



**KWAZULU-NATAL PROVINCE**  
ECONOMIC DEVELOPMENT, TOURISM  
AND ENVIRONMENTAL AFFAIRS  
REPUBLIC OF SOUTH AFRICA

# **ANNUAL REPORT** **2020/2021**



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PART A :  
**GENERAL  
INFORMATION**

# PART A: GENERAL INFORMATION

## 1. PUBLIC ENTITY'S GENERAL INFORMATION

 <b>Registered Name</b>	KwaZulu-Natal Gaming and Betting Board
 <b>Physical Address</b> (Pietermaritzburg)	KZNGBB House, Redlands Estate, 1 George Macfarlane Lane, Pietermaritzburg, 3201
 <b>Physical Address</b> (Durban)	18th Floor, The Marine, 22 Dorothy Nyembe Street, Durban, 4001
 <b>Postal Address</b>	Private Bag X9102, Pietermaritzburg, 3200
 <b>Contact Telephone Number</b> (Pietermaritzburg)	+27 33 345 2714
 <b>Contact Telephone Number</b> (Durban)	+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 the Executive Council
PFMA	Public Finance Management Act (No. 1 of 1999)
PPPFA	Preferential Procurement Policy Framework Act, 2000
SARGF	South African Responsible Gaming Foundation
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprises
TR	Treasury Regulations

### 3. EXECUTIVE AUTHORITY'S FOREWORD

**Hon. Mr. R.R. Pillay MPL**

MEC for Economic  
Development, Tourism  
and Environmental  
Affairs



The KZN Gaming and Betting Board is a Schedule 3C Public Entity which falls within the authority of the MEC responsible for the Gaming and Betting industry. Under my leadership, the entity commits to realising radical economic transformation within the Province through focusing on the implementation of the Provincial Growth and Development Plan, and engagement with development partners and investors to increase economic activity and employment opportunities, in particular in the rural areas of KwaZulu-Natal.

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.

#### **KZNGBB CONTRIBUTION TO RURAL ECONOMIC DEVELOPMENT AND TRADITIONAL EQUINE INDUSTRY RELATED PROJECTS**

The 2020 edition of the Dundee July Horseracing festival was cancelled due to Covid-19 regulations as its provisions prohibited the staging of major events and mass gatherings. An activation campaign focusing on projects to sustain the Dundee July Brand and support the rural horseracing community, the Dundee July Legacy Projects were borne. This was aimed at ensuring brand continuity and creation of opportunities for jockeys and horse owners as well as sponsors and other beneficiaries in the value chain of the project. The entity will undertake research into the Traditional Equine industry to unlock the economic and developmental opportunities of the sector thereby enabling rural development deliverables.



## **CONTRIBUTION BY INDUSTRY TO GDP AND LOCALECONOMY**

The KZN Gaming and Betting industry is a major contributor to the SMMES operating within the Province, through the procurement of goods and services. The contribution to the local SMME sector by the gaming and betting industry in the year provided a much needed boost to the local economy.

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

The licenses issued by the KZNGBB also contribute to attracting visitors through tourism. Certain licensees were required to establish hotels as part of their license conditions. Certain events on the gambling calendar also attract tourism. The licensed venues do not only include hotels but also restaurants, pubs, cinemas, theaters, eateries and other hospitality venues or conferencing facilities are spread throughout the province. This year new venues were opened in various towns and centers including Durban, Hillcrest and Pietermaritzburg. This makes it possible for entertainment in these areas not comparing those who wish to participate to go to the major cities. This comes with job creation and local SMME development.

## **BLACK INDUSTRIALIST PROGRAMME**

The entity recently launched the KZNGBB Black Industrialist programme which is a vehicle to implement economic development and job creation in the province. The Black Industrialist programme will include projects which involve the development of gambling equipment, betting software, manufacturing plants and the roll-out of a tailored banking solution for the gaming and betting sector. This is expected to attract significant investment to the Province and create much needed jobs in the current MTSF period.

## **GENDER BASED VIOLENCE INTERVENTIONS**

The KZNGBB together with local partner

entities has answered the call to address Gender Based Violence and has continued the implementation of interventions which were developed in the previous year. We saw an unprecedented increase of such violence in our country during the lockdown and our energy is focused on assisting our communities stave off the often hidden enemy that lies amongst us.

## **ACKNOWLEDGEMENTS**

I would like to take this opportunity to acknowledge the dedication and commitment that has been provided by the Chairperson of the Board, Dr S.G. Ngcobo, Board Members as well as the Chief Executive Officer, Ms Portia Baloyi and her Executive Team. I am heartened by the fruitful relationship that is shared between the Executive Authority and the KZN Gaming and Betting Board.

I envisage that the upcoming financial year will be one that will yield a great deal of economic pressure and a myriad of challenges with the continuation of the Covid-19 pandemic. I am certain that the implementation of appropriate strategic interventions will provide for the prompt recovery of the gaming and betting industry.



**Honorable MR. R.R. PILLAY MPL**

MEC FOR ECONOMIC DEVELOPMENT, TOURISIM  
AND ENVIRONMENTAL AFFAIRS

DATE: 15/08/21

## 4. CHAIRPERSON'S STATEMENT

**Dr S.G. Ngcobo**

Chairperson of the  
KwaZulu-Natal Gaming  
and Betting Board



### 4.1. OVERVIEW AND STRATEGY

The year commenced as South Africa's economy entered the national Covid-19 lockdown, already in a fragile state which has been compounded by the destructive financial and social impact of the forced closure of the economy and widespread human suffering.

When the state of disaster was declared ahead of the country going into lockdown, the Board and management responded rapidly to its stakeholders and to ensure the health and safety of our employees. When it became evident that the impact, extent and length of the lockdown could not be determined the Board's business activities and strategy adapted to the new dynamics arising out of the Covid-19 crisis and priority was given to ensuring that our most vulnerable Licensees and their employees were given support and that regulatory arrangements were adjusted as necessary to facilitate the "new normal" in

our efforts to heed the call by President Ramaphosa to trade responsibly.

The performance of the Board and the recovery of the industry over the past year, with most of it under sometimes extremely challenging restrictions, highlights the resilience of licenced operators. It also demonstrates management's continued focus on the execution of our business plans and strategies.

### 4.2. BUSINESS DEVELOPMENTS AND TECHNOLOGY

Our strategic focus area to become automated and accessible online, benefited the industry during this challenging year. The digital platform enabled ongoing service to the industry notwithstanding the requirement for all staff to work remotely from 26 March 2020. The ability to leverage off developments in technology is core to the Boards intent to

deliver the best service it can to its stakeholders. The ability to support betting on contingencies and this online platform of gambling have enabled this sector to capitalise on the customer demand for online gambling and has allowed the format to expand the betting footprint.

The Board has boldly approached and proposed different measures to address transformation and Black Economic empowerment of the Gaming and Betting industry in order to provide opportunities to those who have been previously excluded. In ensuring that realistic radical transformation is achieved, the Black Industrialist Programme was developed to offer historically disadvantaged individuals an opportunity to participate as owners and managers in the industry. The key focus areas for transformation has been in manufacturing, participation in licensed operations, research and development, rural horse racing and relevant value chain businesses.

The Board's promotion of the Black Industrialist Programme 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. There are currently twenty Black (11 male, 9 female) Industrialists on the project's database which are as follows:

- i. **Project 1:** Manufacturing of Slot machines
- ii. **Project 2:** Manufacturing and development of hardware and software for the betting industry.
- iii. **Project 3:** Manufacturing and development of hardware and software for the gambling surveillance industry.
- iv. **Project 4:** Manufacturing and development of hardware and software monitoring systems for the betting industry.

- v. **Project 5:** Manufacturing of horse-riding equipment to service the rural horse racing sector.
- vi. **Project 6:** Manufacturing and development of hardware and software for the gambling industry.
- vii. **Project 7:** Manufacturing and development of hardware and software for the betting industry.
- viii. **Project 8:** Manufacturing of horse feed for the rural horse racing sector.
- ix. **Project 9:** Manufacturing of slot machines for the gambling industry.

These are projects that are expected to contribute towards economic recovery, creation of at least 300 jobs and sustainable infrastructure development in the province.

The Board has proceeded with its proposed request for applications for new Bookmaking Rights as a measure to drive transformation in the sector and to facilitate possible recovery and expansion post the Covid-19 lockdown.

#### 4.3. GOVERNANCE

As a Board our primary responsibility to stakeholders is to ensure that we meet our oversight responsibilities and add value to the Board's deliberations. Ms Zinhle Tenza resigned as a Board Member in October 2020 for personal reasons. Over the past two years she has made a valuable contribution to Board and Committee affairs with her astute and insightful discourse and we wish her continued success into the future.

The Department of Economic Development, Tourism and Environmental Affairs is in the process of refreshing the Board membership to provide succession for those Members whose terms are nearing an end or who have resigned. I must however express my gratitude to the highly experienced and knowledgeable

Board Members with whom I have served over the past three years. Their value was never more evident than in advising, supporting and providing counsel to management during the crises of the past months. This guidance was implemented through numerous engagements which I, on behalf of the Board, had with our CEO, Ms Portia Baloyi, who led the entity in a crises of great magnitude with the executive team to ensure that the entity delivered in a challenging performance environment while operating under the constraints of the national lockdown.

#### **4.4. CORPORATE SOCIAL RESPONSIBILITY**

Eradication of gender based violence will remain a key focus area for the KZNGBB and during the year the Board has participated in a number of projects to address this horrific behaviour endemic to South Africa which has been ever more evident during lockdown.

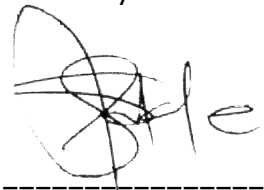
We strive to ensure that all licences granted and the communities in which they operate offer economic opportunities for local residents, that they promote education and develop skills of the local workforce, engage local businesses and stimulate the economic development in our communities. We promote 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.

#### **4.5. LOOKING FORWARD**

Cost containment and revenue enhancement measures will remain our focus areas for this 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. All of the KZNGBB employees are to be commended for their hard work and commitment during this time of crisis and for their commitment in serving our licensees. Thank you to our external

stakeholders, including our licensees, the Department of Economic Development, our new MEC responsible, the Honourable Mr Ravi Pillay and Representatives from Provincial Treasury and the Office of the Premier, for their engagement and support throughout the pandemic.

The Board looks forward with excitement to seeing the rationalisation process (dis-establishing) of the KwaZulu-Natal Gaming and Betting Board and the KwaZulu-Natal Liquor Authority for the purpose of establishing a new Regulatory Authority for both entities in order to streamline their activities to achieve efficiency whilst reducing costs.



**Dr. S.G. Ngcobo**

CHAIRPERSON: KWAZULU-NATAL GAMING  
AND BETTING BOARD

DATE: 31 July 2021



## 5. REPORT OF THE CHIEF EXECUTIVE OFFICER

**Ms P.N. Baloyi**

Chief Executive Officer  
KZNGBB



### 5. 1. OVERVIEW OF THE OPERATIONS OF THE ORGANISATION

The impact of the COVID-19 pandemic on the KZN Gaming and Betting industry during the past financial year which ended 31 March 2021 was unprecedented. Even though there were a myriad of obstacles that were in our path, I am happy to report that we as the Board together with the industry have managed to navigate with interventions to address these challenges.

#### **Decline in Gambling Tax Collection**

In the previous Financial Year a substantial contribution to the socio economic development of the province via revenue **collection of R684 million**. The diminished revenue collection for the 2020/21 Financial Year occurred as a direct result of the COVID-19 pandemic to an amount of **R473 977 Million**.

In the same manner, the budgeted tax collection was reduced from R654,047 million

to R393,760 million due to the impacts of COVID-19. This was due to a number of licensees having closed their physical premises during the lockdown period until the end of June 2020.

These sectors were able to resume limited operations under amended Alert Level 3 from 01 July onwards. The reduction to Level 2 and Level 1 saw tax revenue collection return to around 90% to 95% of previous year's collection. The return to Level 3 during December impeded the recovery.

Tax distribution in terms of the Tax Act resulted in R421 067 million being generated for the Provincial Revenue Fund and R 52 908 million being distributed to Beneficiaries. The growth in the betting sector was primarily responsible for the exceeding of the budget.

Due the National Lockdown which was undertaken as result of COVID 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.

Prior to the Covid-19 Pandemic, the KZN Gaming and Betting industry supported approximately **13 135 jobs**. With the decline in tax revenue and related factors, the KZNGBB anticipated that the industry would be adversely affected and put in measures to minimize job losses including support in respect of COVID-19 TERS applications and access to guarantee funding. The industry suffered **1745 job losses** as a result of the pandemic. The industry is steadily recovering as there were **851 Jobs created**.

The entity continues to monitor the situation in an effort to render assistance to the industry to mitigate job losses. The entity undertook to support the retention of jobs through initiating interventions such as providing a business service to the industry in respect of undertaking processes pertaining to the facilitation of Covid-19 TERS and SARS Relief applications. Licensees either applied themselves or used the assistant of an external consultant retained by Board. This intervention saved jobs through assisting licensees to access relief funds – C19 TERS and SARS Relief was successful in that it reduced the overall impact of job losses to the Gaming and betting sectors. There were **3120 gambling industry employees** which included the grooms that were assisted by the service offered.

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. The gaming and betting sector provides a unique business offering which may not translate into a secure business venture to most retail banks as the industry had encountered challenges with regards to access loan funding. The entity responded to the call by the industry for an intervention through the allowing them to access funding support via the financial relief funds or through KZNGBB Guarantee Relief. - Total value of Guarantees that have been accessed by the gaming and betting industry was that of R20 630 500. The assistance provided enabled the affected licensees to navigate through difficult economic periods.

#### **Financial Support for Gender Based Violence Interventions.**

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 programs and partnerships that must be considered for the roll-out of Gender Based Violence interventions and programs. The KZNGBB together with the gaming and betting industry had answered the call to financially support Gender Based Violence interventions to address the scourge. In the 2019/20 Financial Year, the industry spent over R12 million towards CSI projects which comprise of Gender Based Violence interventions, Water supply infrastructure projects, Community based initiatives and food security projects. In addition the KZNGBB collected pledges amounting to R11 million, however the entity has obtained firm financial commitment to the value of R12.3 Million to support the fight against Gender Based Violence. The KZNGBB will endeavor to follow up on the pledge contributions once the industry

has attained a suitable level of financial recovery.

### **Black Industrialist Programme**

One of the key mandates of the entity is to stimulate economic development through targeted programmes within the province. One such programme is that of the KZNGBB Black Industrialist programme. The programme will undertake radical economic development and job creation in the province. The programme is comprised of the following critical projects:

- Establishment of Gambling Equipment, Betting Software Development Manufacturing plants.
- The roll-out of a tailored banking solution for the gaming and betting sector in the form of E-Wallet software systems.
- The combined investment pertaining to in these projects are **R127 million and will support a total of 105 Jobs**. The roll-out of the projects are planned for the current MTSF period.

### **5.2. TRANSFORMATION**

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.

### **5.3. 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 a clean audit. The matters raised and reported in the previous financial year were addressed adequately according to management's assessment, new action plans will be implemented to address the current years internal control weaknesses.

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.

### **5.4. 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 primarily focused on Health, Welfare, Education, Community Upliftment, Sports and recreation and Arts and Culture. The gaming and betting industry expended an amount of over **R5.5 million** in the period under review on CSI programmes.

### **5.5. ACKNOWLEDGEMENTS / APPRECIATION**

I like to express my appreciation to the MEC responsible for the Gaming and Betting Portfolio, the Honourable Mr R. Pillay, and the Section 8 Representative their 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 P. N. Baloyi**

CHIEF EXECUTIVE OFFICER: KWAZULU-NATAL  
GAMING AND BETTING BOARD

DATE: 31 July 2021



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

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

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

The Annual Report is complete, accurate and 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 Chief Executive Officer is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

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

The external auditors are engaged to express an independent opinion on the annual financial statements. In our opinion, the Annual Report fairly reflects the operations, the performance information, the human

resources information and the financial affairs of the public entity for the financial year ended 31 March 2021.

Yours faithfully



**Ms PNBaloyi**

CHIEF EXECUTIVE OFFICER

DATE: 31 July 2021



**Dr S.G. Ngcobo**

CHAIRPERSON OF THE BOARD

DATE: 31 July 2021

## 7. LEGISLATIVE AND OTHER MANDATES

### 7.1 CONSTITUTIONAL MANDATE

- ENSURE that all gaming authorised under the Act promotes the province's objectives for developing a gaming industry, the priorities of which are the promotion of tourism, employment and economic and social development in the province
- PROMOTE opportunities for persons contemplated in the definition of "broad-based black economic empowerment", as contained in the Broad-Based Black Economic Empowerment Act, 2003, to participate in the gambling industry of the Province in the capacity of licensees or registrants under the Act
- 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 in the gambling industry of the Province
- DEVELOP appreciation for and knowledge of horse racing amongst all communities, particularly those comprised of historically disadvantaged persons
- 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.

