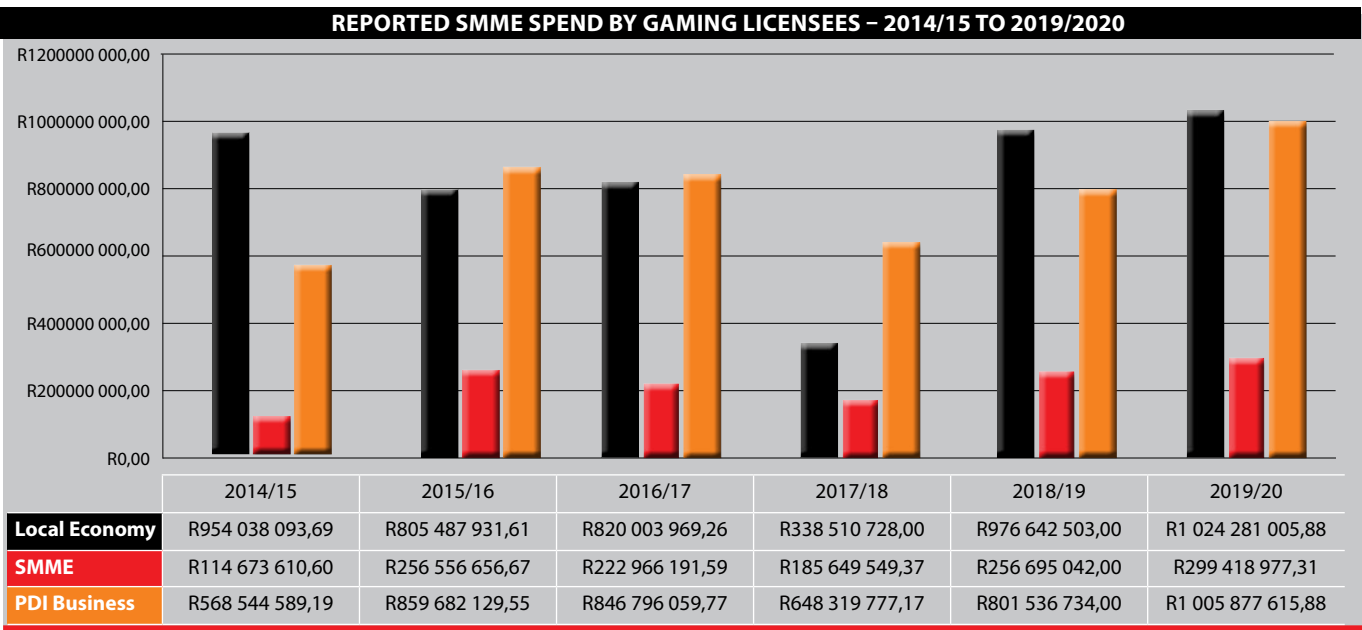
1.2 Employment/Job Creation: The chart below reflects the comparative gambling employees’ statistics (those employees who are required to be registered with the Board) since 2013/14. The Bookmakers and Totalisators registered employees have increased substantially in the last year (increased by 54%) due to the registration of Tote Agents.



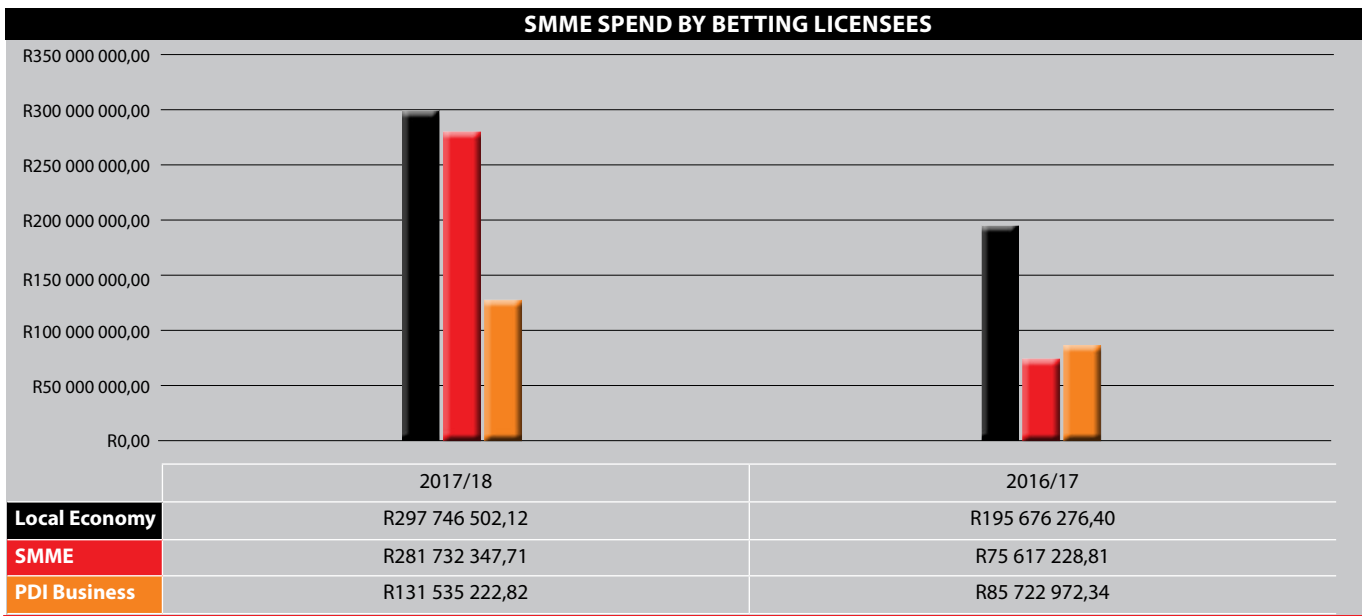
The total reported CSI contributions made by licensees for the period 1 2017 April to March 2018 was R 11 147 514.66 (excluding Tsogo Sun). 23.48% of these contributions were made to Education and 32.84% to Community Upliftment projects. The chart below reflects the contributions made to CSI by the gaming and betting licences for the period 2015/16 to 2017/18.



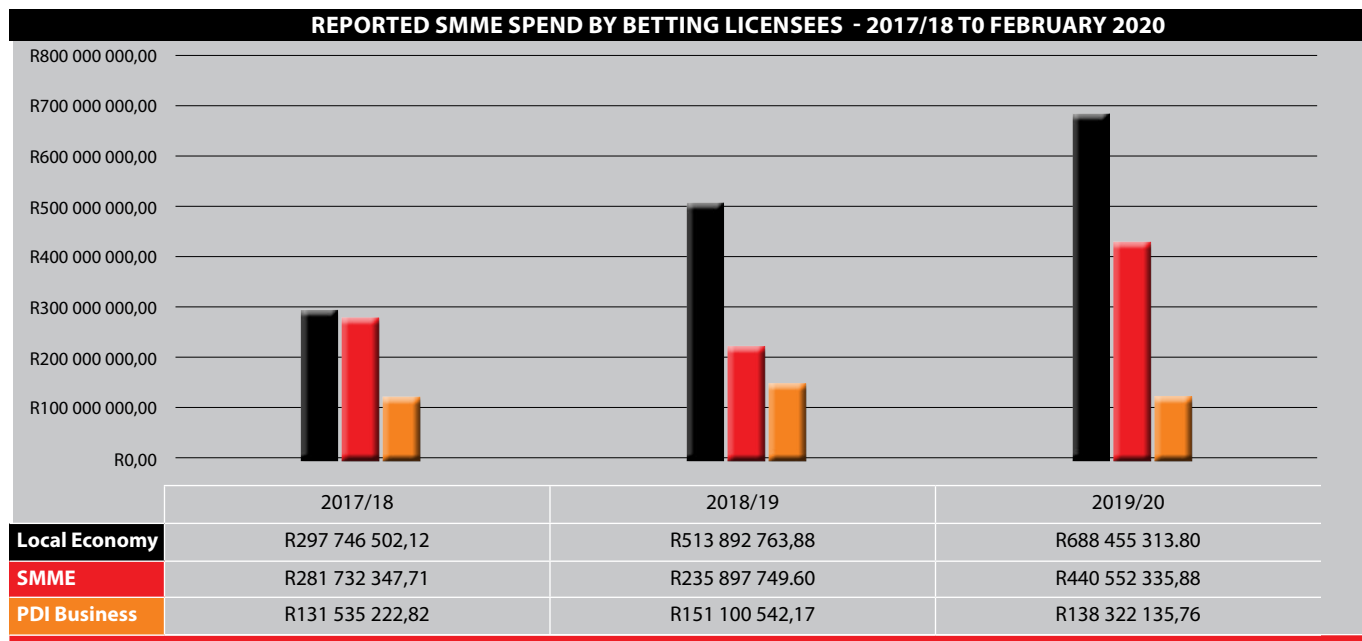
SMME Spend by Gaming Licensees: The graphs below depicts the SMME spend by Gaming licensees in the period under review.