Legislative and other mandates	Explanation
KwaZulu-Natal Gaming and Betting Act (Act No. 8 of 2010)	Governs the regulation of the gambling industry and the Boards's operations.
KZN Gaming and Betting Amendment Act (Act No. 4 of 2017)	
KwaZulu-Natal Gaming and Betting Regulations	
KZN Gaming and Betting Rules	
KwaZulu-Natal Gaming and Betting Tax Act (Act No. 9 of 2010)	Provides for the payment of taxes by persons licenced in terms of the Act and matters connected therewith.
Public Finance Management Act (Act No. 1 of 1999, as amended)	Ensures a system of financial management is in place, ensures transparency, accountability and sound management of the revenue, expenditure, assets and liabilities, as well as eliminating waste and corruption in the use of public assets.
National Treasury Regulations	
National Gambling Act (Act No. 7 of 2004, as amended)	Provides for the co-ordination of concurrent national and provincial legislative competence over matters relating to casinos, racing, gambling and wagering, and provides for the continued regulation of those matters; establishes certain uniform norms and standards applicable to national and provincial regulation and licensing of certain gambling activities; and provides for the creation of additional norms and standards applicable throughout the Republic.
National Gambling Regulations	

Legislative and other mandates	Explanation
Promotion of Access to Information Act (Act No.2 of 2000)	Gives effect to the constitutional right of access to any information held by the State that is required for the exercise or protection of any rights, thereby promoting transparency, accountability and effective governance of all public bodies.
Financial Intelligence Centre Act (Act No.38 of 2001)	Reveals the movement of monies derived from unlawful activities, thereby curbing money laundering and other criminal activities.
Promotion of Administrative Justice Act (Act no.3 of 2000)	Any act or decision of the Board that contravenes the principles of procedurally fair administrative actions are subject to judicial review.
Schedule 4 of the Constitution of the Republic of South Africa (No. 108 of 1996)	Sets out the areas of concurrent national and provincial legislative competencies, which include racing, gambling and wagering, excluding lotteries and sports pools.
Section 195 of the Constitution of the Republic of South Africa (No. 108 of 1996)	Public administration must be governed by the democratic values and principles enshrined in the Constitution.
Preferential Procurement Policy Framework Act (Act No.5 of 2000)	Enhances the participation of previously disadvantaged individuals and the small, medium and macro enterprises, SMMEs in the public sector procurement system.
Broad-Based Black Economic Empowerment Act (No 53 of 2003), as amended	Provides the framework for the promotion of black economic empowerment and matters connected therewith.
South African National Standards for Gaming Equipment (1718)	All gambling machines and devices must comply with these standards to protect the public.

#### Other policy imperatives relevant to KZNGBB

- Revised Framework for Strategic Planning and Annual Performance Plan. Medium Term Strategic Framework
- Medium Term Strategic Framework
- Provincial Growth and Development Framework
- Provincial Growth and Development Plan
- Medium Term Expenditure Framework
- National Treasury's Framework for Managing Programme Performance Information
- National Treasury's Framework for Strategic Plans and Annual Performance Plans

- SCM and PPPFA policy
- KZNGBB Budget Policy and Provincial Guidelines
- National Gambling Policy, 2017

For the year under review, the emphases were on implementing strategies and programme which will address triple challenges of poverty, unemployment and inequality through

- Job Creation and Economic Development
- Industrialisation (Black Industrialist)
- Radical Economic Transformation
- Growing Small Business and Local Economic Development (SMME Development, Transformation,

- Infrastructure Development & Tourism)
- Rural Economic Development (Rural Horse Racing)
- Revenue Growth for Province
- Minimizing Negative Effects of Gambling
- Disaster Management Act, 2002

## 8. OVERVIEW

8.1



### VISION

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

8.2



### 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.

8.3



### VALUES

**INTEGRITY:** To practice the highest ethical standards within the entity.

**SERVICE EXCELLENCE:** To provide consistent premium service to our stakeholders

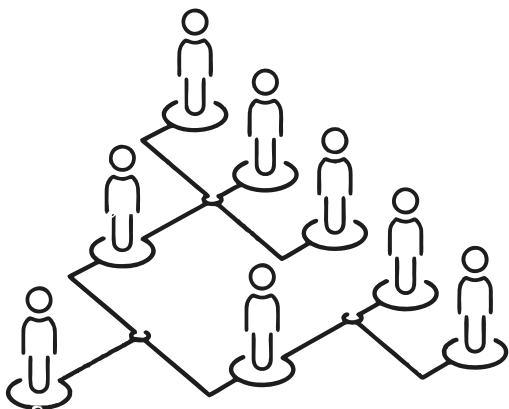
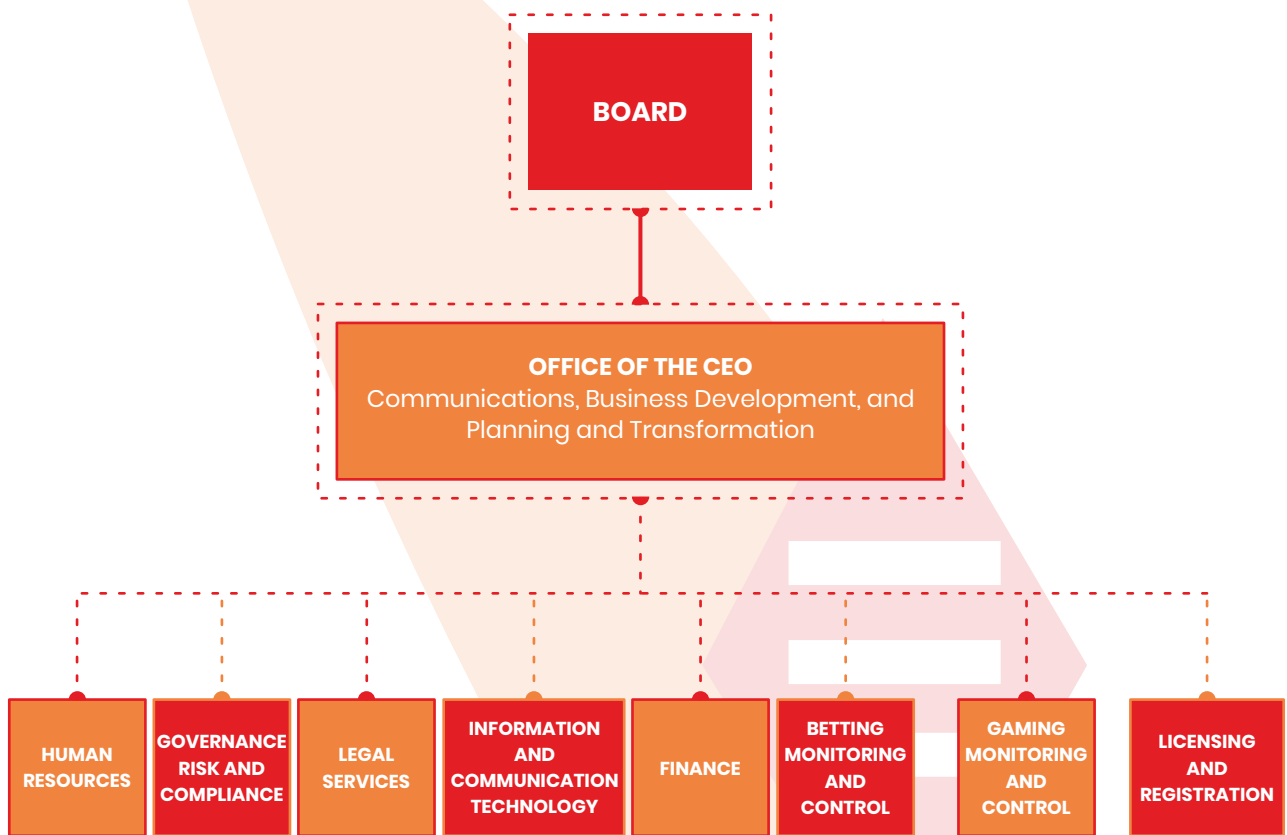
**FAIRNESS AND IMPARTIALITY:** To make decisions in a fair and appropriate manner based on relevant criteria and reliable information.

**PROFESSIONALISM:** To demonstrate appropriate skills, good judgement, 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.

# 9. ORGANISATIONAL STRUCTURE



# 10. KWAZULU-NATAL GAMING AND BETTING BOARD MEMBERS



**Dr S.G. Ngcobo**  
Chairperson of the Board



**Ms M.P. Myeni**  
Deputy Chairperson



**Mr. S.N. Chetty**  
Board Member



**Adv. K.P. Thango**  
Board Member



**Mr. L. Gabela**  
Board Member



**Ms Z.P. Tenza**  
Board Member



**Prof. B.S. Stobie**  
Board Member



**Dr T.I. Nzimakwe**  
Board Member



**Ms N. Thavar**  
MEC EDTEA  
Section 8 Representative

## 11. KWAZULU-NATAL GAMING AND BETTING BOARD EXECUTIVE COMMITTEE MEMBERS



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



**Mr. V. Ramdas**  
Chief Financial Officer



**Mr. Mfanelo Ngwenya**  
Chief Legal Manager



**Mrs. Jane Stretch**  
Senior Manager:  
Governance, Risk  
and Compliance



**Mr. Richard Goodayle**  
Senior Manger:  
Business Development



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



**Mr. Simon Gushu**  
Manager:  
Human Resources



**Mr. Mbuso Sabelo**  
Acting Senior Manager:  
Gaming, Monitoring  
and Compliance



**Mrs. Clarissa Naidoo**  
Manager:  
Communications and  
Corporate Social  
Responsibility



**Mr. Sherwin Charles**  
Manager:  
Information and  
Communications  
Technology



**Mr. Tusane Ngubane**  
Acting Senior Manager:  
Licencing and  
Registration



**Mr. Innocent Mncube**  
Acting Senior Manager:  
Gaming, Monitoring  
and Compliance



## 12. VALUE CREATED BY THE KZNGBB

KZNGBB VALUE ADDED STATEMENT				
Value Added				
Item	2017/18	2018/19	2019/20	2020/21
Net Income	90 626	73 484	76 741	R80 993
Revenue (Taxes)	653 731	684 696	723 770	R473 977
<b>Total</b>	<b>744 357</b>	<b>758 186</b>	<b>800 511</b>	<b>554 970</b>
Value Allocated				
To employees	44 951	48 865	57 209	62 794
Other expenses	22 655	31 899	31 596	22 170
<b>Total</b>	<b>676 706</b>	<b>80 764</b>	<b>R88 805</b>	<b>84 964</b>
Total Value Created	676 751	677 416	711 706	470 006

### TOTAL VALUE CREATED BY KZNGBB

#### Financial Capital

The entity received a grant of R 55.7 million (2020/2021 MTEF) from Provincial Government to fund operations and our industry contributed R 759 million to SMME spend in the local economy.

Tax distribution in terms of the Tax Act resulted in R421 million being generated for the Provincial Revenue Fund and R53 million being distributed to a Beneficiary

#### 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

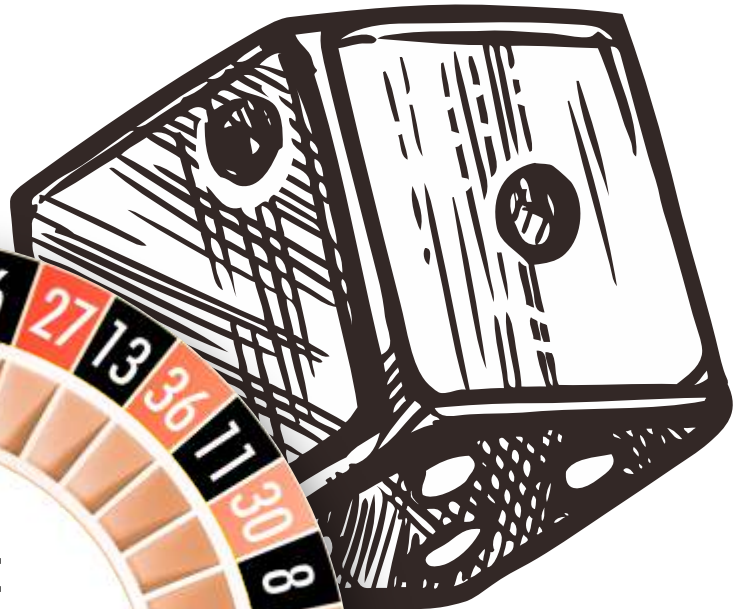
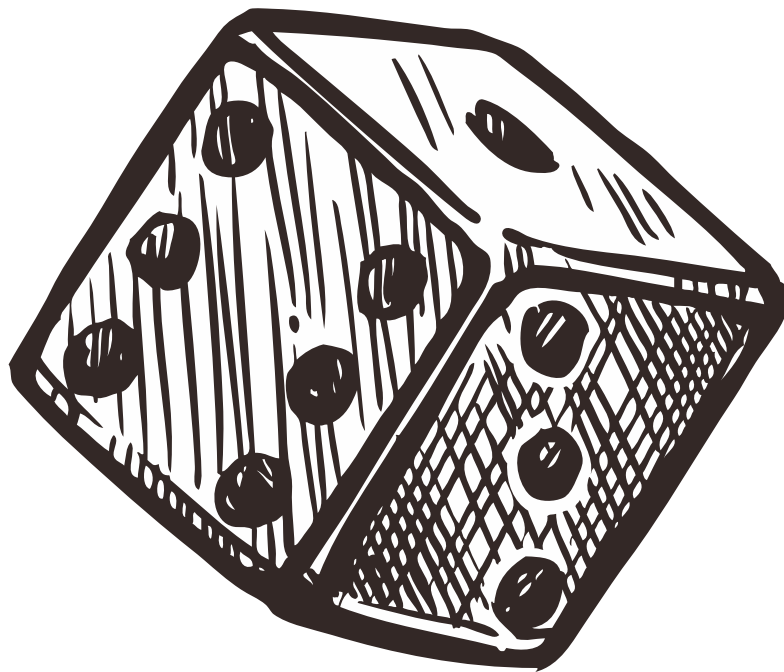
development and to develop the rural economy. The CSI contribution by the industry for the period amounted to R 7, 8 million

#### Intellectual Capital

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







# PART B: PERFORMANCE INFORMATION



## **1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES**

The AGSA currently performs certain 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, being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refers to pages 40 to 60 of the Report of the published.

## **2. SITUATIONAL ANALYSIS**

This section presents a summary of salient Internal and external environmental drivers that influence current and anticipated operational challenges and

opportunities for KZNGBB. The situational analysis seeks to provide the context for implementing the planned initiatives over the medium-term period. Reviewing the situational analysis take into consideration the Global and Domestic Economic Outlook of Gambling Industry, performance information from 2020-2021 financial year and relevant research into emerging trends Gambling industry.

### **2.1. SERVICE DELIVERY ENVIRONMENT.**

#### **Global Economic Outlook**

The year under review was a difficult year for the Country and the Province of Kwa-Zulu Natal due to COVID 19 pandemic. The COVID 19 and associated national and provincial lock down regulations had a negative impact on the economy and social Economic environment. The continued restrictions placed on places of entertainment, alcohol sales and the general curfew has resulted in contracted economic activity for the land-based

gambling entities which has led to a reduced need for the number of resources required. This led to less revenue for operators, retrenchment of employees and staff and less spending by gamblers. The local economic outlook for the year ahead remains fragile with the South African Reserve Bank (SARB) now expecting the economy to contract by **6.1%** in 2020, whilst the IMF estimated a fall in GDP by **3.1%**. South Africa according to SARB was likely to see economic growth by **2.9%** year on year as it rebounded from **-7.3%** collapse last year. South African economy grew by **1.1%** in the first quarter of 2021, translating to an annualised growth rate of **4.6%**. There was a slow-down of economic growth due to second wave and further slow-down anticipated for 3rd wave. The Tourism sector has struggled amidst COVID-19 pandemic and domestic arrivals dropping by 71%, now exacerbated by the level 4 lock down.

### Domestic Economic Outlook:

#### (National and Local Developments in Gambling Industry)

The gross gambling revenue generated by the industry in between 2019-2021 amounted to R32.7 billion, of which **10%** were taxes and levies collected out of it, amounting to **R3.2 billion**. The majority of gambling revenue is from casino sector revenue (**R18.4 billion**), there was negative growth (**-1.3%**) in revenue in this sector between 2019/20 which negative growth will be exacerbated by COVID-19 impact. The betting sector the second largest generator of gambling revenue between FY2018/19 and FY2019/20 and had the highest growth amongst the gambling modes between the two periods of **21.3%**. While Bingo sector

growing by **14.6%** from the previous financial year and lastly the LPM sector growing by **9.9%**.

Apart from the impacts of Covid-19 global pandemic, the Kwa-Zulu Natal has been plagued by violent protests characterized by rampant looting and wanton destruction and burning of property and infrastructure to the tune of **R20 Billion** on KZN GDP. Durban and Pietermaritzburg were the most impacted by this unrest, amounting to billions of Rands in damage to property and 40 000 businesses affected. The businesses fraternity have indicated that because of shutting down operations, destruction of property, physical loss of goods and working hours, the cost to the economy today runs into 150 jobs being at risk. The agricultural sector as the main driver of rural economic activities were demolished in more than 55% of rural towns in KwaZulu-Natal.

Consideration must be accorded to how a contribution can be made to the recovery of the South African economy, the loss of employment and for the long-term sustainability of the gambling industry. The government has offered support to rescue businesses in distress and employees who have been negatively affected by the recent violent protests. However, it worth noting these measures will serve only to reduce the negative financial impact suffered, they will not provide any solution to the longer-term sustainability of the gambling industry which is un-predictable at this point.

The Covid-19 pandemic has already resulted in a wide-spread of job losses, and the unemployment rate as at 20 June 2021 increased to 32,6% in the first quarter of 2021. While the official unemployment rate among youth (15- 34 years) is sitting at 46,3% in Quarter 1 2021.

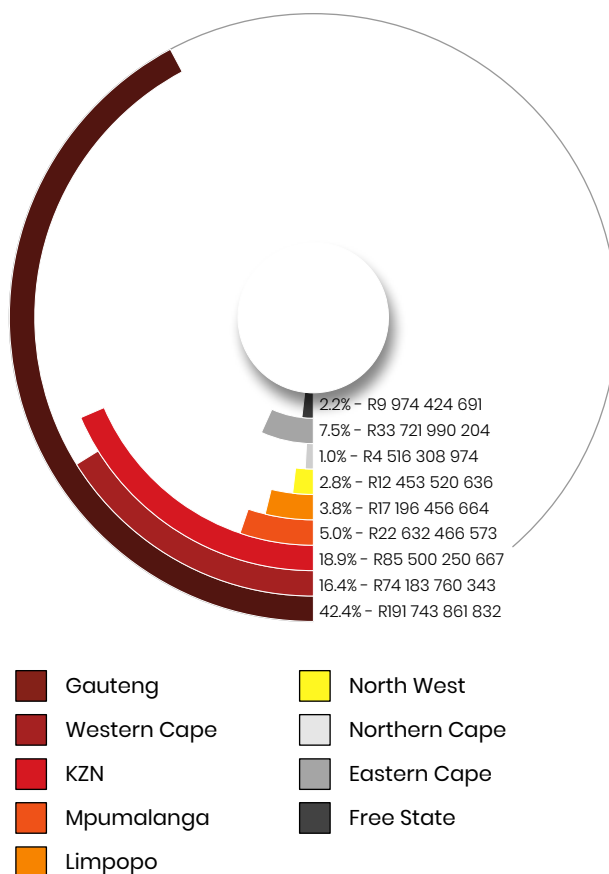
It is forecast that unemployment rate will increase to 36.313% by December 2021, which converts to an additional 1.80 million unemployed citizens in South Africa. Due to covid 19 pandemic, the country has experience a weak recovery in employment with a net decline of 28 000 jobs losses. This will be worsen by the recent unrest which has negatively affected the national and provincial GDP to tune of R50 Billion and R20 Billion respectively. With 40 000 businesses affected across the province of KZN, the current condition place business under immense financial pressure with many facing closure or ruin which will result in a significant reduction in government's revenue collection and potential 150 000 job loss.

### PERFORMANCE BY PROVINCE

Graph below reflects, a total amount of R451,9 billion was wagered between FY2019/20. Casinos accounted for the highest TO at 64.7% by comparison with all other gambling modes in FY2019/20. Gauteng accounted for the highest amount of TO in respect of all gambling modes, the total percentage being 42% as compared to other provinces. The highest amount of money in the LPM sector was wagered in Western Cape (26.6%). The Turnover of industry in 2019/20 is R451,9 billion of which KZN Market share is R85,5 billion (18,6%). Gross Gaming Revenue of

industry in 2019/20 is R32,6 billion of which KZN Market share is R5,7 billion (17,6%), overtaken by Western Cape who's GGR was R5,9 billion (18,1%) due to the usage of online gambling.

Turnover per province - FY2019-20



### PERFORMANCE BY SECTORS

#### Casino Sector

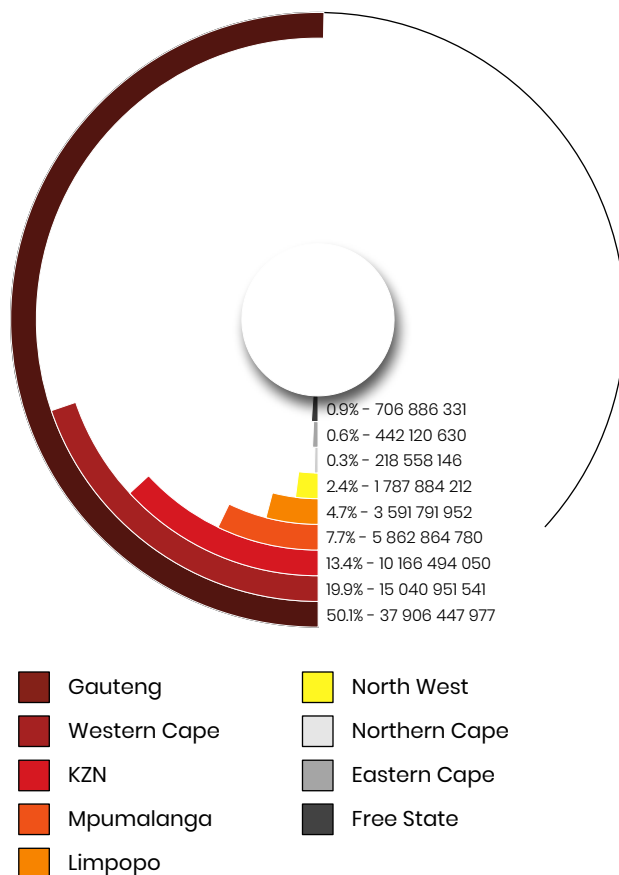
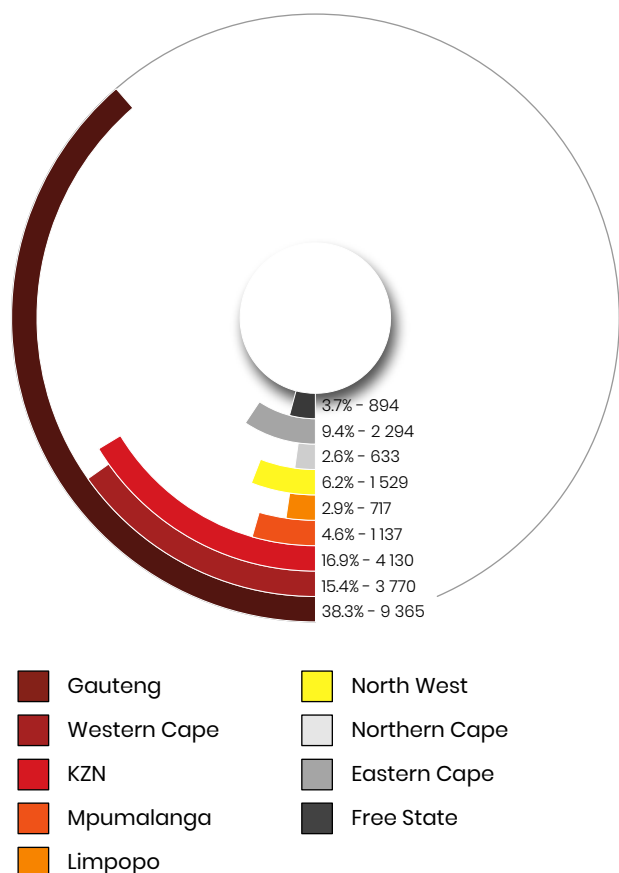
As at the end of 31 March 2020, Gauteng accounted for the highest number of licensed operational slots in casinos (936), compared to KwaZulu-Natal (4130) and Western Cape (3 770) out of the total number of 24 469. There was an overall increase of 6.3% in the number of operational slots between 2016-2017. However, a negative trend of 1.6% was observed between 2017- 2020. Gauteng

has the highest number of casinos as compared to other provinces resulting in the highest amount of GGR generated during followed by KwaZulu-Natal (19.6%) and Western Cape (16.0%).

highest amount of GGR being generated in the betting industry (42.0%).

Turnover betting (Totalisators and Bookmakers), per province, FY2019/20

Number of operational slots in casinos per province, FY2019/20, as at 31 March 2020

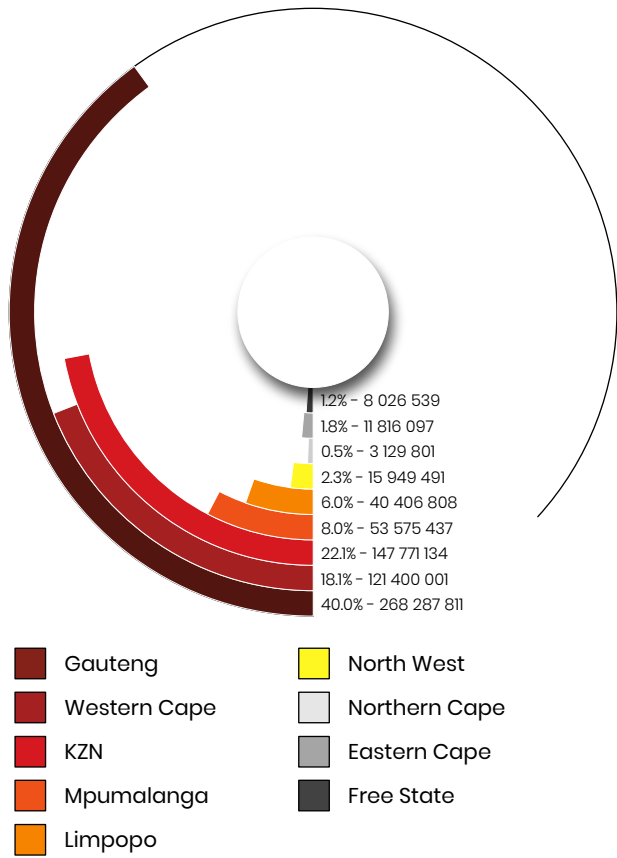


### Betting Sector

As at 31 March 2020, Gauteng accounted for the highest amounts of money gambled in the betting on horse racing and sport industry (50.1%) as compared to Western Cape (19.9%) and KwaZulu-Natal (13.4%). As at 31 March 2020, Gauteng accounted for the highest number of licensed operational totalisator outlets and bookmakers compared to other provinces therefore resulting in the

Gauteng accounted for the highest number of licensed operational totalisator outlets and bookmakers compared to other provinces therefore resulting in the highest amount of betting taxes collected in the betting industry (40.1%), followed by KwaZulu-Natal (22.1%) and Western Cape (18.1%). GGR generated in the Western Cape betting on horse racing and sport sector accounted for 23.9% and KwaZulu-Natal 13.3%.

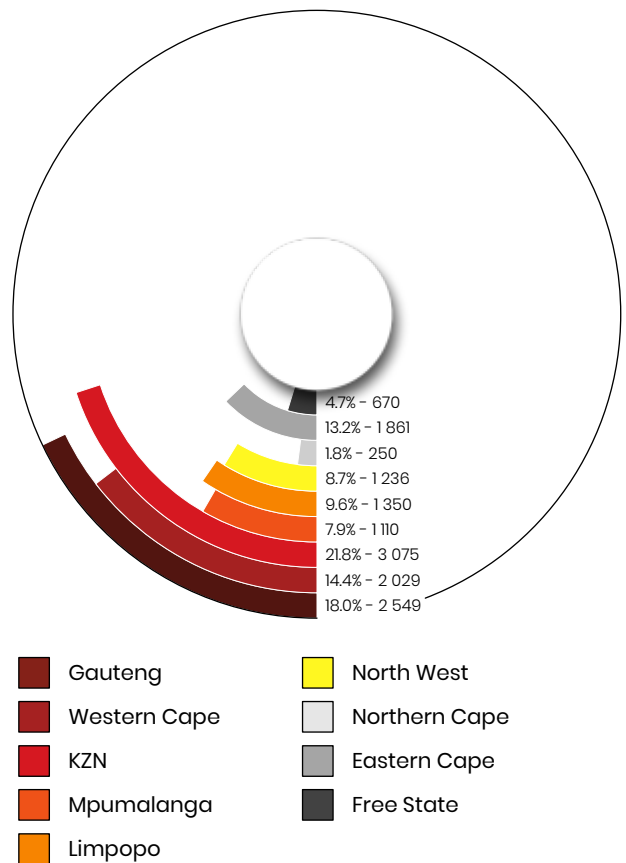
Taxes/levies collected relevant to betting (Totalisators and Bookmakers), per province, FY2019/20



### Limited Pay-out Machines

The highest number of operational site operators in FY2019/20 as at 31 March 2020 were situated in KwaZulu-Natal being a 21.8%, followed by 18.0% in Gauteng and 14.4% in Western Cape.

Number of active LPMS per province, FY2019/20, as at 31 March 2020



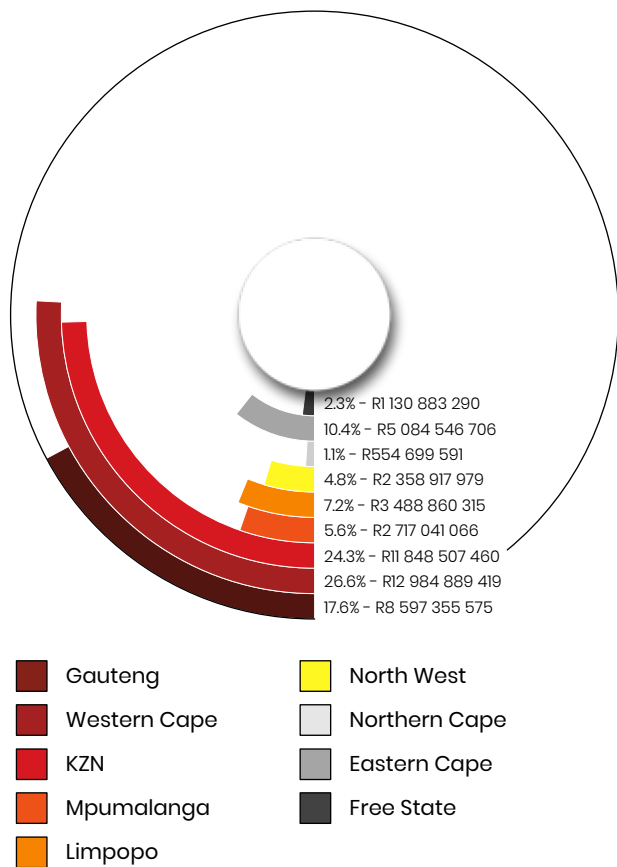


KwaZulu-Natal has the highest number of licensed active LPMs in FY2019/20 as at 31 March 2020, being 3075 (22.0%), followed by Gauteng that accounted for 2549 (18.2%) and Western Cape 2029 (14.5%). KwaZulu-Natal accounted for the highest number of licensed active LPMs (3075) and operational site operators (575) in FY2019/20 (as at 31 March 2020), however, the highest amounts of money wagered in the LPM sector (at 26.6% out of the total) was wagered in Western Cape during FY2019/20. This was followed by money wagered at LPM outlets during FY2019/20 in KwaZulu-Natal being 24.3% and Gauteng being 17.6% out of the total amount of money bet.

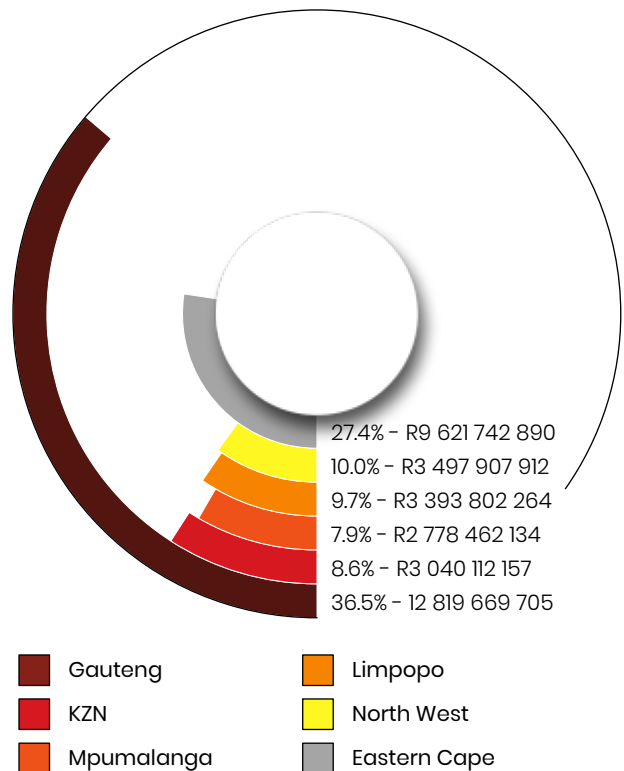
### Bingo Sector

Gauteng accounted for the highest number of licensed operational bingo positions or seats totalling 3027 out of a national figure of 8006 licensed operational positions in FY2019/20 as at 31 March 2020, compared to Eastern Cape 2 203, KwaZulu-Natal (1 119), Mpumalanga (645), North West (880) and Limpopo (132). Bingo is offered for play in six provinces namely Gauteng, KwaZulu-Natal, Mpumalanga, Limpopo, North West and Eastern Cape. The highest amount of money bet in FY2019/20 was recorded in Gauteng as being 36.5%, compared to Eastern Cape at 27.4%, North West at 10.0%, Mpumalanga at 7.9%, Limpopo at 9.7% and KwaZulu-Natal at 8.6%.

Turnover LPMS per province, FY2019/20



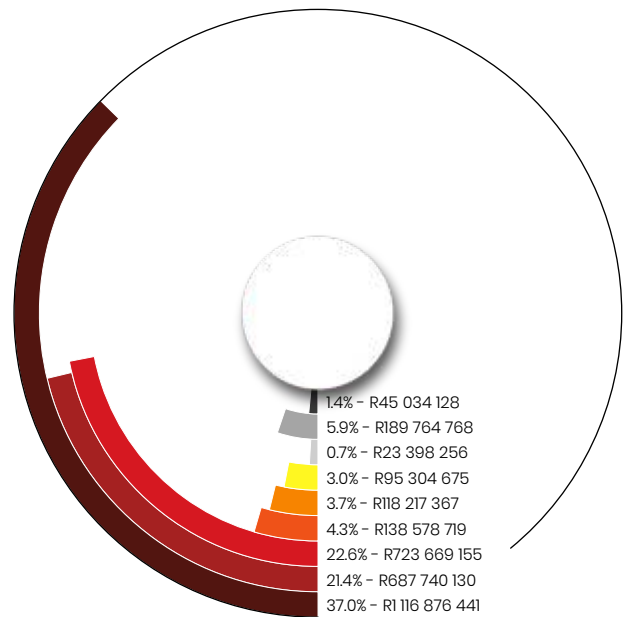
Turnover bingo per province, FY2019/20



## Taxes Collected by Sectors

Taxes/levies collected as at 31 March 2020, Gauteng accounted for the highest number of casinos by comparison with other provinces resulting in the highest amount of taxes/levies collected from these gambling venues (39.3%), followed by KwaZulu-Natal (23.3%) and Western Cape (22.6%). Taxes collected in KZN for 12 months ending March 2021 was R473 million as compared to R723 million in 2019/20. This is a 34.5% reduction in revenue collected for Provincial Government (Note industry has only operated all sectors for 9 months).