SMME Spend by Betting Licensees: The graphs below depicts the SMME spend by Betting licensees in the period under review.



SMME Spend by Gaming Licensees: The graphs below depicts the SMME spend by Gaming licensees in the period under review.



### 13. GALLERY OF ACTIVITIES AND PROGRAMMES UNDERTAKEN IN THE YEAR UNDER REVIEW

#### Community Engagement Events



Launch of Gender Based Project at Inanda, sponsored by Hollywood Bets



#### Kungami Shoe Campaign





SARGF Training for KZNGBB Staff and Awareness Sessions and Community Events



Dundee July 2019



KZNGBB Charity Golf Day



**Kingdom Slots CSI handover of Garden Implements**



**Gold Rush handover of vehicles**



**Chatsworth Charity Fair**



**KZNGBB and SABA Learnership Launch**



**Learnership Graduation**



**Board Stakeholder Engagement with Licensees**



## 14. AUDIT AND RISK COMMITTEE REPORT

### AUDIT AND RISK COMMITTEE REPORT

Report of the Audit and Risk Committee: We are pleased to present our report for the financial year ended 31 March 2020. Audit and Risk Committee Members and Attendance: During the 2019/20 financial year the Audit Committee consisted of the four members who are listed hereunder. The Committee must meet at least four (4) times per annum as per its approved terms of reference, the Audit and Risk Committee Charter. During the reporting period five meetings were held and attendance was as tabled below:

Name of Member	Number of Meetings Attended
Mr L.S. Gabela	5
Prof B.S. Stobie	5
Mr V. Ramphal	3
Mrs V. Ndlovu	3
Dr TI Nzimakwe	2

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

**Internal Audit:** We are satisfied that during the reporting period the internal audit function operated effectively and that it addressed the risks pertinent to the entity in its audits. The internal audit function was performed by UBAC and this engagement terminated on 31 March 2018. UBAC completed their 2017/18 annual plan as approved by the Audit Committee.

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

**The Effectiveness of Internal Control:** In line with the PFMA, Treasury Regulations and the King IV Report on Corporate Governance for South Africa 2016 (effective date 01 April 2017) requirements, Internal Audit provides the Audit Committee and management with the assurance that the internal control is appropriate and effective. The Committee ensures that there is a Chief Audit Executive and Internal Audit function which is independent of management. The Committee oversees the appointment, contract and remuneration of the Internal Audit function and that it is suitably capable with access to the Audit Committee Chair and reports to the Committee on internal audit duties and other matters designated to the function. The Audit Committee monitors that the Internal audit function follows a risk based plan, reviews the risk profile regularly and adapts the plan accordingly.

Based on the various reports by Internal Audit, the Audit Report on the Annual Financial Statements and the management report of the Auditor-General, the Committee noted that some matters were reported indicating deficiencies in the systems of internal control. We also noted that management has implemented adequate controls in most areas within the organisation to provide reasonable assurance that all major inherent risks are appropriately identified; managed and applicable legislation is adhered to.

Accordingly, we can report that the system of internal control over the financial reporting period under review was efficient and effective but has room for improvement. Evaluation of Financial Statements: We have:

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

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



**Mr L.S. Gabela**

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

**31 July 2020**



PART D:  
**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 2020/21 FY
- Employment Equity Plan for the entity submitted timeously.
- Performance Reward System developed and implemented
- Skills audit commenced.

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

- New human resources staff that are still finding their feet to fully implement the Human Resources strategy.
- The lack of a performance reward system.

## 2. HUMAN RESOURCES OVERSIGHT STATISTICS

### Personnel Cost by programme activity/activity objective

Programme/ Activity/Objective	Personnel Expenditure	Training Expenditure	Training Expenditure as % of Personnel Cost	No. of Employees trained	Avg Training Cost per Employee
KZNGBB	R483 16185	R629 980	1.30%	78	R8077

### Personnel cost by salary band

Employment Level	2018/19 No. of Employees	2019/20 Approved Posts	2019/20 No. of Employees	2019/20 Vacan- cies	% of Vacancies
Top Management	1	1	1	0	0
Senior Management	6	7	6	1	14
Professional qualified	10	11	10	1	9
Skilled	43	56	47	3	6
Semi-skilled	9	11	10	7	41
Unskilled	1	1	2	0	0
<b>TOTAL</b>	<b>70</b>	<b>87</b>	<b>76</b>	<b>12</b>	<b>13.92%</b>

Level	Personnel Expen- diture	% of Personnel Exp. To Total Personnel Cost	No of Employees	Average Personnel Cost per Employee
Top Management	R1 946 463.00	4.02%	1	R1 946 463.00
Senior Management	R7 346 988.00	15.21%	6	R1 222 831.33
Professional qualified	R8 884 201.00	18.39%	10	R888 420.01
Skilled	R26 822 512.00	55.51%	47	R570 691.74
Semi – Skilled	R2 993 835.00	6.20%	10	R299 383.50
Unskilled	R322 186.00	0.67%	2	R161 093.00
<b>TOTAL</b>	<b>R48 316 185.00</b>	<b>100%</b>	<b>76</b>	<b>R5 088 882.58</b>

### Performance Rewards

Level	Performance Rewards	Personnel Expenditure	% of Performance Rewards to Total Personnel Cost
Top Management			
Senior Management			
Professional Qualified	R70 733.29		
Skilled			
Semi – Skilled			
Unskilled			
<b>TOTAL</b>	<b>R70 733.29</b>		

### Training Costs

Programme/Activity objective	Training Expenditure (R000)	No of employees trained	Avg training cost per employee
14th Corporate Governance Conference	R 32 188,50	1	R 32 188,50
A Gentle Introduction to Statistics	R 7 337,00	2	R 3 668,50
Advanced Executive PA Training	R 32 495,00	5	R 6 499,00
B-BBEE	R 30 960,00	14	R 2 192,14
Internship Best Practice	R 9 999,00	1	R 9 999,00
IsiZulu For Beginners	R 39 000,00	12	R 3 250,00
Labour Relations & Effective Discipline	R 15 111,00	2	R 7555,50
Microsoft Excel Advanced	R 11 454,00	4	R 2 863,50
Microsoft Excel Expert	R 14 892,50	7	R 2 127,50
Minute Taking	R 3 220,00	1	R 3 220,00
National Public Sector Performance Monitoring and Evaluation Convention	R 20 697,70	2	R 10 348,85
Numerical Reasoning Skills	R 35 880,00	9	R 3 986,66
Performance Monitoring & Evaluation	R 48 000,00	8	R 6 000,00
Planning, Monitoring & Evaluation Skills	R 7 923,00	1	R 7 923,00
Public Sector Supply Chain Summit	R 93 654,56	5	R 18 730,91
Skills Development & Training Management	R 23 544,30	4	R 5 886,07

In this financial year the Board is to resolve to fill the following positions:

#### New positions:

- Chief Operations Officer
- Corporate Services Manager
- Business Development Manager
- Legal Services Manager