Taxes/levies contribution per province - FY2019/20



- Gauteng
- Western Cape
- KZN
- Mpumalanga
- Limpopo
- North West
- Northern Cape
- Eastern Cape
- Free State

**KZNGBB OVERALL STATISTICS AS AT MARCH 2021:**

The industry plays a pivotal role in stimulating local economic activities through jobs creation, capital expansion and revenue to provincial fiscal (taxes collection). The province of KwaZulu-Natal has 5 Casino's, 20 active Bingo Halls 535 active LPM Site Operators, 48 Bookmaking Businesses, 2 Totalisator Operators and 2 Race Course Operators. For the period under review, the provincial government generated a revenue of R421 Million. This suggests a negative trend of -38% (R679 Million) as compared to previous financial year. For the year under view, the industry contributed to the creation of 15 817 jobs, while activated R786 Million spend into local economy. The industry channelled an amount of R492 Million and R664 Million to PDI Spend and CSI respectively. The gambling industry of KZN is deemed as the 2nd largest after Gauteng with an estimated value of R85 Billion turnover. The industry is situated within Hotels, Restaurants, Clubs, Sports Venues, Pubs, Spaza Shops, Shopping Malls across the province.

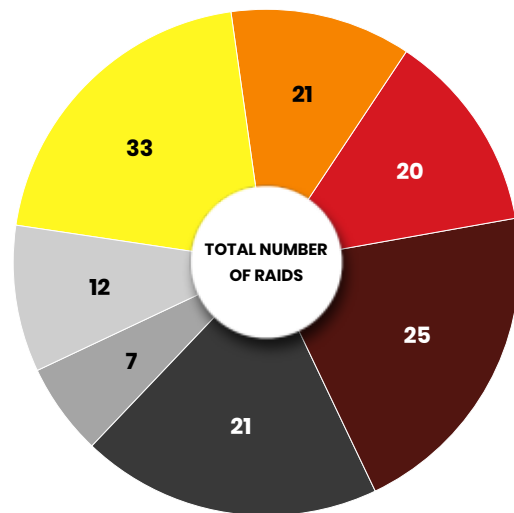
The comparative statistics below reflect the operational activities required to ensure effective regulation and compliance monitoring within both the Gaming and Betting sectors.

**Illegal gambling**

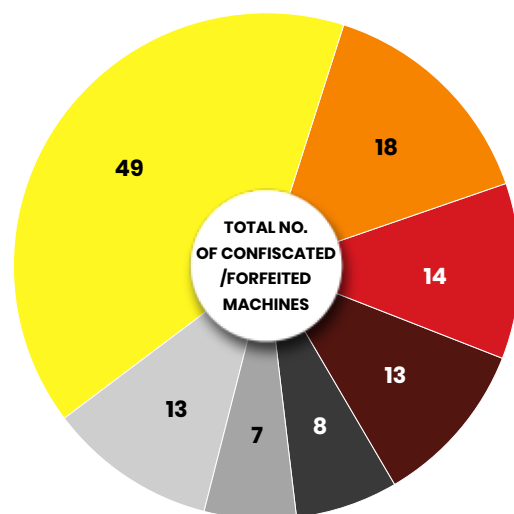
Illegal gambling continues to be a threat to licensed gambling operations and has the highest risk of people becoming problem gamblers. Illegal gambling includes all formats of gambling not legalised in South Africa, such as, online gambling, Fafi or iChina, card and dice games on the internet, betting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

fighting and other animal competitions, as well as gambling on mobile phones.

KZN GBB Investigated 17 cases of illegal gambling to ascertain their veracity and reported as confirmed cases to the SAPS for further investigation. Furthermore, 25 illegal gambling raids were conducted and confiscated thirteen [13] illegal gambling machines in conjunction with the SAPS to protect the interests of the public and maintain the integrity of the industry. 10 campaigns were conducted to raise illegal gambling awareness.



2014/2015 2015/2016 2016/2017 2017/2018 2018/2019 2019/2020 2020/2021



2014/2015 2015/2016 2016/2017 2017/2018 2018/2019 2019/2020 2020/2021

## Betting Taxes

Conducted 444 monthly tax verifications on operational betting licensees to provide Provincial Government with assurance of accurate tax revenue payments made by betting licensees.

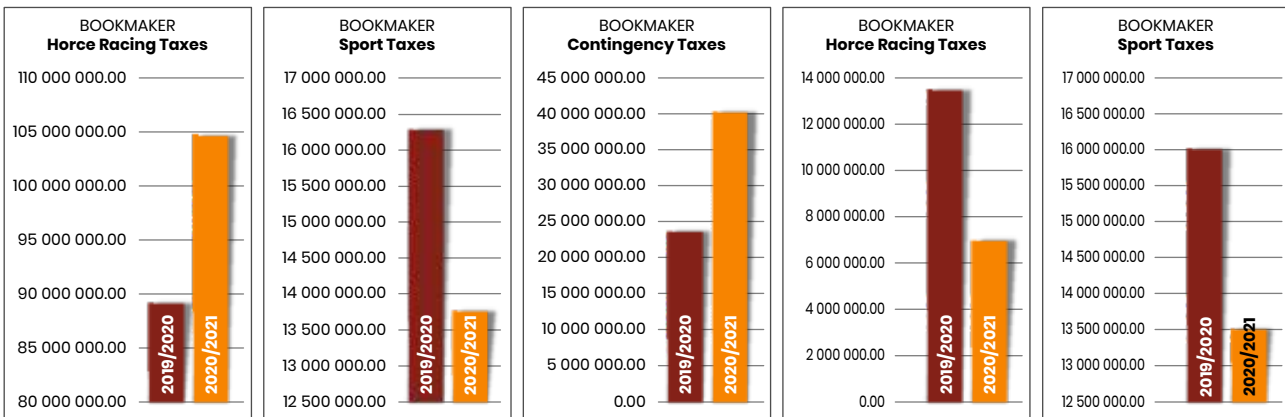
The total amount of Betting taxes generated by the Betting Industry during

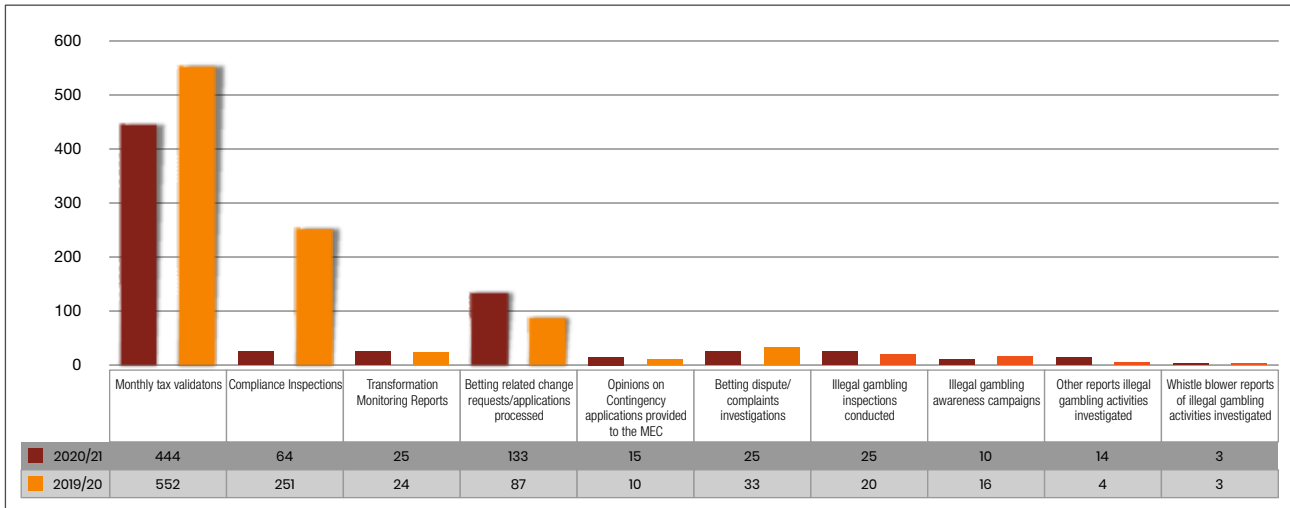
this financial period amounted to R 172,5 million which is an increase of 15.75% when compared to the previous financial year.

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 105 814 988.78	+17.37%
Bookmaker Sport Taxes	R 13 967 214.79	-15.42%
Bookmaker Contingency Taxes	R 42 539 030.32	+62.37%
Totalisator Horseracing Taxes	R 9 448 022.57	-32.40%
Totalisator Sport Taxes	R 707 190.32	-23.68%

From the R 105.8 million in taxes generated by Bookmakers on Horseracing an amount of R 52.9 million was distributed to Gold Circle by the Board in terms of Section D1 of the Gaming and Betting Tax Act.



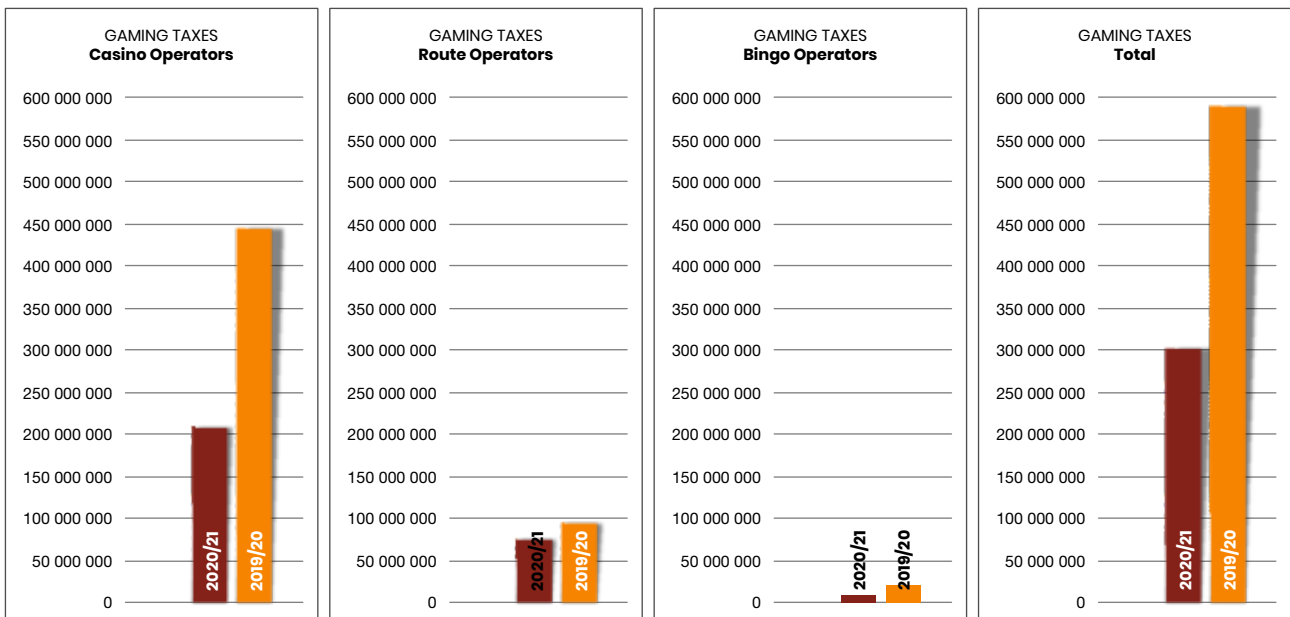


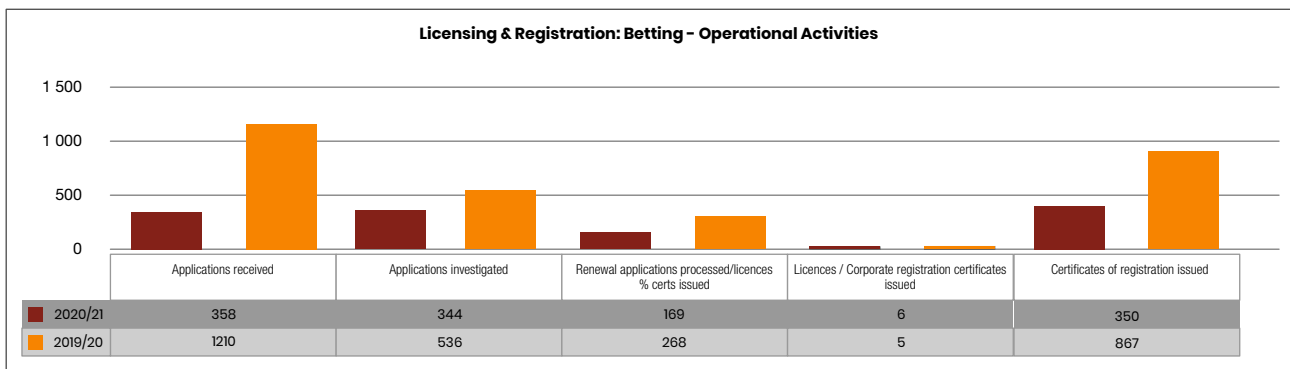
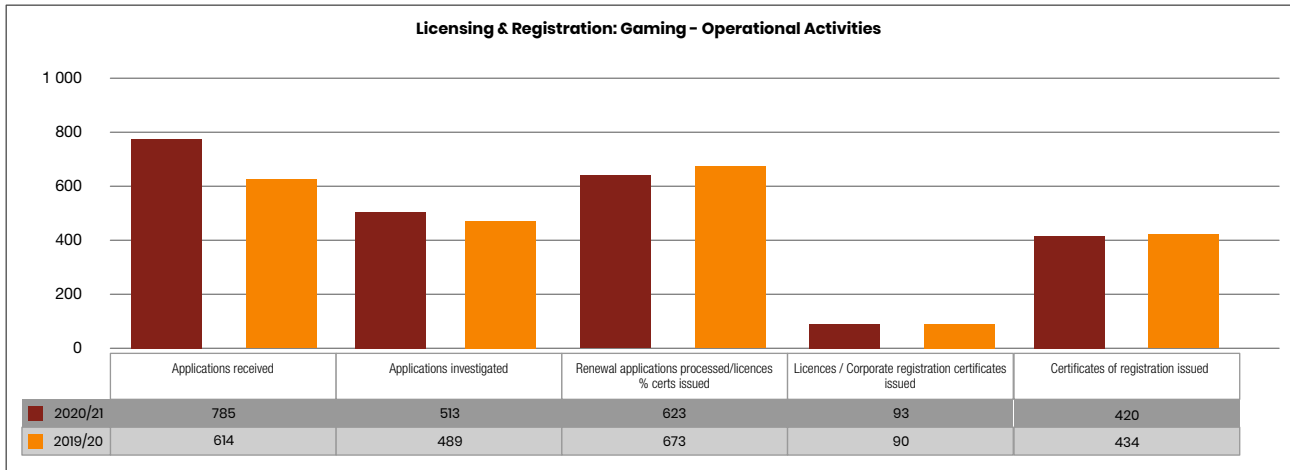
Note: The current comparative statistics since 2020/21 below reflect the growth in operational activities required to ensure effective licensing and registration of suitable persons within both the Gaming and Betting sectors.

### Gaming Taxes

The total amount of Gaming Taxes generated by the Gaming Industry during this financial period amounted to **R 301,5 million** which is significant decrease of **46.47%** when compared to the previous financial year.

SECTOR	2020-21 FY	2019-20 FY	VARIANCE	% VARIANCE
Casino operators	R211 321 474.05	R434 592 535.04	-R223 271 060.99	-51.37%
Route operators	R76 981 065.99	R105 216 610.39	-R28 235 544.40	-26.84%
Bingo operators	R13 204 827.94	R23 479 105.41	-R10 274 277.47	-43.76%
TOTALS	R301 517 668.10	R563 288 250.84	-R261 770 582.74	-43.76%





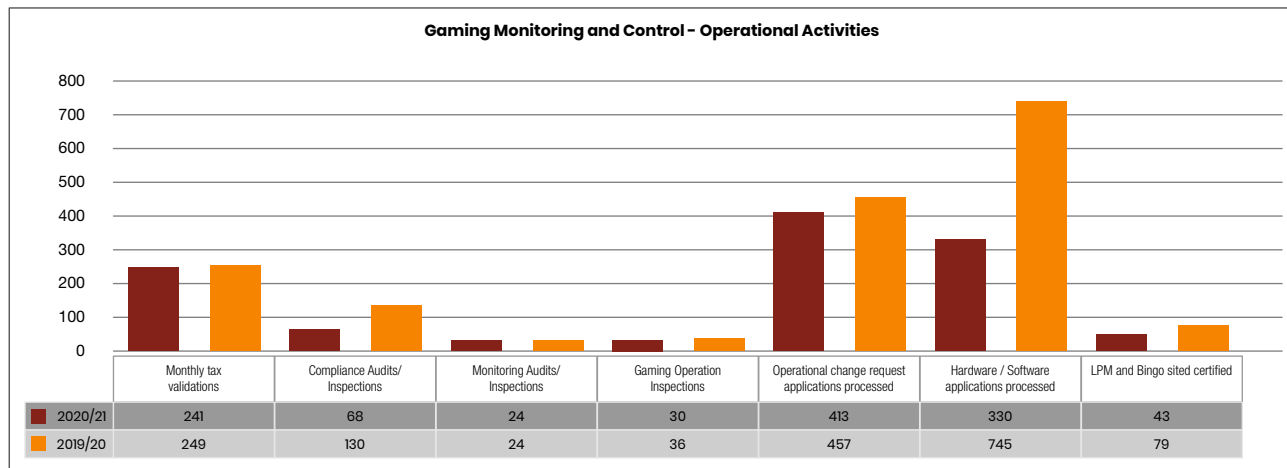
**Industry Statistics: Licensees - as at 31st March 2021**

SECTOR		SECTOR	
Casinos	5	Site Operators	551
Bingo Operators	22	Totalissators	2
Independent Site Operator	0	Racecourse Operators	2
Route Operators	4	Totalisator Outlets	107
Bookmarkers Rights	109	Provincial Certificate of Registration as a Manufacturer	2
National Manufacturer License	2		

**Gaming Machines and Table Statistics - as at 31st March 2021**

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 Casino	1 300	1 268	55	49	49
Suncoast Casino	2 350	1 521	80	59	67
Umfolozi Casino	300	300	14	14	14
Blackrock Casino	300	300	10	10	10
Golden Horse	450	450	20	20	20

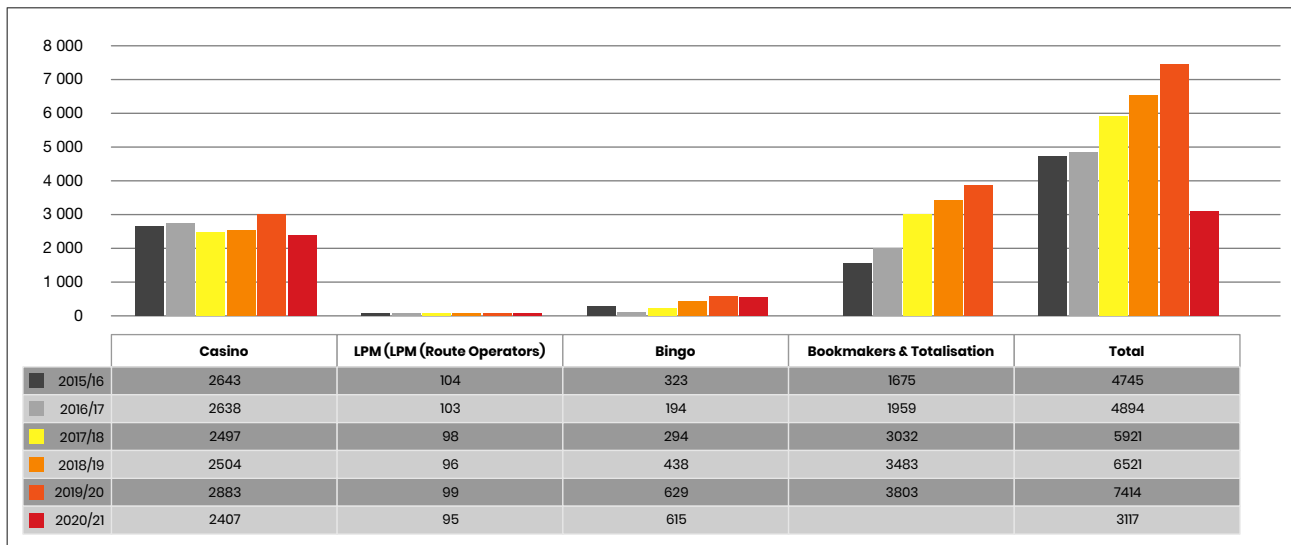
Note: The comparative statistics below reflect a decline in operational activities required to ensure effective regulation and compliance monitoring within the Gaming sector. However, this is against the backdrop of the Covid-19 pandemic and the related effects of the lockdown disruptions and restrictions on the Gaming sector.



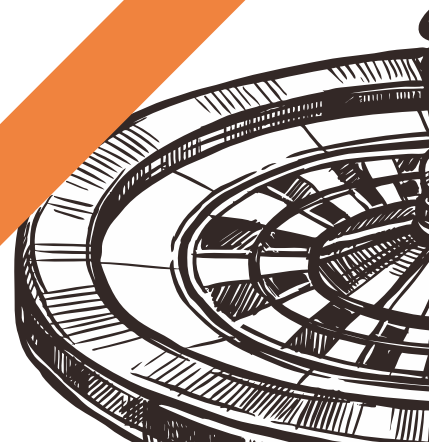
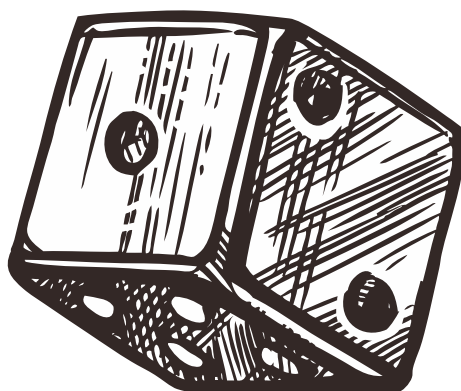
## Existing Registered Employees

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 licensed operations.

The table below reflects the comparative registered gambling employee statistics within the Province (registered by the Board in terms of the Act) which illustrates a total **growth in employment of registered employees within the gambling industry of 5,2%** since April 2019.

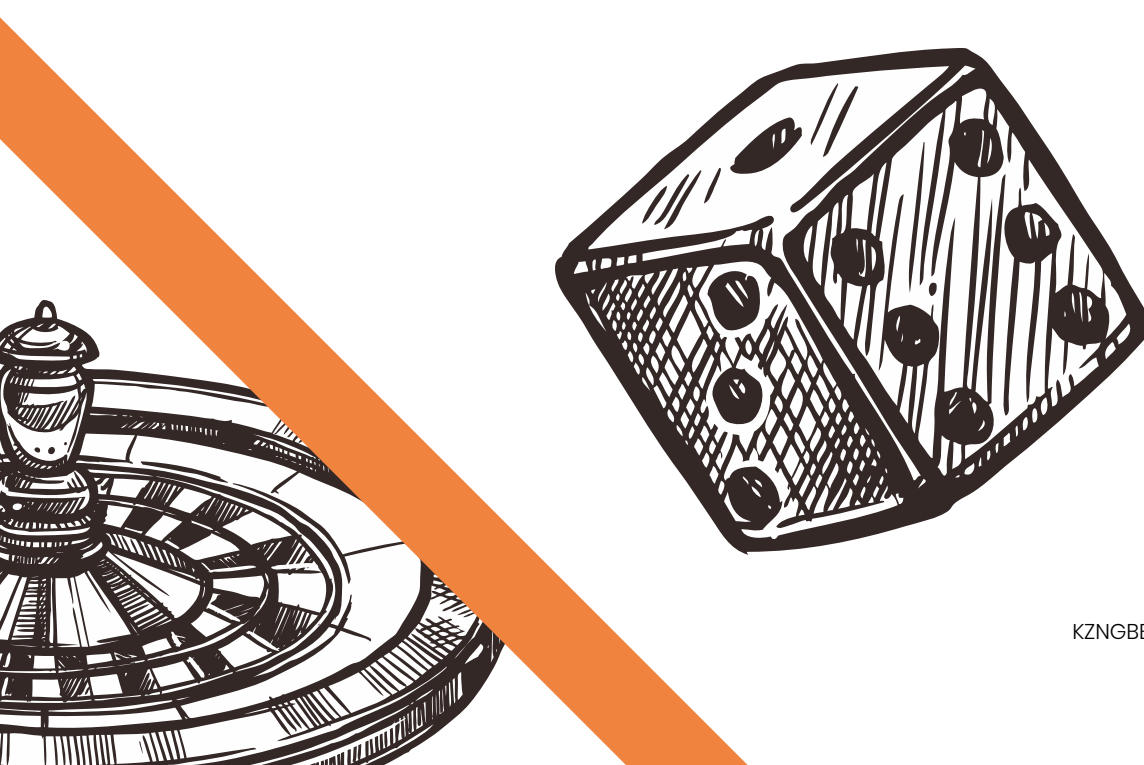
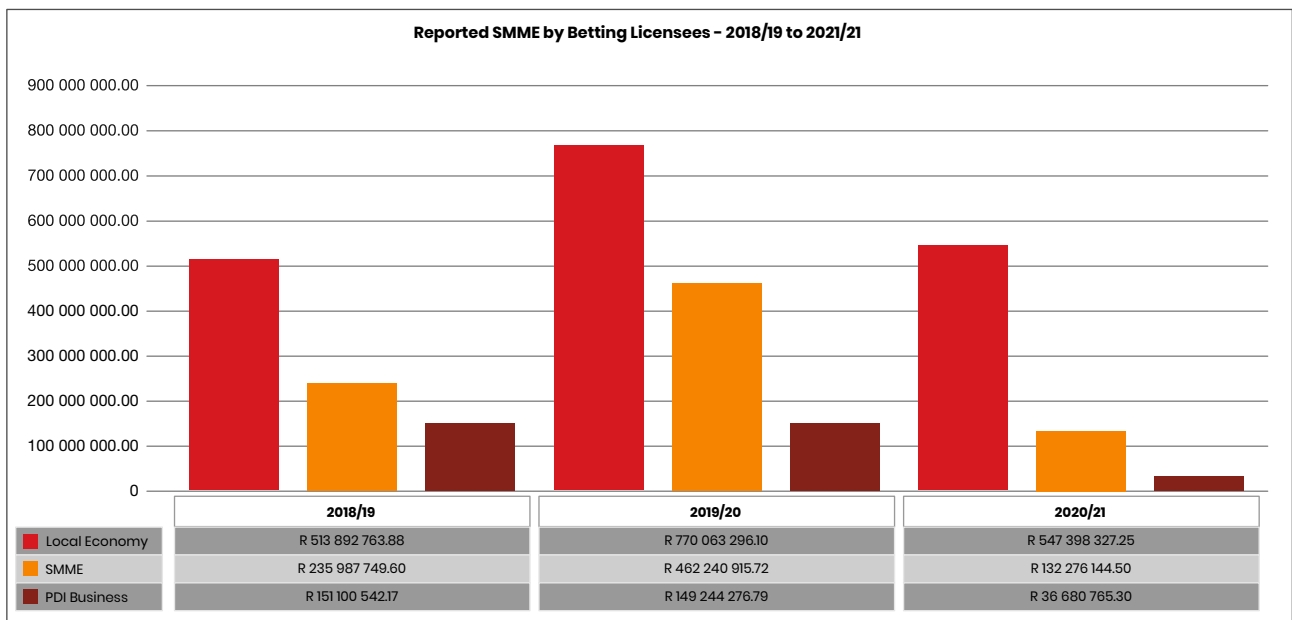
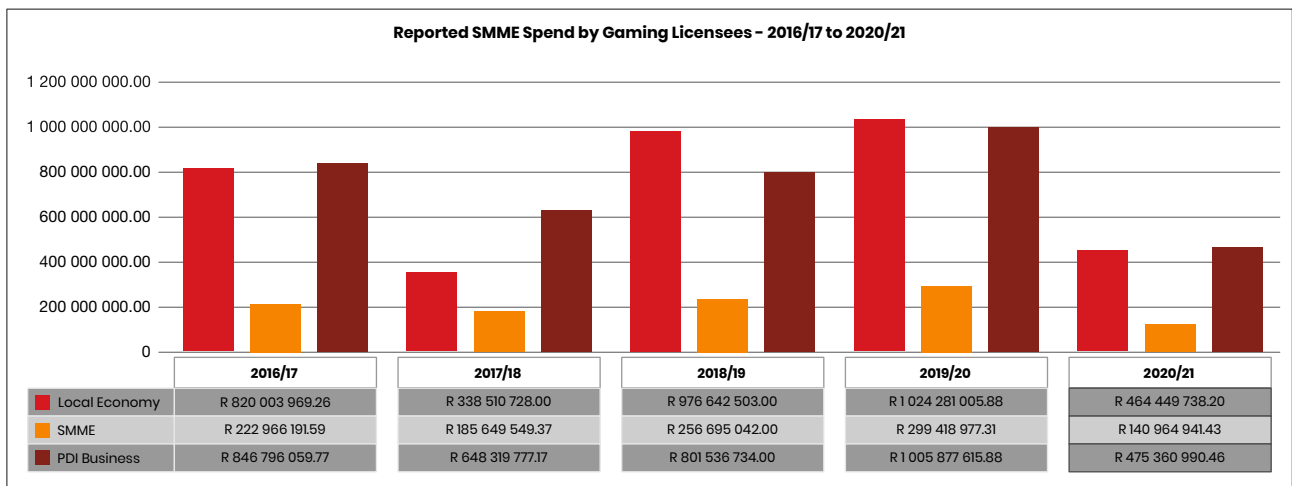


Programme 4 registers employees within the gambling industry which contributes to sustainable job creation to alleviate poverty and improve quality of life within the Province, thereby stimulating economic growth. Gaming and betting licensees provide access to employment opportunities, thereby encouraging new entrants into the industry within the Provincial economy. With the continued roll out of approved gaming and betting licences, it is anticipated that employment opportunities will continue to increase.



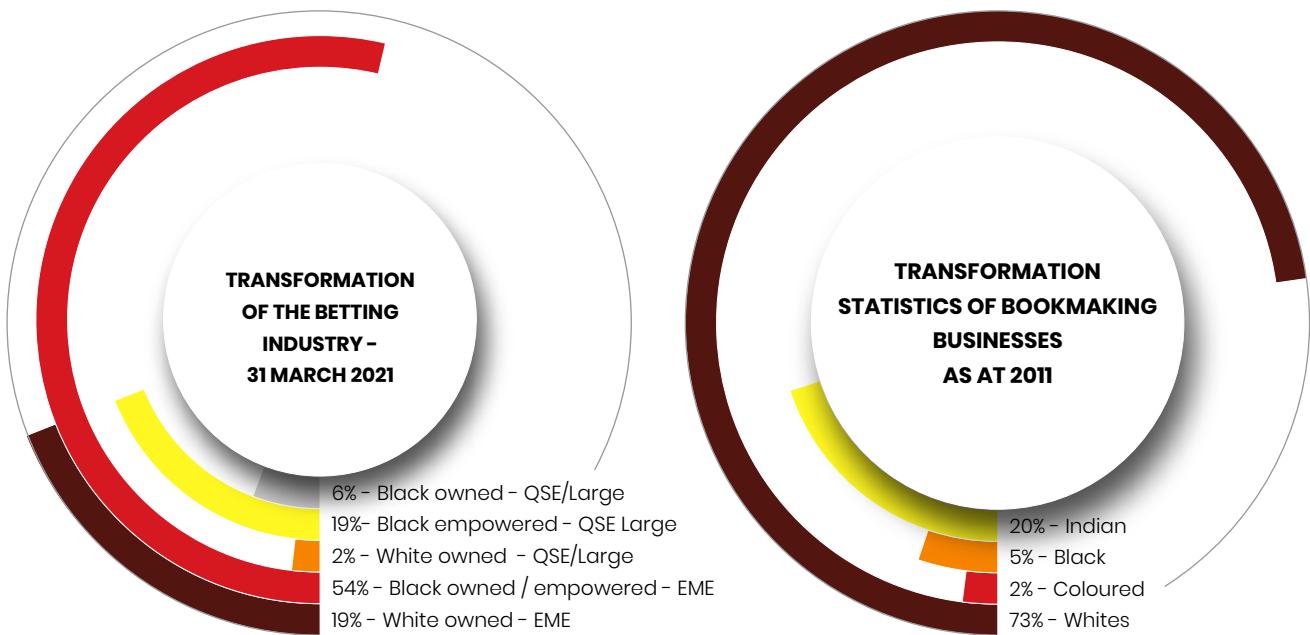


## SMME DEVELOPMENT



## Economic Transformation

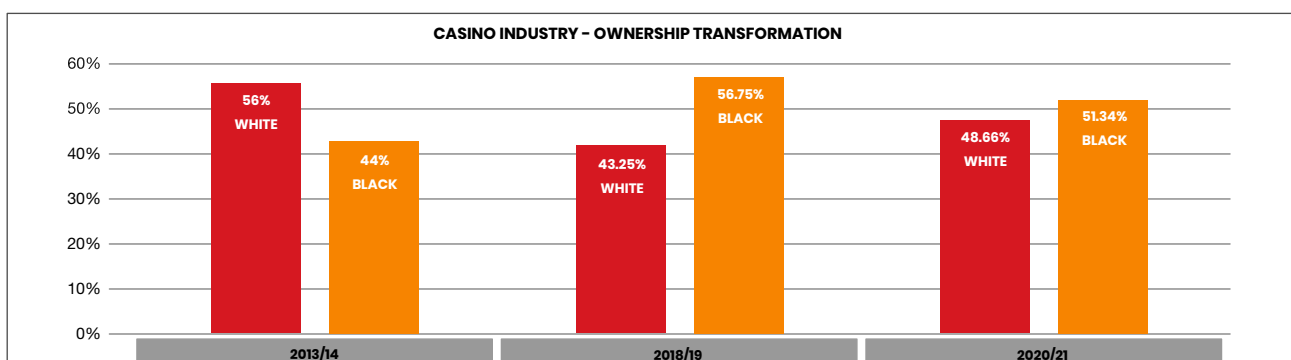
Significant focus has been given to the transformation of the horseracing and betting sector during the period under view to increase the number of Black persons accessing and participating in the industry. Positive strides have been made which is evidenced by an increase in “ownership participation” by Black persons in this sector. Of the 26 new bookmaking rights approved in 2016 (compulsory 60% ownership to be held by Black People), 20 are now operational. White ownership has been reduced from 73% to 20.83% since 2011/12 while Black owned/empowered businesses now stand at 79.17%