#### Vacant positions:

- Senior Inspector GMC .The successful candidate started in July 2019
- Planning ,Monitoring and Evaluation Specialist
- Inspector Law Enforcement

The above positions became vacant as a result of resignations



## Employment Changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of Period
Top Management	1	0	0	1
Senior Management	6	0	0	6
Professional qualified	10	0	0	10
Skilled	51	1	6	48
Semi – Skilled	10	0	0	10
Unskilled	1	0	0	1
<b>TOTAL</b>	<b>79</b>	<b>1</b>	<b>6</b>	<b>76</b>

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

Industry Norm	KZNGBB 2017/18 FY	KZNGBB 2018/19 FY
7.5% per annum	8.75% (7)	

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

### Reasons for staff leaving

Reason	Number	% of Total No. of Staff Leaving
Death	0	0
Resignation	6	6.33
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of contract	0	0
Other	0	0
<b>Total</b>	<b>6</b>	<b>6.33</b>

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

### Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal warning	0
Written warning	2
Final written warning	1
Dismissal	0
Total	3

## 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	1	0	N/A	1	N/A	2	N/A
Professional Qualified	7	N/A	0	N/A	1	N/A	0	N/A
Skilled	19	N/A	0	N/A	3	N/A	0	N/A
Semi-skilled	3	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>31</b>	<b>N/A</b>	<b>0</b>	<b>N/A</b>	<b>5</b>	<b>N/A</b>	<b>2</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	3	0	N/A	0	N/A	1	N/A
Professional Qualified	1	3	0	N/A	1	N/A	0	N/A
Skilled	20	2	1	N/A	7	N/A	2	N/A
Semi-skilled	3	N/A	1	N/A	0	N/A	1	N/A
Unskilled	1	N/A	0	N/A	0	N/A	0	N/A
<b>TOTAL</b>	<b>26</b>	<b>1</b>	<b>2</b>	<b>N/A</b>	<b>8</b>	<b>N/A</b>	<b>4</b>	<b>N/A</b>

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional Qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



PART E:

# FINANCIAL INFORMATION



# 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>	Refer to paragraph 6 of the Accounting Authority's Report for details of members
<b>Chief Executive Officer</b>	Ms PN Baloyi
<b>Registered office</b>	KZNGBB House Redlands Office Estate 1 George MacFarlane Drive Pietermaritzburg 3201
<b>Durban office</b>	18th Floor, The Marine 22 Dorothy Nyembe Street Durban 4001
<b>Postal address</b>	Private Bag X9102 Pietermaritzburg 3200
<b>Bankers</b>	Absa Bank
<b>Auditors</b>	Auditor-General South Africa
<b>Website</b>	<a href="http://www.kzngbb.org.za">www.kzngbb.org.za</a>
<b>Parent department</b>	Office of the Premier (until 31 March 2019) Department of Economic Development, Tourism and Environmental Affairs (w.e.f. 01 April 2019)
<b>Ultimate controlling body</b>	KwaZulu-Natal Provincial Legislature

# INDEX

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

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GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
PFMA	Public Finance Management Act
EDTEA	Department of Economic Development, Tourism & Environmental Affairs

# ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

Consolidated Annual Financial Statements for the year ended 31 March 2020

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

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

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

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

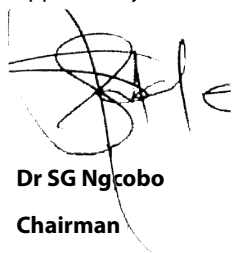
The members have reviewed the entity's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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 providing reasonable assurance on the entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the entity's external auditors and their report is presented on page 76.

The consolidated annual financial statements set out on pages 82 to 116, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2020 and were signed on its behalf by:



**Dr SG Ngcobo**  
**Chairman**

# REPORT OF THE AUDITOR-GENERAL

Audit report for the year ended 31 March 2020

## REPORT OF THE AUDITOR-GENERAL TO PROVINCIAL LEGISLATURE ON KWAZULU-NATAL GAMING AND BETTING BOARD

### Report on the audit of the consolidated and separate financial statements

#### Opinion

1. I have audited the consolidated and separate financial statements of the KwaZulu-Natal Gaming and Betting Board (KZN Gaming and Betting Board) set out on pages 82 to 116, which comprise the consolidated and separate statement of financial position as at 31 March 2020, consolidated and separate statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the KZN Gaming and Betting Board as at 31 March 2020, and their financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.
4. I am independent of the entity in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

6. The board, which constitutes the accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

#### Auditor-general's responsibilities for the audit of the consolidated and separate financial statements

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



## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for programme 4: licensing and registration presented in the annual performance report of the entity for the year ended 31 March 2020.
13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. The material finding in respect of the usefulness and reliability of the selected programme is as follows:

### Programme 4 – Licensing and registration

#### Percentage of suitable applicants issued with licences/certificates of registration within prescribed timeframes

15. The method of calculation for measuring the planned indicator was not clearly defined and related processes were not adequate to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, limitations were placed on the scope of my work and I was unable to audit the reliability of the achievement of 97% reported against target 100% in the annual performance report.

### Other matters

16. I draw attention to the matters below.

### Achievement of planned targets

17. The annual performance report on pages 16 to 49 sets out information on the achievement of planned targets for the year and explanations provided for the under and over-achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 15 of this report

### Adjustment of material misstatements

18. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of licensing and registration programme. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## Report on the audit of compliance with legislation

### Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

### Other Information

21. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and the selected programme presented in the annual performance report that has been specifically reported in this auditor's report.
22. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. I have nothing to report in the regard.

### Internal control deficiencies

24. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report included in this report.
25. Leadership did not exercise effective oversight and monitoring over performance reporting and management did not have a full understanding of the performance management framework.

Auditor-General



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

Pietermaritzburg

30 September 2020

## ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

### Financial statements

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

### Communication with those charged with governance

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

# ACCOUNTING AUTHORITY'S REPORT

Consolidated Annual Financial Statements for the year ended 31 March 2020

The members submit their report for the year ended 31 March 2020.

## 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, as amended.

## 2. Review of activities

### Main business and operations

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

- (a) Ensure that all gambling authorised under this Act is conducted in a manner which promotes the integrity of the gambling industry and does not cause harm to the public interest;
- (b) Ensure that all gaming authorised under this Act promotes the Province's objectives for developing a gaming industry which objectives are the promotion of tourism, employment and economic and social development in the Province;
- (c) Promote opportunities for persons contemplated in the definition of "broad-based black economic empowerment", as contained in the Broad-Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003), to participate in the gambling industry of the Province in the capacity of licensees or registrants under this Act ;
- (d) Increase the ownership stakes of persons contemplated in the definition of "broad-based black economic empowerment", as contained in the Broad-Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003), in the gambling industry of the Province;
- (e) Develop appreciation for and knowledge of horse racing amongst all communities, particularly those comprised of historically disadvantaged persons; and
- (f) Limit restrictive practices, the abuse of dominant market position and mergers in the betting industry, as contemplated in the Competition Act, 1998 (Act No. 89 of 1998), and the Board is, for the purposes of the said Act, a regulatory authority as defined in section 1 of that Act.

The operating results and state of affairs of the entity are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net deficit of the entity was R 9 539 756 (2019: deficit R 6 477 915). The deficit was due to the entity utilising previous surpluses to fund operations.

On 15 March 2020, the President declared a national state of disaster relating to the COVID-19 pandemic and a nationwide lockdown came into effect from 27 March 2020. The effect, of the initial social distancing measures and subsequent lock down period, on the operations of the entity were minimal up to year end. It is expected that the full impact of the lockdown will be felt by the entity in the forthcoming financial year and subsequent year with reduced revenues expected.

The impact on the industry in the two weeks leading to the end of the financial year was significant with reduced operations and revenues. The lockdown period is likely to have a major impact on the operations of licensees in the coming year.

With effect from 01 April 2019, the reporting line of the entity was changed from the Office of the Premier to the Department of Economic Development, Tourism and Environmental Affairs.

In line with the announcement by the President to rationalise public entities, the Provincial government has in turn commenced with a process of rationalisation of public entities in the Province. It has been proposed that the entity merges with another, the KwaZulu-Natal Liquor Authority. The final decision by the Provincial Legislature on the merger is imminent.

The operations of the Transformation Fund remained dormant during the period under review. The terms of reference for the Transformation Fund has been published for the industry and public to comment on prior to the approval by the MEC.

## 3. Going concern

We draw attention to the fact that at 31 March 2020, the entity had an accumulated surplus of R 53 026 411 and that the entity's total assets exceed its liabilities by R 53 026 411.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

COVID-19 has affected many companies worldwide, the entity not being immune to such effects. The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Department continues to provide funding for the ongoing operations for the entity. The Department has proposed an additional allocation of R11,5 million to help support the entity during the next financial year. Refer to note 29 for more information relating to the going concern assertion.

# ACCOUNTING AUTHORITY'S REPORT (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

## 4. Subsequent events

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

On 27 March 2020, the country entered a lockdown period of 21 days due to the COVID-19 pandemic. The lockdown continued into the next financial year. The lockdown resulted in the gambling industry closing their physical operations for the initial and subsequent periods. The industry was allowed to resume limited operations with effect from 30 June 2020. The shutdown resulted in significant losses in revenue collection for the Province in the form of gambling taxes and for the entity in terms of fees earned. The impact on the industry and its operators is far reaching with many having to seek additional support to survive as well as having to reduce their staff complements. With the industry resuming operations it is expected that the situation will recover to a certain extent. The full impact of COVID-19 on the industry will only be fully realised towards the end of the calendar year.

The entity restructured its operations to enable it to service the industry remotely during the lock down period. This has involved rethinking the normal modes of operations and limiting physical contact to limit the exposure of licensees and our employees. The entity remains fully committed to ensuring a compliant industry.

## 5. Accounting policies

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

## 6. Accounting Authority

The term of office of the Members commenced in April 2018 and ends in March 2021. One Board member, Mr SS Zondi, resigned during the reporting period.

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

Name	Nationality	
Dr SG Ngcobo	South African	
Ms MP Myeni	South African	
Adv KP Thango	South African	
Ms ZP Tenza	South African	
Mr LS Gabela	South African	
Mr SS Zondi	South African	Resigned 18 February 2020
Dr TI Nzimakwe	South African	
Prof. BS Stobie	South African	
Mr SN Chetty	South African	

## 7. Chief Executive Officer

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

## 8. Member and executive managers emoluments

Refer to note 16 for details of Member's remuneration.

Refer to note 12 for details of Senior Management's remuneration.

## 9. Auditors

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

# STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

Consolidated Annual Financial Statements for the year ended 31 March 2020

	Note(s)	2020	2019 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	2	1 925 110	3 397 892
Cash and cash equivalents	3	101 645 730	93 455 761
		<b>103 570 840</b>	<b>96 853 653</b>
<b>Non-Current Assets</b>			
Movable assets	4	2 844 433	2 046 259
Intangible assets	5	2 978 392	2 382 905
		<b>5 822 825</b>	<b>4 429 164</b>
<b>Total Assets</b>		<b>109 393 665</b>	<b>101 282 817</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	6	850 331	498 395
Payables from exchange transactions	7	39 727 175	36 809 617
Taxes and transfers payable (non-exchange)	8	15 637 225	1 111 539
Bank (credit card)	3	152 523	297 099
		<b>56 367 254</b>	<b>38 716 650</b>
<b>Total Liabilities</b>		<b>56 367 254</b>	<b>38 716 650</b>
<b>Net Assets</b>		<b>53 026 411</b>	<b>62 566 167</b>
Accumulated surplus	9	53 026 411	62 566 167

# STATEMENT OF FINANCIAL PERFORMANCE

Consolidated Annual Financial Statements for the year ended 31 March 2020

	Note(s)	2020	2019 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rendering of services	10	23 914 768	23 347 615
Interest income	11&10	6 894 952	7 152 030
Sundry income	10	196 919	2 956
Recoveries	10	12 894	570 637
Interest received - investment	11	75 955	72 826
Gain on disposal of movable assets	10	-	28 265
<b>Total revenue from exchange transactions</b>		<b>31 095 488</b>	<b>31 174 329</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidie	10	44 770 996	42 309 919
Skills development grant	10	29 955	-
<b>Total revenue from non-exchange transactions</b>		<b>44 800 951</b>	<b>42 309 919</b>
<b>Total revenue</b>	10	<b>75 896 439</b>	<b>73 484 248</b>
<b>Expenditure</b>			
Employee related costs	12	57 208 989	48 864 618
Depreciation and amortisation	13	1 940 298	2 504 153
Lease rentals on operating lease	14	4 976 303	3 863 504
Bad debts written off / provision		650 455	-
Loss on disposal of assets and liabilities		36 486	-
General expenses	15	20 601 235	24 708 325
Repairs and maintenance	18	22 429	21 563
<b>Total expenditure</b>		<b>85 436 195</b>	<b>79 962 163</b>
<b>Deficit for the year</b>		<b>(9 539 756)</b>	<b>(6 477 915)</b>

# STATEMENT OF CHANGES IN NET ASSETS

Consolidated Annual Financial Statements for the year ended 31 March 2020

	Accumulated surplus	Total Net Assets
Opening balance as previously reported	69 055 082	69 055 082
Prior year adjustments	(11 000)	(11 000)
<b>Balance at 01 April 2018 as restated*</b>	<b>69 044 082</b>	<b>69 044 082</b>
Changes in net assets		
Loss for year	(6 477 915)	(6 477 915)
Total changes	(6 477 915)	(6 477 915)
<b>Restated* Balance at 01 April 2019</b>	<b>62 566 167</b>	<b>62 566 167</b>
Changes in net assets		
Loss for the year	(9 539 756)	(9 539 756)
Total changes	(9 539 756)	(9 539 756)
<b>Balance at 31 March 2020</b>	<b>53 026 411</b>	<b>53 026 411</b>



# CASH FLOW STATEMENT

Consolidated Annual Financial Statements for the year ended 31 March 2020

	Note(s)	2020	2019 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fees earned		27 670 677	22 996 639
Grants		44 770 996	42 309 919
Interest income		6 970 748	7 224 840
Other income		239 768	573 593
		<u>79 652 189</u>	<u>73 104 991</u>
<b>Payments</b>			
Employee costs		(56 076 315)	(48 864 618)
Suppliers		(11 870 884)	(23 723 687)
		<u>(67 947 199)</u>	<u>(72 588 305)</u>
<b>Net cash flows from operating activities</b>	19	<b><u>11 704 990</u></b>	<b><u>516 686</u></b>
<b>Cash flows from investing activities</b>			
Purchase of movable assets	4	(1 469 581)	(572 805)
Proceeds from claims	4	249	72 011
Purchase of intangible assets	5	(1 901 113)	(227 837)
<b>Net cash flows from investing activities</b>		<b><u>(3 370 445)</u></b>	<b><u>(728 631)</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>8 334 545</b>	<b>(211 945)</b>
Cash and cash equivalents at the beginning of the year		93 158 662	93 370 607
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>101 493 207</u></b>	<b><u>93 158 662</u></b>

# ACCOUNTING POLICIES

Consolidated Annual Financial Statements for the year ended 31 March 2020

## 1. Presentation of Consolidated Annual Financial Statements

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

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

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

### 1.1 Government grants

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

### 1.2 Materiality

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

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

### 1.3 Significant judgements and sources of estimation uncertainty

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

#### Provision for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Refer to note 2.

#### Contingencies

Contingencies recognised in the current year required estimates and judgments, refer to note 26.

### 1.4 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.

### 1.5 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 c

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.

# ACCOUNTING POLICIES (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

## 1.5 Movable assets (continued)

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

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

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

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

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

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

Movable assets are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The useful lives of items of movable assets have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 to 12 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	5 to 10 years
Computer equipment	Straight line	3 to 6 years

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

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

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

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

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

Items of movable assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

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



## 1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

### Item Useful life

Computer software, developed	3 years
Computer software, other	3 to 6 years
Intangible assets under development	no depreciation

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

Intangible assets are derecognised:

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

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

## 1.7 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 consolidated annual financial statements. 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 entity in surplus or deficit.