## Economic Transformation – Gaming

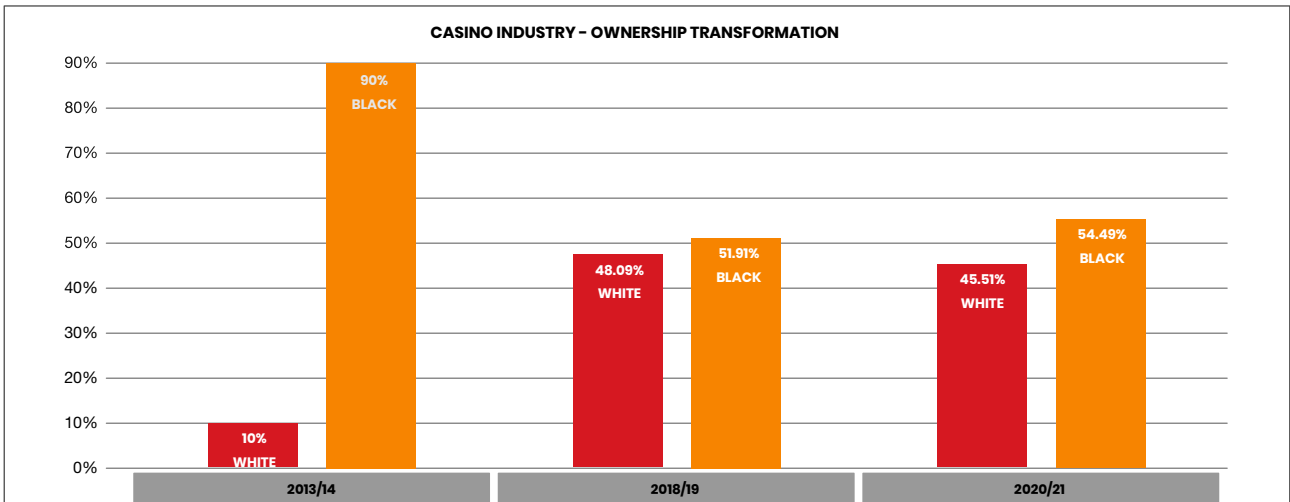
### Casino

In terms of the casino industry, there has been an increase of 0.75% by the 2018/2019 FY compared to the 2013/2014 FY, and an increase of 7.34% by the 2020/2021 FY compared to the 2013/2014 FY, however, there has been a decrease of 5.41% between the 2020/2021 and the 2018/2019 FY.



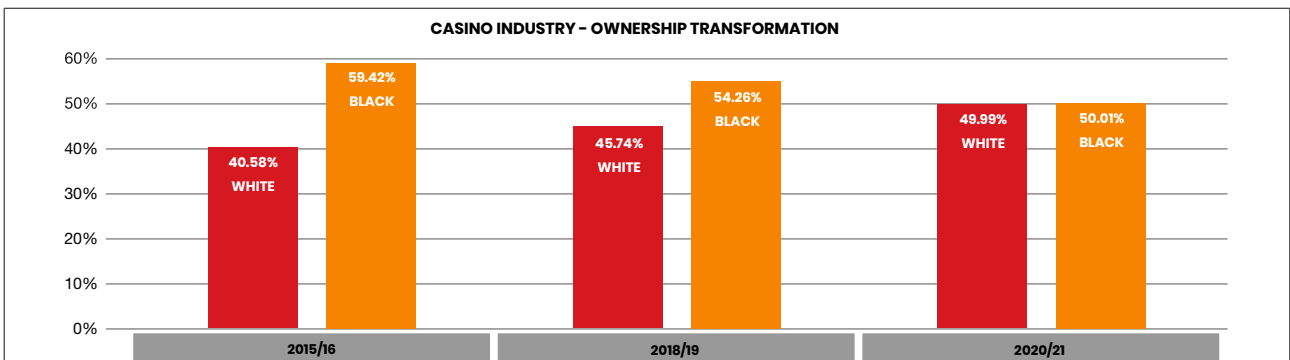
## Route Operators

In terms of the Route Operator industry, there has been a decrease of 38.09% by the 2018/2019 FY compared to the 2013/2014 FY, and an increase of 2.58% by the 2020/2021 FY.



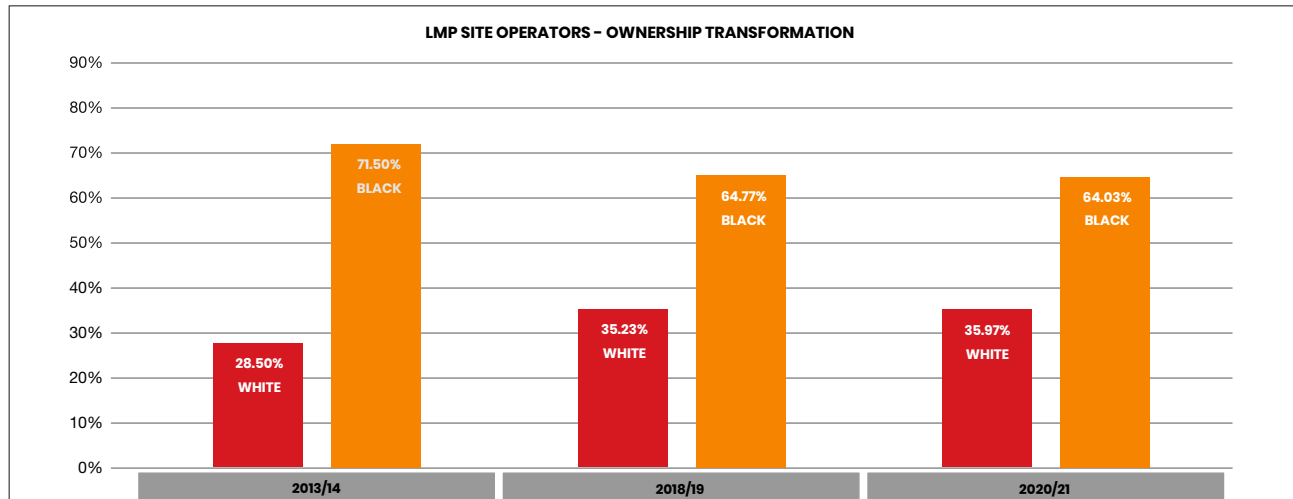
## Bingo Operators

In terms of the bingo industry, there has been a decrease of 5.16% by the 2018/2019 FY compared to the 2015/2016 FY, and a further decrease of 4.25% by the 2020/2021 FY.



## LPM Site Operators

In terms of the casino industry, there has been a decrease of 6.73% by the 2018/2019 FY compared to the 2013/2014 FY, and a decrease of 7.47% by the 2020/2021 FY compared to the 2013/2014 FY, and a further decrease of 0.74% between the 2020/2021 and the 2018/2019 FY.



Licence conditions were reviewed and enhanced to align with the Board's transformation imperatives and B-BBEE Codes of Good Practice and Tourism Sector Codes, where applicable, incorporating the key pillars of empowerment. Engagements with licensees regarding transformation plans and commitments were undertaken with the gaming and betting licensees to assess progress and determine levels of compliance.

## Revenue collected

GAMBLING TAX FOR THE YEAR ENDED 31 MARCH 2021						
SECTOR	ACTUAL			2020/21 BUDGET		
(R*000)	2020/21	2019/20	% Change YOY	Original	Revised Budget	% Collected
Bingo	2 488	4 316	-42.35	136	463	537.37
Bookmakers	162 315	132 873	22.16	101 655	113 222	143.36
Casino	211 328	438 524	-51.81	411 246	206 702	102.24
Limited Payout Machines	87 691	133 153	-34.14	120 009	64 577	135.79
Totalisator	10 157	14 904	-31.85	21 001	8 796	115.47
<b>TOTAL</b>	<b>473 979</b>	<b>723 770</b>	<b>-34.51</b>	<b>654 047</b>	<b>393 760</b>	<b>120.37</b>

## 2.4. ORGANISATIONAL ENVIRONMENT

The current approved organisational structure has 100 posts, 82 of which are funded. A total of 73 posts are currently filled, 27 posts being vacant. For the period under review, the organisation recorded a vacancy rate of 13.92% and staff turnover of 2.81% respectively. KZNGBB had a ratio of 40% of woman in Senior Management position as compared to 60% of Men in Senior Management Position as at the end of 31 March 2021. In keeping in line with cost cutting measures by Provincial Treasury, (Treasury Circular No PT10 of 2016-17) these positions can only be filled upon obtaining the necessary approvals and funding. The vacant posts and 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 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.

## 2.5. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There was no major policy or legislative changes that have affected the operations during the period under review.

### STRATEGIC ALIGNMENT WITH MTSF AND KZN PGDP (OUR PERFORMANCE)

MTFS Priority 2	Economic Transformation and Job Creation			
PGDP Priority	Growing the Economy and Job Creation			
MTSF Outcome Statements	Provincial POA	KZNGBB Priorities		KZNGBB Outcomes
More decent jobs sustained and created, with youth, women and persons with disabilities prioritized	Job Creation and Inclusive Growth through accelerating Radical Economic Transformation	Implementation of Black Industrialist Program	1	Increase inclusive and sustainable economic growth and contribution to job creation and tourism
	Transform the Economy to serve the people	Increase Black ownership and Transform the gaming, and horseracing industry.		

<b>MTFS Priority: 1</b>	<b>Capable, Ethical and Developmental State</b>			
PGDP Priority: 8	Build a caring and incorruptible government			
MTSF Outcome Statements	Provincial POA	KZNGBB Priorities		KZNGBB Outcomes
Illicit economy unit established and fully functional	Strengthen oversight of entities and departments – Departmental and Entity monitoring system established by 31 March 2021.	Integrating of law enforcement structures in combating illegal gambling	2	Enhance the integrity of the Gaming and Betting Industry

<b>MTFS Priority: 7</b>	<b>A better Africa and the World</b>			
PGDP Priority	Growing the Economy and Jobs Creation			
MTSF Outcome Statements	Provincial POA	KZNGBB Priorities		KZNGBB Outcomes
Growth in tourism sector resulting in economic growth	East3Route which is a tourism and investment route linking South Africa (KwaZulu-Natal and Mpumalanga Provinces), Mozambique, Swaziland and Seychelles	Promote rural horseracing	3	Grow revenue for Provincial Government and the Entity

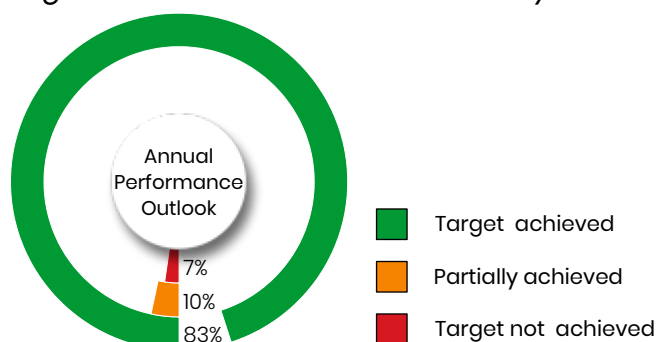
<b>MTFS Priority: 2</b>	<b>Capable, Ethical and Developmental State</b>			
PGDP Priority	Build a caring and incorruptible government			
MTSF Outcome Statements	Provincial POA	KZNGBB Priorities		KZNGBB Outcomes
Illicit economy unit established and fully functional	Strengthen oversight of entities and departments – Departmental and Entity monitoring system established by 31 March 2021.	Create awareness and empower communities about irresponsible gambling	4	Protect the Interest of the Public

<b>MTFS Priority: 1</b>	<b>Capable, Ethical and Developmental State</b>			
<b>PGDP Priority: 8</b>	<b>Build a caring and incorruptible government</b>			
<b>MTSF Outcome Statements</b>	<b>Provincial POA</b>	<b>KZNGBB Priorities</b>		<b>KZNGBB Outcomes</b>
Reduction of wasteful and fruitless expenditure in public sector by 60% by 2022	Strengthen oversight of entities and departments – Departmental and Entity monitoring system established by 31 March 2021.	Clean Audit Opinion with no matters of emphases	5	Optimize Institutional Service Excellence

### 3. PERFORMANCE INFORMATION BY PROGRAMMES

For the year under view, the organization achieved 83% against the planned targets, of which 10% were partially achieved and 7% reported as target not achieved for year ended 31 March 2021. The office of the Auditor-General documented a clean audit outcome on performance information for the year 2020–2021.

*Organisational Performance for the year ended 31 March 2021*



#### 3.1. 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
1.1. Office of the CEO	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.
1.2. Governance, Risk and Compliance	To implement governance, risk and compliance programme to ensure that the entity has and maintains effective, efficient and transparent internal control in order to operate within the boundaries of relevant legislation, regulation and governance best practice for public entities.

Sub-Programme	Purpose
1.3. Legal Services	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.
1.4. Human Resources	To ensure implementation of the human resources strategy by attracting, developing and retaining suitably qualified and competent human resources for the Board.
1.5 Communications	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).

### 3.1.1 SUB-PROGRAMME 1.1 – OFFICE OF THE CEO

Sub-Programme	Purpose
1.1. Office of the CEO	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.

#### Pre-Determined Objectives for 2020/21 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
1.1 % of existing qualifying gaming and betting licensees with minimum of 26% Black ownership	80%	80%	86%	6%	Target Achieved
1.2 Black Gambling Industrial Policy produced for approval within prescribed time	New Indicator	Approved Policy on Black Industrialist	Approved Policy on Black Industrialist	N/A	Target Achieved
1.3 Number of Black Industrialist created through the implementation of the Black Industrialist Program (Manufacturing, Assembly and Electronics)	New Indicator	Produced a Business Plans for 5 Gambling Industrialist	10	+5	Target Achieved: New programme targets identified were exceeded due to higher demand for participation in BI programmes



Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations	
		Planned target 2020/21	Actual Achievement 2020/21			
1.4	Number of jobs created through Black Industrialist Program	New Indicator	100	163	+63	Target Achieved: New programme targets identified were exceeded due to higher demand for participation in BI programmes
1.5	Number of SMME's created through Black Industrialist and Transformation Program	New Indicator	5	10	+5	Target Achieved: New programme targets identified were exceeded due to higher demand for participation in BI programmes
1.6	Approved Annual Performance Plan compliant with Strategic Planning Framework Requirements	2020-2021 APP Approved within prescribed timeframe	2020-2021 APP Approved within prescribed timeframe	2020-2021 APP Approved within prescribed timeframe	1	Target Achieved
1.7	% Achievement of Annual Performance Plan Target	New Indicator	85%	83%	-2%	Target Partially Achieved: Changes in the service delivery environment due to Covid 19 regulations
1.8	% achievement in Recovery Plan	New Indicator	30% of Plan Implementation	30%	30%	Target Achieved
1.9	% of CEO delegated application considered within prescribed timelines	New Indicator	100%	100%	100%	Target Achieved
1.10	Number of unqualified Performance Audit Opinion	Unqualified Audit opinion with matters of emphases	Unqualified Audit opinion with matters of emphases	Unqualified Audit opinion with matters of emphases	Unqualified Audit opinion with matters of emphases	Unqualified Audit opinion with matters of emphases

### 3.1.2 SUB-PROGRAMME 1.2 – GOVERNANCE RISK AND COMPLIANCE

Sub-Programme	Purpose
1.1. Governance, Risk and Compliance	To implement policy, processes and systems to ensure that the entity has and maintains effective, efficient and transparent internal controls in order to optimise institutional service excellence through governance and best practice

#### Pre-Determined Objectives for 2020/21 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
2.1 Level of Governance and Accountability management practice compliance assessment within two produced report	MPAT Level 3	MPAT Level 3 (2 reports)	2 Reports	N/A	Target Achieved
2.2 % Implementation of strategic Risk Mitigation Plans	85%	90%	80%	-10%	Target Partially Achieved: 69 Mitigation Action Plans were implemented against 77. Managers have not completed projects and training programmes or implemented plans scheduled for conclusion during the year.
2.3 Number of quarterly reports on Annual Audit Improvement Plan Implementation	4	4	4	N/A	Target Achieved
2.4 Number of quarterly Board Resolution Status Reports	4	4	4	N/A	Target Achieved

### 3.1.3 SUB-PROGRAMME 1.3 – LEGAL SERVICES

Sub-Programme	Purpose
LEGAL SERVICES	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.

#### Pre-Determined Objectives for 2020/21 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
3.1 % of licence conditions developed that are compliant with BBBEE and Transformation commitment	100%	100%	100%	N/A	Target Achieved
3.2 % of section 87 and non-compliance indicator	100%	100%	100%	N/A	Target Achieved
3.3 Number of reviews of board regulations and gambling legislation	1	1	1	N/A	Target Achieved

### 3.1.4 SUB-PROGRAMME 1.4 – HUMAN RESOURCES

Sub-Programme	Purpose
HUMAN RESOURCES	To ensure implementation of the human resources strategy by attracting, developing and retaining suitably qualified and competent human resources for the Board.