### Payables from exchange transactions

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

### Cash and cash equivalents

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

### Liquidity Risk

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

## 1.8 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.

## 1.9 Impairment of non-cash-generating assets

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

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

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.

## 1.9 Impairment of non-cash-generating assets (continued)

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

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

### Value in use

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

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

### Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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

### Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

## 1.10 Employee benefits

### Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

### Defined contribution plans

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

Payments made to industry-managed 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.

## 1.11 Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Employee entitlements to annual leave and annual bonuses are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and annual bonuses as a result of services rendered by employees up to the balance sheet date.

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

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

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

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

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

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

## 1.12 Commitments

Items are classified as commitments when the Board has committed itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted capital commitments;
- where the capital expenditure has been approved and the contract has been awarded at reporting date; and
- where disclosure is required by a specific standard of GRAP.

## 1.13 Revenue

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

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

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

### Measurement

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

### Rendering of services

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

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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

### Interest

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

## 1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

## 1.15 Comparative figures

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

## 1.16 Fruitless and wasteful expenditure

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

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



## 1.17 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.

## 1.18 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic

financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Consolidated Annual Financial Statements for the year ended 31 March 2020

2020 2019

## 2. Receivables from exchange transactions

Trade debtors	27 198	1 217 873
Deposits	17 575	17 575
Accrued interest	580	421
Prepaid expenses	372 530	396 579
Sundry debtors	59 946	27 272
Study assistance	13 700	28 300
Accrued income (refer to note 2.1)	1 433 581	1 709 872
	<b>1 925 110</b>	<b>3 397 892</b>

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

As of 31 March 2020, trade and other receivables of R 592 223 (2019: R 52 764) were impaired.

The amount of the provision was R 592 223 as of 31 March 2020 (2019: R 52 764).

The ageing of these loans is as follows:

3 to 6 months	-	-
Over 6 months	592 223	-

### Reconciliation of provision for doubtful debts

Opening balance	52 764	52 764
Provision for impairment	592 223	-
Amounts written off as uncollectible	(52 764)	-
	<b>592 223</b>	<b>52 764</b>

### Reconciliation of gross carrying amount and nett realisable value

	Accrued income	Study assistance	Total
Gross carrying value	2 011 930	27 574	2 039 504
Less: provision for doubtful amounts	(578 349)	(13 874)	(592 223)
	<b>1 433 581</b>	<b>13 700</b>	<b>1 447 281</b>

## 2.1 Accrued Income

### Accrued income comprises:

Recovery of expenditure	472 318	578 349
Legal fee recovery	453 437	569 901
Interest receivable	507 826	561 622
	<b>1 433 581</b>	<b>1 709 872</b>

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

	2020	2019
<b>3. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	2 289	3 640
Bank balances	88 642 941	81 203 676
Short-term deposits	13 000 500	12 248 445
Credit card	(152 523)	(297 099)
	<b>101 493 207</b>	<b>93 158 662</b>
Current assets	101 645 730	93 455 761
Current liabilities (credit card)	(152 523)	(297 099)
	<b>101 493 207</b>	<b>93 158 662</b>

## 4. Movable assets

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated	Carrying value
Furniture and fixtures	503 438	(353 806)	149 632	467 100	(337 104)	129 996
Motor vehicles	425 937	(362 046)	63 891	425 937	(362 046)	63 891
Office equipment	515 217	(360 871)	154 346	499 837	(338 590)	161 247
Computer equipment	8 280 501	(5 803 937)	2 476 564	7 218 355	(5 527 230)	1 691 125
<b>Total</b>	<b>9 725 093</b>	<b>(6 880 660)</b>	<b>2 844 433</b>	<b>8 611 229</b>	<b>(6 564 970)</b>	<b>2 046 259</b>

### Reconciliation of movable assets - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	129 996	38 265	(644)	(17 985)x	149 632
Motor vehicles	63 891	-	-	-	63 891
Office equipment	161 247	21 450	(831)	(27 520)	154 346
Computer equipment	1 691 125	1 409 866	(35 260)	(589 167)	2 476 564
	<b>2 046 259</b>	<b>1 469 581</b>	<b>(36 735)</b>	<b>(634 672)</b>	<b>2 844 433</b>

### Reconciliation of movable assets - 2019

Furniture and fixtures	119 857	28 580	(1 918)	(16 523)	129 996
Motor vehicles	71 319	-	(7 428)	-	63 891
Office equipment	127 815	74 505	(17 648)	(23 425)	161 247
Computer equipment	1 980 197	469 720	(16 752)	(742 040)	1 691 125
	<b>2 299 188</b>	<b>572 805</b>	<b>(43 746)</b>	<b>(781 988)</b>	<b>2 046 259</b>

The entity received net insurance proceeds of R4 759 (2019: R72 012) in respect of claims for the theft and damage of assets.

Motor vehicles were fully depreciated and carried at the residual costs, the vehicles are due to be disposed off in the coming financial year. The COVID-19 pandemic has delayed this process.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

## 5. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated	Carrying value
Computer software, developed	6 367 731	(3 796 967)	2 570 764	4 742 562	(2 710 280)	2 032 282
Computer software	2 611 607	(2 203 979)	407 628	2 335 665	(1 985 042)	350 623
<b>Total</b>	<b>8 979 338</b>	<b>(6 000 946)</b>	<b>2 978 392</b>	<b>7 078 227</b>	<b>(4 695 322)</b>	<b>2 382 905</b>

### Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, developed	2 032 282	1 625 170	(1 086 688)	2 570 764
Computer software	350 623	275 943	(218 938)	407 628
	<b>2 382 905</b>	<b>1 901 113</b>	<b>(1 305 626)</b>	<b>2 978 392</b>

### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, developed	3 309 354	227 837	(1 504 909)	2 032 282
Computer software	567 878		(217 255)	350 623
	<b>3 877 232</b>	<b>227 837</b>	<b>(1 722 164)</b>	<b>2 382 905</b>

2020 2019

### Intangible assets under development

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

Intangible assets - GROF system	903 468	797 713
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## 6. Operating lease liability

Current liabilities	850 331	498 395
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The operating lease liability arises from the lease for the Pietermaritzburg and Durban offices. GRAP 13 requires the entity to account for or recognise equal lease rentals (average) over the duration of the lease. In the initial years a liability arises due to lease rentals being less than the average rental recognised, this situation reverses itself in the latter years of the lease.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

	2020	2019
<b>7. Payables from exchange transactions</b>		
Trade payables	856 887	545 299
Income received in advanced	29 377 244	26 502 053
Cash guarantees received from licensees	2 348 655	2 141 014
Third party payments	194 495	1 068 776
Sundry creditors	102 188	76 688
Leave pay accrual	2 375 533	2 115 159
Accrued expenses (refer note 7.1)	4 472 173	4 360 628
	<b>39 727 175</b>	<b>36 809 617</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 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, as amended, 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 to be made on behalf of employees to the provident fund and medical aid.

## Maturity Analysis of Trade and other payables

### Liquidity risk

Not later than a month	31 561 300	28 116 128
Later than a month and not later than three months	3 441 687	4 437 316
Later than three months and not later than a year	4 724 188	4 256 173
	<b>39 727 175</b>	<b>36 809 617</b>

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

## 7.1 Accrued expenses

### Breakdown of accrued expenses

Expenditure relating to Board remuneration	-	1 276 791
Capital expenditure	903 468	569 876
Current expenditure	2 436 031	2 513 961
Compensation related	1 132 674	-
	<b>4 472 173</b>	<b>4 360 628</b>

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

Gambling tax payable	14 428 756	96 347
Statutory payables	1 208 469	1 015 192
	<b>15 637 225</b>	<b>1 111 539</b>

Gambling tax payable refers to taxes collected on behalf of the Province from all licensees 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 licensees. The COVID-19 pandemic resulted in the majority of the industry closing their doors on 27 March 2020. As a result many licensees paid their taxes prior to closing, this accounted for the increase in the balance at year end. These amounts were distributed after year end to the beneficiaries in terms of the Act. Refer to note 20.

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

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

2020

2019

## 9. Accumulated surplus

### Reconciliation of accumulated surplus

2012 - Net assets acquired from erstwhile entities	25 081 667	25 081 667
2012 - Deficit realised	(4 176 104)	(4 176 104)
2013 - Surplus realised	6 941 425	6 941 425
2014 - Surplus realised	10 430 950	10 430 950
2014 - Prior year adjustments (2012)	1 244 954	1 244 954
2015 - Surplus realised	11 684 747	11 684 747
2015 - Amount surrendered to Provincial Revenue Fund	(20 800 000)	(20 800 000)
2015 - Prior year adjustments (2013)	(37 786)	(37 786)
2016 - Prior year adjustments (2014)	(72 805)	(72 805)
2016 - Surplus realised	4 460 584	4 460 584
2017 - Prior year adjustments	1 272 546	1 272 546
2017 - Surplus realised	9 192 753	9 192 753
2018 - Surplus realised	23 850 950	23 850 950
2019 - Prior year adjustment (2017)	(18 800)	(18 800)
2019 - Prior year adjustment (2018)	(11 000)	(11 000)
2019 - Loss for the year	(6 477 915)	(6 477 915)
2020 - Loss for the year	(9 539 756)	-
	<b>53 026 410</b>	<b>62 566 166</b>

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

#### Building Investment

Opening balance	24 139 704	25 588 660
Interest earned on funds	1 541 746	1 506 881
Amounts spent on lease rentals	(4 639 615)	(2 955 837)
	<b>21 041 835</b>	<b>24 139 704</b>

The above funds have been ring-fenced within accumulated reserves for the purpose of acquiring suitable office accommodation for the entity. During the 2018 year Provincial Treasury returned the R20 million that was previously surrendered. The funds are invested by the entity until such time as they are required (refer to note 3). The interest earned on these retained amounts forms part of the amount disclosed in the statement of financial performance (refer to note 11). The funds are used to pay for the lease rentals for the Durban and Pietermaritzburg offices.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

	2020	2019
<b>10. Revenue</b>		
Rendering of services	23 914 768	23 347 615
Interest income	6 894 952	7 152 030
Sundry income	196 919	2 956
Recoveries	12 894	570 637
Interest received	75 955	72 826
Government grants & subsidies	44 770 996	42 309 919
Skills development grant	29 955	-
	<b>75 896 439</b>	<b>73 455 983</b>

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

Rendering of services	23 914 768	23 347 615
Interest income	6 894 952	7 152 030
Sundry income	196 919	2 956
Recoveries	12 894	570 637
Interest received	75 955	72 826
	<b>31 095 488</b>	<b>31 146 064</b>

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

**Taxation revenue**

**Transfer revenue**

Government grants & subsidies	44 770 996	42 309 919
Skills development grant	29 955	-
	<b>44 800 951</b>	<b>42 309 919</b>

## 11. Interest

**Interest revenue**

Bank and investments	6 894 952	7 152 030
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Included in interest received is an amount of R1 541 746 (2019: R1 506 881 ) that accrued to the Building Investment (note 9). This amount even though included in income, does not form part of the operating income of the entity.



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

2020

2019

## 12. Employee related costs

Basic remuneration	50 760 499	43 615 871
Performance bonus	696 507	32 960
Medical aid subsidy	2 798 535	2 485 993
Unemployment insurance	137 083	132 994
Leave pay accrual	260 374	258 543
Long-service awards	18 000	313 000
Acting allowances	364 520	130 943
Cell phone allowance	250 068	226 209
Provident fund costs and risk benefits	1 600 259	1 199 376
Temporary employees	31 261	337 321
Reallocation Allowance	50 730	47 634
Interns - stipends	129 615	-
Leave payout	111 538	83 774
	<b>57 208 989</b>	<b>48 864 618</b>

## Senior Management Remuneration

For year ended 31 March 2020	Basic remuneration	Allowances & Long service awards	Contributions	Performance rewards	Total
Ms. PN Baloyi Chief Executive Officer	1 848 756	37 800	215 693	186 538	2 288 787
Mr. BE Radebe Senior Manager - Licensing & Registration (See note)	1 231 144	49 800	143 505	57 574	1 482 023
Mr. RS Goodayle Senior Manager - Gaming Monitoring & Compliance	1 226 080	52 800	148 691	69 089	1 496 660
Mrs. PJ Stretch Head - Governance Risk & Compliance	1 231 144	49 800	143 505	46 059	1 470 508
Mr. V Ramdas Chief Financial Officer	1 214 460	49 800	160 968	69 146	1 494 374
Mr. RC Bestel Senior Manager - Betting Monitoring & Control	1 192 405	49 800	178 861	-	1 421 066
Mr. M Ngwenya Chief Legal Officer	1 192 619	13 000	178 893	-	1 384 512
	<b>9 136 608</b>	<b>302 800</b>	<b>1 170 116</b>	<b>428 406</b>	<b>11 037 930</b>



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

## 12. Employee related costs (continued)

### Senior Management Remuneration

For year ended 31 March 2019	Basic remuneration	Allowances & Long service awards	Contributions	Performance rewards	Total
Ms. PN Baloyi Chief Executive Officer	1 665 271	35 500	194 602	-	1 895 373
Mr. BE Radebe Senior Manager - Licensing & Registration (See note)	1 027 963	51 500	120 127	-	1 199 590
Mr. RS Goodayle Senior Manager - Gaming Monitoring & Compliance	1 023 629	56 500	124 469	-	1 204 598
Mrs. PJ Stretch Head - Governance Risk & Compliance	1 027 963	52 500	120 127	-	1 200 590
Mr. V Ramdas Chief Financial Officer	1 015 195	47 500	133 886	-	1 196 581
Mr. RC Bestel Senior Manager - Betting Monitoring & Control	998 158	61 500	149 724	-	1 209 382
Mr. M Ngwenya Chief Legal Officer	998 990	12 000	149 848	-	1 160 838
	<b>7 757 169</b>	<b>317 000</b>	<b>992 783</b>	<b>-</b>	<b>9 066 952</b>

Mr Radebe was seconded to the KwaZulu-Natal Liquor Authority with effect from 08 October 2018 to fill the vacant position of Chief Executive Officer. As agreed between the parties, the Board paid the salary of Mr Radebe during this period and the KwaZulu-Natal Liquor Authority was responsible for the payment of the acting allowance and travel expenses. The parties agreed for only the additional costs incurred by the Board over and above the salary to be recovered. The value disclosed above is the full amount paid to the employee during the period.

2020 2019

## 13. Depreciation and amortisation

Amortisation (refer to note 5)	1 305 626	1 722 165
Depreciation (refer to note 4)	634 672	781 988
	<b>1 940 298</b>	<b>2 504 153</b>

## 14. Lease rentals on operating lease

### Premises

Contractual amounts	4 670 913	3 580 457
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### Equipment

Contractual amounts	305 390	283 047
	<b>4 976 303</b>	<b>3 863 504</b>

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

	2020	2019
<b>15. General expenses</b>		
Advertising, Publications and Public Hearings	477 659	147 909
Audit committee fees	100 976	142 934
Auditors remuneration	1 052 988	770 127
Bank charges	73 749	78 288
Board remuneration (refer to note 16)	3 041 756	3 340 223
Cleaning	330 231	223 401
Computer expenses	873 932	1 428 228
Conferences and seminars	199 375	40 119
Consulting and professional fees	374 367	487 358
Courier & postage	2 999	9 420
Electricity	592 218	500 879
Entertainment	1 066	-
External meeting refreshments	75 109	72 491
Fleet expenses	178 858	149 671
Gifts	-	700
Illegal gambling operations	9 800	24 108
Insurance	458 772	367 214
Internal audit	756 194	474 150
Legal expenses	3 007 558	5 144 242
Levies (statutory)	595 256	514 032
Office set-up and restoration costs	175 912	2 863 141
Licensing, investigation and monitoring costs	1 030 138	574 417
Marketing	742 835	643 443
Printing and stationery	276 725	341 953
Probity checks	17 645	10 150
Security	-	8 336
Software licenses and support	1 569 076	2 196 187
Staff placement costs	34 915	65 314
Staff welfare	170 096	135 939
Subscriptions	6 717	12 119
Telephone and fax	500 277	720 230
Training	629 960	381 768
Travel - overseas	730 855	624 526
Uniforms	-	553
Travel and subsistence	2 480 141	2 214 755
Venue expenses	33 080	-
	<b>20 601 235</b>	<b>24 708 325</b>

Office set-up and restoration costs - During the 2019, the entity moved its Pietermaritzburg operations into new premises and incurred these costs to set-up the office and to move in.