#### Pre-Determined Objectives for 2020/21 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
4.1 % of approved funded post which are vacant per quarter	11.25%	10% or Less	15%	-5%	Target not achieved No authorization was received from the Office of the Premier to recruit for vacant funded positions

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
4.2 % of planned training interventions in the workplace skills Plan achieved	62%	95%	40%	-55%	Target not achieved: Training Interventions were delayed due to SCM processes and Covid 19 Impact.
4.3 % of signed performance agreements submitted within prescribed timeframe	100%	100%	100%	N/A	Target achieved
4.4 Level of Human Resources Accountability management practice compliance assessment	MPAT Level 3	MPAT Level 3	MPAT Level 3	N/A	Target achieved

### 3.1.5 SUB-PROGRAMME 1.5 – COMMUNICATIONS

Sub-Programme	Purpose
COMMUNICATIONS	The purpose of this programme is to support the entity by the provision of financial administration, asset management and procurement services. This programme is also responsible for managing the relationship with the internal auditing services of the KZNGBB. The functions within this programme include the following: Supply Chain Management, Cost and Management Accounting and Financial Accounting.

### Pre-Determined Objectives for 2020/21 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
5.1 % of planned strategic Communication interventions undertaken	New Indicator	80%	80%	N/A	N/A

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations	
		Planned target 2020/21	Actual Achievement 2020/21			
5.2	Number of public awareness campaign facilitated	3	10	29	+19	Target Achieved: The target was exceeded due to the KZNGBB attending events with EDTEA and the KZN Liquor Authority.
5.3	Number of research projects undertaken in the gaming and betting industry	New Indicator	1	1	N/A	Target Achieved
5.4	Number of stakeholders engagement undertaken with KZNGBB stakeholders	New Indicator	20	38	+18	Target Achieved: The number of stakeholder engagements increased over this period with the introduction of ESID cluster meetings with EDTEA, as well as the implementation of the rationalisation process, and the engagements with licensees about COVID-19 interventions. The development of the rural horseracing master plan and engagement with stakeholders who are part of the project required engagements
5.5	Amount of Pledges collected from industry	New Indicator	R 2 Million	R2.8 Million	+R800 000	Target Achieved: The target was exceeded as there was a donation that was provided of R2.75 million worth of sanitary towels and diapers,

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
					in addition to this there was a R500 000 contribution that was provided by a licensee in support of GBV interventions

#### 4. PROGRAMME 2: FINANCE

Sub-Programme	Purpose
	The purpose of this programme is to support the entity by the provision of financial administration, asset management and procurement services. This programme is also responsible for managing the relationship with the internal auditing services of the KZNGBB. The functions within this programme include the following: Supply Chain Management, Cost and Management Accounting and Financial Accounting.

#### Pre-Determined Objectives for 2020/21 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
6.1 Number of progress reports on the implementation of the audit improvement plan	New Indicator	4	4	N/A	N/A
6.2 Accountability through Financial Reporting	4	4	4	N/A	N/A
6.3 % reduction in fruitless and wasteful expenditure	New Indicator	25%	100%	75%	The level of the balance was small to deal with.

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
			Planned target 2020/21	Actual Achievement 2020/21		
6.4	% reduction in irregular expenditure	New Indicator	25%	0	-25%	There were delays in the finalisation of the condonation process relating to the balance brought forward from the previous year. Capacity constraints within the Unit, coupled with the pandemic and lockdown, resulted in delays in the location and provision of information to the treasury in support of the condonation application.
6.5	% of valid invoices paid to suppliers within 30 days	95.64%	95%	96.31%	1.31%	The over achievement was the result of an improvement in the monitoring of invoices and reduction in Invoices under query.
6.6	Opinion by Auditor General on 2019/20 Financial Statements	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	N/A	Target Achieved
6.7	Schedule of revised fees	Fee schedule prepared by 30 September 2019 for approval	Schedule of revised fee by 30 September 2020	Schedule of fees not revised	Not achieved	The fee revision was deferred due to the impact of the pandemic on the industry. The industry had to close their operations during the lockdown period and the fee adjustment would have further compounded their problems. The fee adjustments will be reconsidered in 2021.

## 5. PROGRAMME 3: INFORMATION AND COMMUNICATION TECHNOLOGY

Sub-Programme	Purpose
INFORMATION AND COMMUNICATION TECHNOLOGY	To provide information communication technology (ICT) and knowledge management services to the entity

### Pre-Determined Objectives for 2020/21 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
7.1 % of targets in Annual ICT Strategy Implementation Plan achieved each year	80%	80%	80%	N/A	Target Achieved
7.2 Number of quarterly ICT Strategy Implementation Monitoring Reports to IT Steering Committee	4	4	4	N/A	Target Achieved

## 6. PROGRAMME 4: LICENSING AND REGISTRATION

### 6.1. Sub-Programme 4.1: Licensing and Registration – Betting

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

Sub-Programme	4.1 Licensing & Registration: Betting
Purpose	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.



## Pre-Determined Objectives for 2020/21 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
8.1 % of corporate applications for Betting industry investigated within prescribed timeframes (Licences and certificates of registration)	80%	80%	80%	N/A	Target Achieved
8.2 % of certificate of registration application for betting industry investigated within prescribed timeframes (natural persons- excluding Bookmakers Clerks)	70%	70%	100%	+30%	Target Achieved: The hard lockdown resulted in few applications submitted giving staff enough time to investigate applications on hand
8.3 % of betting renewal applications processed within prescribed timeframe	100%	100%	98%	-2%	Target Partially Achieved: There were delays from few applicants in obtaining supporting documents for applications for renewal of the licences. The delays were caused by closure of some offices as a result of the hard lockdown
8.4 % of corporate betting application probed and making commitments on B-BBEE requirements	100%	100%	100%	100%	Target Achieved

## 6.2. Sub-Programme 4.2: Licensing and Registration – Gaming

Sub-Programme	<b>4.2 Licensing &amp; Registration: Gaming</b>
Purpose	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.

### Pre-Determined Objectives for 2020/21 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
9.1 % of corporate applications for Gaming industry investigated within prescribed	70%	70%	35%	-35	Target not achieved: The hard lockdown prevented the continuation of the

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
timeframes (Licences and certificates of registration)					investigation of applications that were already pending before the Board when the lockdown period was declared. This resulted in their investigation going beyond the prescribed 90/120 working days
9.2 % of certificate of registration applications for gaming industry investigated within prescribed timeframe (natural person excluding NCEMS Employees)	70%	70%	61%	-9%	Target Partially Achieved: The hard lockdown prevented the continuation of the investigation of applications that were already pending before the Board when the lockdown period

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations	
		Planned target 2020/21	Actual Achievement 2020/21			
					was declared. This resulted in their investigation going beyond the prescribed 60 working days	
9.3	% of gaming renewal applications processed within prescribed timeframes	100%	100%	100%	N/A	Target Achieved
9.4	% of corporate gaming applications probed on B-BBEE	100%	100%	100%	N/A	Target Achieved

## 7. PROGRAMME 5: GAMING, MONITORING AND CONTROL

### 7.1. Sub-Programme 4.1: Monitoring and Gaming Audit

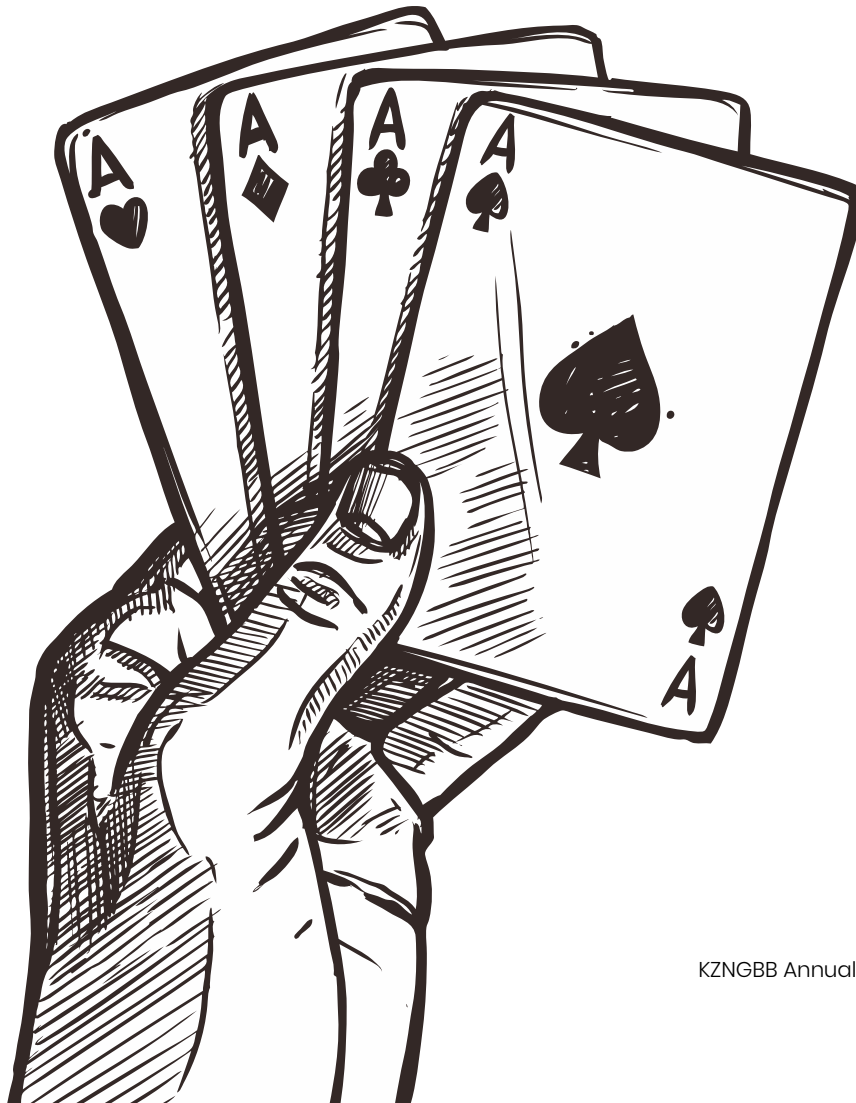
Sub-Programme	Purpose
5.1 Monitoring and Gaming Audit	To monitor gaming activities in the Province through tax audits, transformation monitoring audits ensuring adherence to bid commitments and license conditions and compliance audits thereby providing reasonable assurance on gaming revenue collection for the Province as well as enforcement on gaming licenses to achieve a transformed and compliant gaming industry in terms of the legislative prescripts.

#### Pre-Determined Objectives for 2020/21 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations	
		Planned target 2020/21	Actual Achievement 2020/21			
10.1	% of gaming taxes collected against verified taxes payable	100%	100%	100% (241*100/241)	N/A	Target Achieved: 241

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations	
		Planned target 2020/21	Actual Achievement 2020/21			
10.2	Number of Gaming audits conducted on Casino, Route Operator, LPM site and Bingo Licensees	130	68	68	N/A	Target Achieved
10.3	Number of transformation monitoring progress audits conducted	24	24	24	N/A	Target Achieved
10.4	Number of new Black Jobs created	New Indicator	300	282	-18	Target Partially Achieved: The industry was severely impacted by effects of Covid-19 and National Lockdown and as such they could not employ more instead there were retrenchments in some instances. The target is outside the control of the Unit or Organisation.
10.5	Value of local SMME spend	New Indicator	R50 Million	R 56,149, 723.03	R6149 723	Target Achieved: The roll out of new sites during the period was a contributing factor to the increased spend. The change in the business model or operations owing to the effects of Covid-19 and National Lockdown was also a contributing factor. The target is outside the control of the Unit or Organisation.

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
10.6 % of gaming audit change request applications processed within targeted timeframe	100%	90%	79%	-11%	Target Partially Achieved: There was a delay in processing of some of the applications due to the following reasons: the nature and complexity of the application which required additional information resulting to time delays on submission of information, and some application/(s) required public hearing/(s).



## 7.2. Sub-Programme 5.2: Gaming Control

Sub-Programme	Purpose
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.

### Pre-Determined Objectives for 2020/21 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
		Planned target 2020/21	Actual Achievement 2020/21		
11.1 Number of gaming technical compliance inspections conducted	30	30	33	+3	Target Achieved: The reason for positive variance emanated from the new Four (4) new bingo halls certified which were not planned for however the Gaming Control reprioritize its resources in order to assist the bingo industry in speedy recovery from COVID 19 pandemic and the organization in collecting more levies/taxes for the KZN Provincial fiscal.
11.2 % of certification of compliant gaming within targeted timeframe	100%	90%	100%	+10%	Target Achieved
11.3 % of gaming audit change request applications processed within targeted timeframe	90%	90%	99%	+9%	Target Achieved: The positive variance emanates from the organizational strategy implemented to optimized

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations	
		Planned target 2020/21	Actual Achievement 2020/21			
					institution with service excellence by reducing the turn-around time frame and reprioritisation of resources	
11.4	% of registration of gaming equipment within targeted timeframe	90%	90%	100%	+10%	Target Achieved: The positive variance emanates from the organizational strategy implemented to optimized institution with service excellence by reducing the turn-around time frame and reprioritisation of resources

## 8. PROGRAMME 6: BETTING MONITORING AND CONTROL

Sub-Programme	Purpose
BETTING MONITORING AND CONTROL	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.

### Pre-Determined Objectives for 2020/21 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations	
		Planned target 2020/21	Actual Achievement 2020/21			
12.1	% of betting tax validations conducted against number of operational licensees	100%	100%	100%	N/A	Target Achieved

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations	
		Planned target 2020/21	Actual Achievement 2020/21			
12.2	Number of monitoring inspections conducted	58	30	25	-5	Target Partially Achieved: Resource Constraints – Inability to fill vacant position after an employee resigned.
12.3	Number of new black jobs created	200	336	380	+44	Target Achieved: Inhibited growth brought on by Covid-19
12.4	Value of local SMME spend	New Indicator	R50 Million	R73 Million	+23 Million	Target Achieved: This can possibly be attributed to bulk buying due to varying lockdown levels with accompanying strict regulations
12.5	% of betting operations change request applications processed within targeted timeframe	100%	100%	97%	-3	Target Partially Achieved: Delays in processing software applications due to National Lockdown were unavoidable as they could not be processed remotely
12.6	Number of illegal gambling raids conducted	15	15	25	N/A	Target Achieved
12.7	Number of illegal gambling awareness campaign conducted	10	10	10	N/A	Target Achieved

### RESPONSE TO ECONOMIC RECOVERY PLAN:

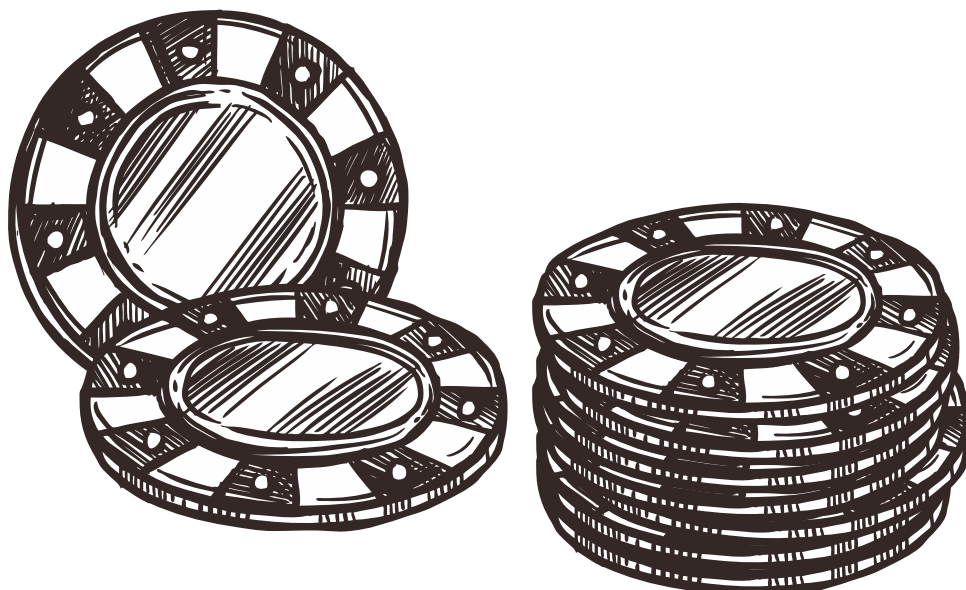
The Board will need to develop an economic recovery plan to support the recovery of the industry return to tourism, employment and small business development. The plans will need to include interventions such as economic stimuli packages, relief packages, review of licence conditions, review of fees and tax strategies, the focus should be on the recovery

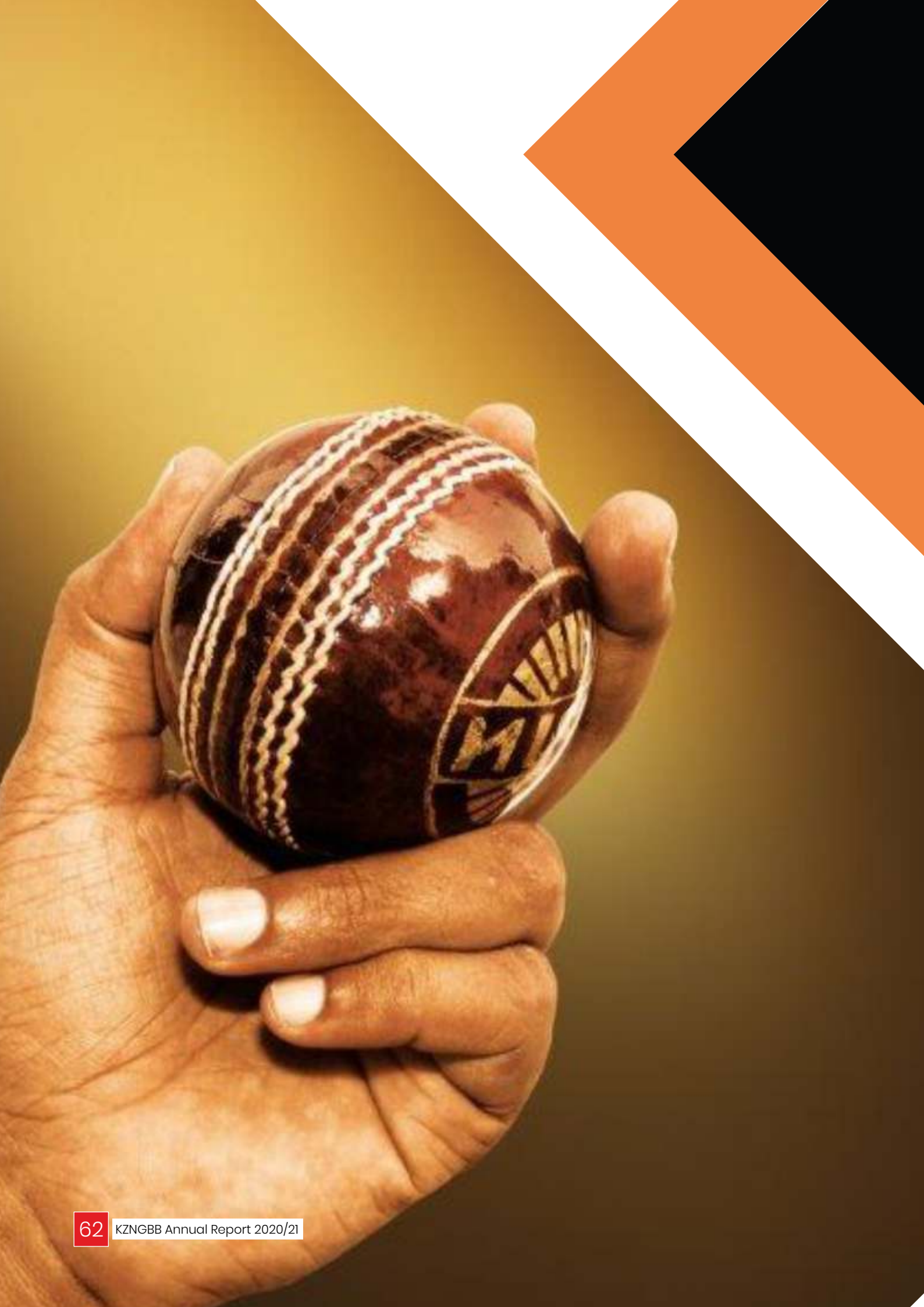


of the sector and to try not lose in roads that had achieved transformation and participants by black persons in the sector.