Legal expenses increased due to litigation brought by a licensees/applicants in respect of decisions made by the Board.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

2020

2019

## 16. Board remuneration

### Non-executive

#### 2020

	Members' fees	Reimbursive expenses	Total
Dr SG Ngcobo	287 228	10 895	298 123
Ms MP Myeni	397 318	10 593	407 911
Adv KP Thango	330 332	5 599	335 931
Ms ZP Tenza	388 722	4 372	393 094
Mr LS Gabela	464 189	46 573	510 762
Mr SS Zondi	197 494	573	198 067
Dr TI Nzimakwe	243 606	8 648	252 254
Prof. BS Stobie	305 306	3 336	308 642
Mr SN Chetty	333 132	3 840	336 972
	<b>2 947 327</b>	<b>94 429</b>	<b>3 041 756</b>

#### 2019

	Members' fees	Reimbursive expenses	Total
Dr SG Ngcobo	366 827	20 124	386 951
Ms MP Myeni	449 736	20 504	470 240
Adv KP Thango	361 752	10 194	371 946
Ms ZP Tenza	407 601	8 133	415 734
Mr LS Gabela	437 166	41 056	478 222
Mr SS Zondi	256 440	624	257 064
Dr TI Nzimakwe	252 799	10 095	262 894
Prof. BS Stobie	373 067	4 485	377 552
Mr SN Chetty	313 974	5 646	319 620
	<b>3 219 362</b>	<b>120 861</b>	<b>3 340 223</b>

## 17. Auditors' remuneration

Fees	1 052 988	770 127
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## 18. Repairs and maintenance

Office buildings	22 429	21 563
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# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

	2020	2019
<b>19. Cash generated from operations</b>		
Deficit	(9 539 756)	(6 477 915)
<b>Adjustments for:</b>		
Depreciation and amortisation	1 940 298	2 504 153
(Gain) / Loss on disposal of assets	36 486	(28 265)
Bad debts written off / provision	592 223	-
Movements in operating lease assets	351 936	383 838
Movements in provisions	-	-
<b>Changes in working capital:</b>		
Receivables from exchange transactions	880 559	(1 258 169)
Payables from exchange transactions	2 917 558	4 394 419
Taxes and transfers payable (non-exchange)	14 525 686	998 625
	<b>11 704 990</b>	<b>516 686</b>

## 20. Related parties

### RELATIONSHIPS

Members	Refer to members' report note
Ultimate controlling entity	KwaZulu-Natal Provincial Legislature
Controlling entity	Office of the Premier (until 31 March 2019) Department of Economic Development, Tourism and Environmental Affairs (from 01 April 2019)
Related entity	Transformation Fund (Under the control of the same Accounting Authority)
Senior Management	Details of Senior Managers are provided in Note 12

### Related party transactions

#### Collection of gambling taxes on behalf of the Province

Office of the Premier	-	679 505 576
Department of Economic Development, Tourism and Environmental Affairs	744 893 555	-

#### Grants Received

Office of the Premier	-	42 310 000
Department of Economic Development, Tourism and Environmental Affairs	44 770 996	-

#### Secondment of employee to KZN Liquor Authority

Employee costs	1 050 667	578 349
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## 21. Taxation

The entity is exempted from the payment of income tax

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

2020

2019

## 22. Employee benefit obligations

### Defined contribution plan

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

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

The amount recognised as an expense for defined contribution plans is

7 122 092

6 337 975

## 23. Comparative figures

Certain comparative figures have changed as a result of rounding. In addition, certain comparative figures have been reclassified to improve the readability and understanding of the financial statements.

## 24. Prior period errors

In the prior year fines to the value of R11 000 was incorrectly debited to the income statement instead of the 2018 financial year. The correction resulted in the amount disclosed in the financial statement increasing by R11 000 and Accumulated surplus decreasing by R11 000.

The correction of the error(s) results in adjustments as follows:

### Statement of financial position

Opening Accumulated Surplus or Deficit (decrease) - (11 000)

### Statement of financial performance

Rendering of services (increase) - 11 000

## 25. Commitments

### Authorised capital expenditure

#### Amounts contracted for

Intangible assets 908 695 1 393 914

#### Total commitments

#### Total commitments

Authorised capital expenditure 908 695 1 393 914

### Operating leases - as lessee (expense)

#### Minimum lease payments due

- within one year 4 865 376 4 427 099

- in second to fifth year inclusive 10 939 224 15 024 824

**15 804 600 19 451 923**

Operating lease payments represent the rental payable by the entity for the leasing of certain of its equipment and for the leasing of office space in Pietermaritzburg and Durban.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

2020

2019

## 26. Contingencies

- Afrisun vs KZNGBB and 22 Others - the applicant brought an application in terms of PAJA seeking to set aside the Board's decision to approve applications for the renewal of Bingo licenses. The Board is opposing the matter. The legal representatives of the Board are confident that its defence will be successful. However, a cost order is sought against Board if its defence is unsuccessful. At this stage it is not possible to reasonably quantify the costs should such an order be made against the Board. The estimated costs for counsel is R1 million to continue the defence of the matter.
- Tupac Business Enterprises CC vs The Chairperson of the Board, KwaZulu-Natal Gaming & Betting Board and Others - Tupac Enterprises is seeking to set aside the decision of the Board to award the tender for the provision of office accommodation in Pietermaritzburg to another service provider. The court found in favour of the Board, however Tupac has been granted leave to appeal. The estimated costs for counsel is R100 000.
- Allan Gray & Others vs Chairperson of KZNGBB and others - This is a review application brought by Allan Gray regarding their financial interest in a licensee. The Board is opposing the application, judgement is awaited in respect of the interlocutory application. The anticipated costs for counsel is R1 million.

## 27. Fruitless and wasteful expenditure

balance as previously reported	85 661	85 005
<b>Opening balance as restated</b>	<b>85 661</b>	<b>85 005</b>
Add: Expenditure identified - current	8 383	656
Less: Amounts recoverable - current	(614)	-
Less: Amounts recoverable - prior period	(56)	-
Less: Amount written off - current	(5 849)	-
Less: Amount written off - prior period	(85 604)	-
<b>Closing balance</b>	<b>1 921</b>	<b>85 661</b>

The entity incurred interest charges in respect of the late payment of supplier invoices. These amounts were recovered from the employees concerned.

Wasteful expenditure of R1 921 was incurred due to a meeting being cancelled at the last minute, the entity was unable to cancel the catering for the meeting in time. Matter pending finalisation

Wasteful expenditure of R5 848 was incurred due to a duplicate advert being placed with the Government Printing Works. An employee innocently responded to an email from GPW confirming an advert and this resulted in the order being placed twice by GPW. The entity has engaged GPW on the matter. The entity has implemented additional controls to avoid a reoccurrence of the incident.

## 28. Irregular expenditure

Opening balance as previously reported	5 889 518	2 889 518
<b>Opening balance as restated</b>	<b>5 889 518</b>	<b>2 889 518</b>
Add: Irregular Expenditure - current	-	3 000 000
<b>Closing balance</b>	<b>5 889 518</b>	<b>5 889 518</b>

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

2020 2019

## 28 Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

	<b>Disciplinary steps taken/criminal proceedings</b>	2020	2019
Board remuneration. In 2015, Provincial Treasury conducted an audit into the remuneration paid to former board members and the number of meetings held. The report identified a potential over payment of R1,798,784 to members. The report recommended that the MEC of Finance implement procedures for the recovery of the amounts. APPLICATION MADE TO PROVINCIAL TREASURY FOR CONDONATION OF THE AMOUNT	No person responsible. No fraud or corrupt activities	1 798 784	1 798 784
Incident 2 - Legal fees	No person responsible. No fraud or corrupt activities	3 759 479	3 759 479
The process for the appointment of legal service providers was deemed to be irregular by the Auditor-General, in that they felt that the deviation process followed did not fully articulate the circumstances prior to the approval to deviate by the Accounting Authority. The matter has been resolved with the appointment of a new legal panel and a revised engagement model. APPLICATION MADE TO PROVINCIAL TREASURY FOR THE CONDONATION OF THE AMOUNT			
Incident 3 - Expired Contracts	No person responsible. No fraud or corrupt activities identified.	331 255	331 255
The entity made use of contracts that had expired. APPLICATION HAS BEEN MADE TO PROVINCIAL TREASURY FOR THE CONDONATION OF THE AMOUNT			
		<b>5 889 518</b>	<b>5 889 518</b>



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

2020

2019

## 29. Going concern

We draw attention to the fact that at 31 March 2020, the group had an accumulated surplus of R 53 026 411 and that the group's total liabilities exceed its assets by R 53 026 411.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

The ability of the group to continue as a going concern is dependent on a number of factors. The most significant of these is that the Department continues to provide funding for the ongoing operations of the group. For the 2020/21 financial year

the Department has committed R44,2 million towards funding of the entity. A further R11,5 million was subsequently made available to provide relief due to the impact of COVID-19. The entity remains a key revenue source for the Province and there is no intention by the Department to stop its operations.

In addition to the above, the group has recognised and collected the annual renewal fees of R18,8 million for the year. The entity is also expected to generate R2,5 million from interest. This takes the total available revenue to R77 million to be utilised to pay for expenses prior to dipping into the available reserves of R53 million.

## 30. Financial instruments disclosure

### Categories of financial instruments

#### 2020

##### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 925 110	1 925 110
Cash and cash equivalents	101 645 730	101 645 730
	<b>103 570 840</b>	<b>103 570 840</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	39 727 175	39 727 175
Taxes and transfers payable (non-exchange)	15 637 225	15 637 225
Bank overdraft (credit card)	152 523	152 523
	<b>55 516 923</b>	<b>55 516 923</b>

#### 2019

##### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	3 397 892	3 397 892
Cash and cash equivalents	93 455 761	93 455 761
	<b>96 853 653</b>	<b>96 853 653</b>



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

2020 2019

## 30. Financial instruments disclosure (continued)

### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	36 809 617	36 809 617
Taxes and transfers payable (non-exchange)	1 111 539	1 111 539
Bank overdraft	297 099	297 099
	<b>38 218 255</b>	<b>38 218 255</b>

## 31. Risk management

### Liquidity risk

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

### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluates the credit risk relating to customers on an ongoing basis. Customers are assessed by the entity to determine the credit quality of the customer, taking into account its financial position, past experience and other factors. Credit risk is reduced by requiring upfront payments for all services to be rendered to customers. Sales to customers are settled in cash.

## 32. New standards and interpretations

### 32.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

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

#### GRAP 18 (as amended 2016): Segment Reporting

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

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

## 32. New standards and interpretations (continued)

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

The entity has adopted the standard for the first time in the 2019/2020 consolidated annual financial statements. The impact of the standard is not material.

### GRAP 20: Related parties

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

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

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

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

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

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

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

The standard elaborates on the definitions and identification of:

Close member of the family of a person;

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

## 32. New standards and interpretations (continued)

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

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

The effective date of the standard is for years beginning on or after 01 April 2019.

The entity has adopted the standard for the first time in the 2019/2020 consolidated annual financial statements. The impact of the standard is not material.

### **GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements**

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The entity has adopted the amendment for the first time in the 2019/2020 consolidated annual financial statements.

The impact of the amendment is not material.

## 32.2 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 2020 or later periods:

### **GRAP 104 (amended): Financial Instruments**

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

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 consolidated annual financial statements. **Guideline: Guideline on the Application of Materiality to Financial Statements**

## 32. New standards and interpretations (continued)

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The entity expects to adopt the guideline for the first time in the 2020/2021 consolidated annual financial statements. It is unlikely that the standard will have a material impact on the entity's consolidated annual financial statements. **GRAP 1 (amended): Presentation of Financial Statements**

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1. Summary of amendments are:

### Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

### Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

### Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

### Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The entity has adopted the interpretation for the first time in the 2020/2021 consolidated annual financial statements.

The impact of the amendment is not material.

### IGRAP 20: Accounting for Adjustments to Revenue

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

## 32. New standards and interpretations (continued)

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue. The effective date of the interpretation is for years beginning on or after 01 April 2020.

The entity expects to adopt the interpretation for the first time in the 2020/2021 consolidated annual financial statements. It is unlikely that the standard will have a material impact on the entity's consolidated annual financial statements.

### **GRAP 35: Consolidated Financial Statements**

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The entity expects to adopt the standard for the first time in the 2020/2021 consolidated annual financial statements. It is unlikely that the standard will have a material impact on the entity's consolidated annual financial statements. **GRAP 38: Disclosure of Interests in Other Entities**

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and

the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The entity expects to adopt the standard for the first time in the 2020/2021 consolidated annual financial statements. It is unlikely that the standard will have a material impact on the entity's consolidated annual financial statements. **GRAP 34: Separate Financial Statements**

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The entity expects to adopt the standard for the first time in the 2020/2021 consolidated annual financial statements. It is unlikely that the standard will have a material impact on the entity's consolidated annual financial statements. **IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue**

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

## 32. New standards and interpretations (continued)

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

An entity applies judgement based on past experience and current facts and circumstances. The effective date of the amendment is for years beginning on or after 01 April 2020.

The entity expects to adopt the interpretation for the first time in the 2020/2021 consolidated annual financial statements. It is unlikely that the standard will have a material impact on the entity's consolidated annual financial statements. **Directive 7 (revised): The Application of Deemed Cost**

This Directive was originally issued by the Accounting Standards Board (the Board) in December 2009. Since then, it has been amended by:

- Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:
  - GRAP 105 Transfer of Functions Between Entities Under Common Control
  - GRAP 107 Mergers
- Consequential amendments arising from GRAP 110 *Living and Non-living Resources* issued in December 2017.
- Consequential amendments arising from the following Standards of GRAP in May 2018:
  - GRAP 34 *Separate Financial Statements*
  - GRAP 35 *Consolidated Financial Statements*
  - GRAP 36 *Investments in Associates and Joint Ventures*
  - GRAP 37 *Joint Arrangements*
  - GRAP 38 *Disclosure of Interests in Other Entities*

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

The effective date of this revised directive is for years beginning on or after 01 April 2020.

The entity expects to adopt the directive for the first time in the 2020/2021 consolidated annual financial statements. It is unlikely that the standard will have a material impact on the entity's consolidated annual financial statements.

### 32.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods but are not relevant to its operations:

#### **GRAP 36: Investments in Associates and Joint Ventures**

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

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

#### **GRAP 37: Joint Arrangements**

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

## 32. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2020

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

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

### **GRAP 110 (as amended 2016): Living and Non-living Resources**

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2019.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

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

### **GRAP 106 (as amended 2016): Transfers of functions between entities not under common control**

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

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

The subsequent amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Consolidated Annual Financial Statements for the year ended 31 March 2020

## 32. New standards and interpretations (continued)

IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the standard is for years beginning on or after 01 April 2019.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

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











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