## RECOVERY PLANS

1. Saving Jobs: Initiate intervention to save jobs through assisting licensees to access relief funds – C19 TERS and SARS Relief.
2. Providing Funding Support: Through assisting gambling industry to gain access to relief funds or through KZNGBB Guarantee Relief.
3. Reduce the cost of doing business and fast track online betting product development – Review of KZN Act and Rules underway, proposal to suspend annual renewal fees, review business model – issues of Management agreements eroding revenue;
4. Interventions to recover Tax Losses and avoid further retrenchments through businesses requiring business rescue through proposed deferral of Taxes.
5. Drive local Investment and support local small business: Roll out of Black Industrialisation.
6. Enhance raids to reduce growing illicit economy
7. Implementation of the Transformation Fund, funding of the Transformation Fund – Tax Act Amendments, highlighting Transformation opportunities, support Equine Industry Development;
8. New Opportunities: Introduction of online and remote gambling;
9. Strategic Partnerships: working with EDTEA Entities: EDTEA, TIKZN, Tourism, Ithala Collaboration Framework, MKI – Research, DSR, ADA & Dept Agric;
10. Industry Stakeholder Engagement: Workshop/ Summit for Black Industrialist, Ongoing attendance to enquiries and recommendations for Disaster Recovery impacts on industry, Ongoing Engagement with industry stakeholders.







PART C :  
**GOVERNANCE  
REPORT**

# PART C: GOVERNANCE REPORT

## 1. INTRODUCTION

KZNGBB is committed to maintaining the highest standards of governance as a fundamental principle for the management of public finances and resources. The entity has established governance structures to utilize state resources effectively, efficiently, and economically. KZNGBB upholds good corporate governance as espoused in the King IV Report and the Public Finance Management Act. It strives to promote good management practices in the areas of Risk Management, Fraud Prevention, Ethics, Procurement and Corporate Governance as well as to safeguard the organisation against any kind of misconduct or fraud. The organisation governance is structured under the premise that:

- 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 ensure that it reflects 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 31st of March 2021 marked the end of the Board Members third year in office. The Responsible MEC: EDTEA, Mr. R.R. Pillay has however extended the term of office for another 09 months for the following Members:

- Dr S.G. Ngcobo
- Ms M.P. Myeni
- Advocate K.P. Thango
- Mr. L.S. Gabela
- Professor B.S. Stobie

## 2. PORTFOLIO COMMITTEES

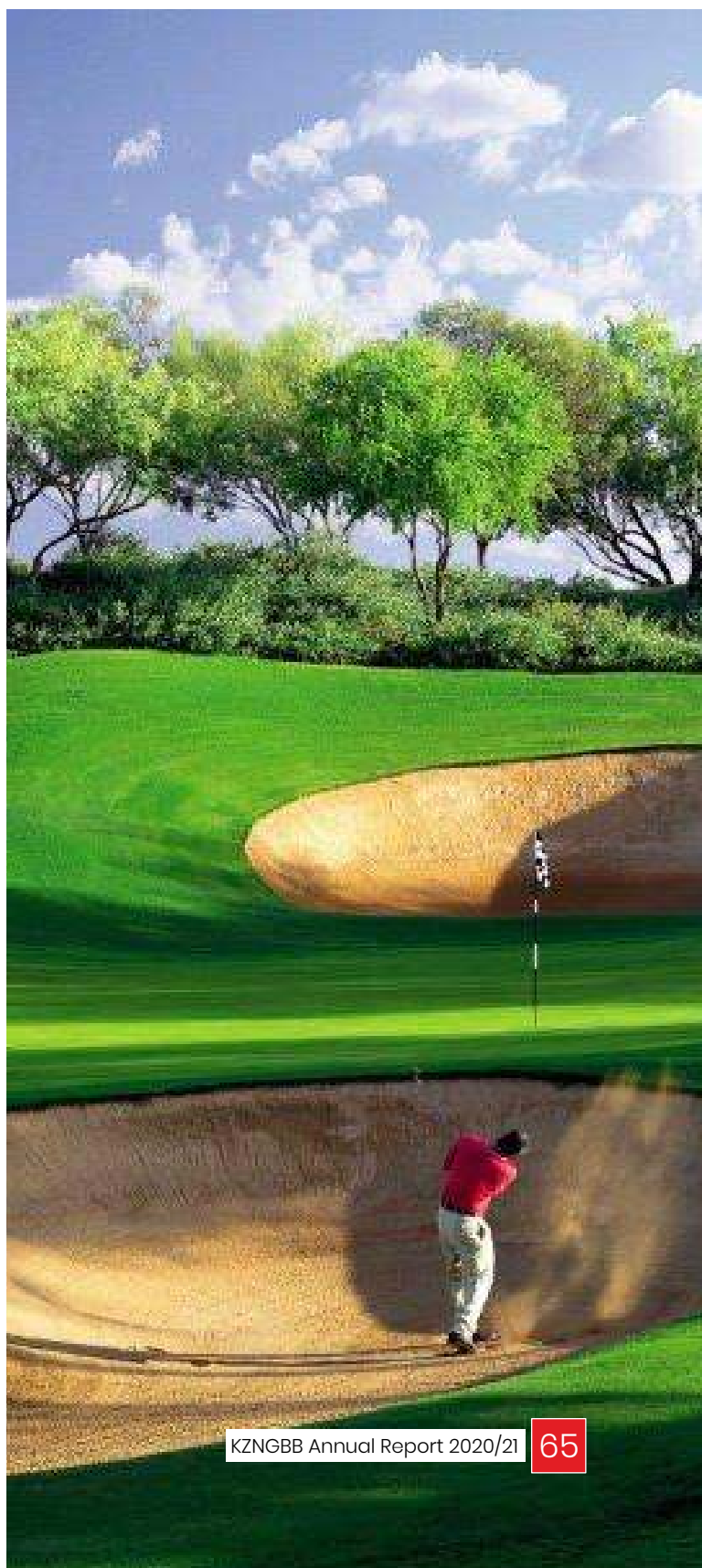
- 2.1 Parliament exercises its role by evaluating the performance of the entity, by interrogating its Annual Financial Statements and other relevant documents which are tabled.
- 2.2 The Standing Committee on Public Accounts (SCOPA) reviews the Annual Financial Statements and the audit reports of the 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 2021, the Financial and

Non-Financial Report was presented to the Executive Authority, for the Quarter 4 period which is from 01 January 2021 to 31 March 2021. The report detailed revenue, expenditure, service delivery information which is all required in terms of Regulation 3 to the KZN Gaming and Betting Act, as amended.



## 4. THE BOARD

### (THE ACCOUNTING AUTHORITY)

#### 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 was 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 (Replaced by Mr K. Mthethwa effectively from 01 December 2020) during the financial year.


4.1.3 Details of the Board Members are as follows:

#### **Dr S.G. Ngcobo**


 Chairperson

 11 April 2018

 Governance, Business Development, Education


-  1. Audit and Risk Committee  
2. Finance Committee (Chairperson)  
3. Human Resources and Remuneration Committee

#### **Mrs. M.P. Myeni**

 Deputy Chairperson

 11 April 2018

 Communications, ICT


-  1. Licencing, Registration, Monitoring, Control and Compliance Committee (Chairperson)  
2. Social Ethics and Transformation Committee (Member since May 2020)

#### **Ms P.N. Baloyi**

 Chief Executive Officer

 May 2012


 Governance, Legal and Compliance

-  1. MANCO  
2. IT Steering Committee  
3. Attends all Board and Committee Meetings

#### **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)  
3. Human Resources and Remuneration 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 Z.P. Tenza**

 Member (Resigned with effect from 01 October 2020)

 11 April 2018


 Legal


-  1. Human Resources and Remuneration (Chairperson)  
2. Licencing, Registration, Monitoring, Control and Compliance Committee  
3. Disciplinary and Dispute Hearings Committee

#### **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)  
4. Human Resources and Remuneration Committee (Member since October 2020)

### SYMBOLS EXPLAINED



Name



Date appointed



Designation



Area of expertise



Committee Membership

 **Adv K.P. Thango**

 Member

 11 April 2018

 Legal

-  1. Social Ethics and Transformation Committee (Chairperson)  
2. Disciplinary and Dispute Hearings Committee  
3. Licencing, Registration, Monitoring, Control and Compliance Committee
- 

4.1.1 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.

4.1.2 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.

4.1.3 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 is discussed.

4.1.4 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.

4.1.5 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.

#### **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

	BOARD	LICENCING	FINANCE	HR	AUDIT	SET	PUBLIC HEARING	DISPUTE HEARING	AG/ SCOPA/ S.HOLDER
Dr S.G. Ngcobo	6	-	5	-	-	-	-	-	2
Ms M.P. Myeni	5	6	-	-	-	4	1	-	1
Advocate K.P. Thango	6	3	-	-	-	4	-	1	-
Mr. S.N. Chetty	4	5	-	-	-	-	-	1	-
Professor B.S. Stobie	6	-	5	5	4	-	-	-	1
Professor T.I. Nzimakwe	5	-	-	5	4	4	-	-	1
Ms Z. Tenza	2	3	-	2	-	-	-	-	-
Mr. L.S. Gabela	6	5	5	2	4	-	2	-	4

#### 4.6 Management committees

- 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 Board is apprised of progress through reporting at board meetings and regular communication with management.

- 4.6.3 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.



4.6.4 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 assumed her duties on the 01st 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 the entity and the controls 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 planning cycle. In determining the strategic and 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.

5.5 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.

- 5.6 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.
- 5.7 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.

### **6.3 Composition**

The Committee comprises of 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 Z Mtongana (Replaced by Mr K. Mthethwa effectively from 01 December 2020) 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.

### **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. They are responsible for providing advice to the operational business units, creating awareness and developing an understanding of relevant legislation and regulation.
- 8.2 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.
- 8.3 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.
- 8.4 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

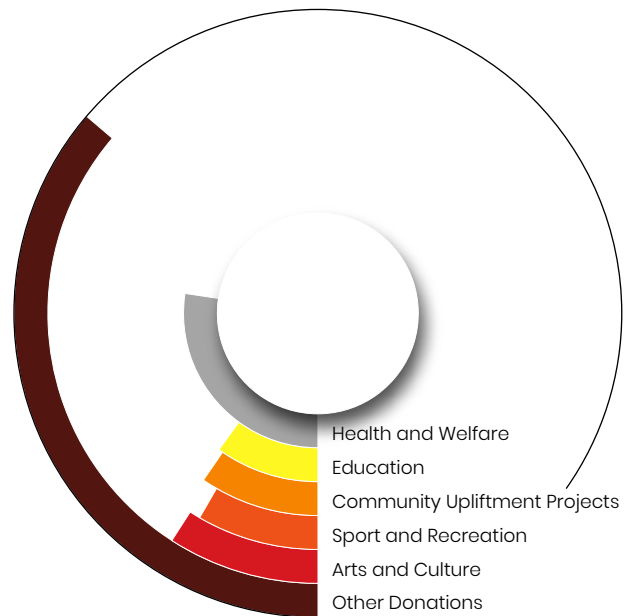
Corporate Social Responsibility commitments.

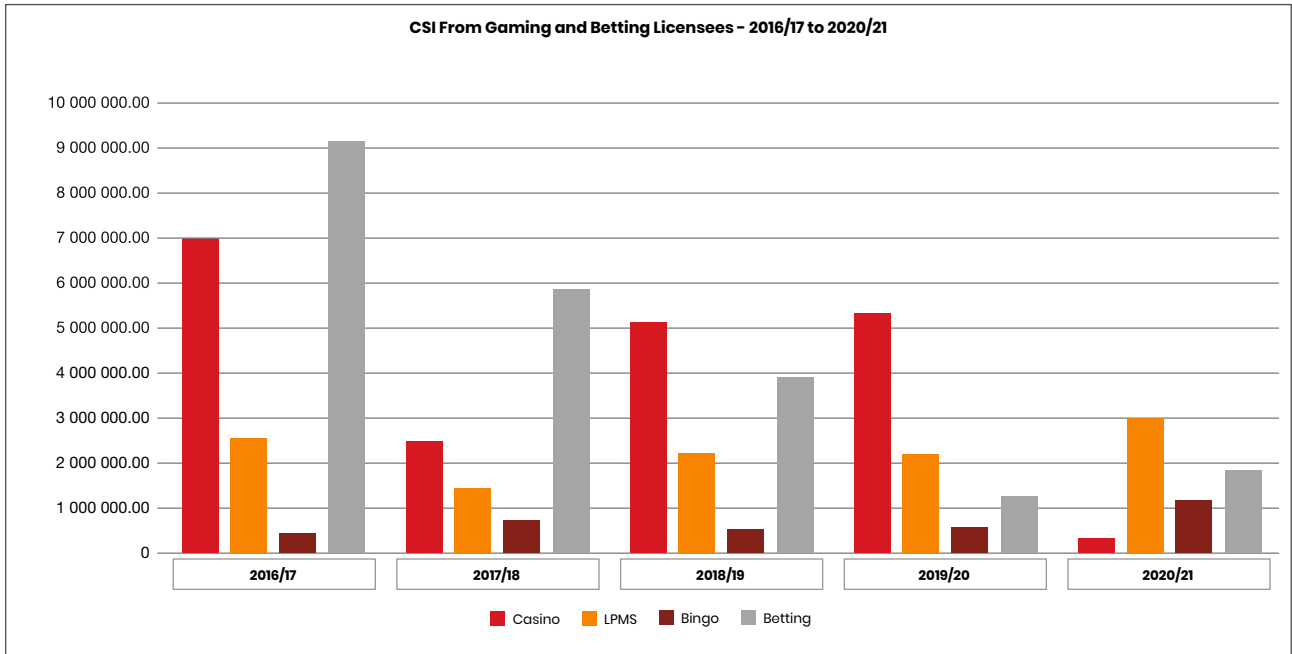
- 11.3 The Board takes this mandate seriously when granting licences or registration and in its monitoring function. Licence conditions are imposed which take the community's, in which our licensees operate, best interest into account. The Monitoring and Compliance Business Units ensure adherence to 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 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.

**11.5 Corporate social investment initiatives CSI**

In the year under review, organisation continue to roll-out Corporate Social Investment initiatives which will have a positive impact on the communities. In the between 2019 and 2020 R12 million

was spent on towards CSI projects which comprise of Gender Based Violence interventions, Water supply infrastructure projects, Community based initiatives and food security projects. In addition, the KZNGBB collected pledges amounting to R11 million, however the entity has obtained firm financial commitment to the value of R12.3 Million to support the fight against Gender Based Violence. With the onset of COVID-19 the contributions towards CSI dropped to that of R 7.8 million as provided by the diagram below.





<b>Reported Corporate Social Investment Contributions</b>				
Description	2020/21	2019/20	2018/19	2017/18
Casino	R292 060.21	R5 535 158.48	R5 306 146.05	R2 633 855.75
LPMS	R2 288 562.00	R2 861 513.00	R2 394 249.00	R1 577 928.28
Bingo	R1 394 610.63	R745 148.84	R746 057.12	R902 673.09
Bookmakers & Totalisators	R3 910 359.24	R3 268 492.64	R4 059 778.80	R6 024 362.34
<b>TOTAL</b>	<b>R7 885 592.08</b>	<b>R12 410 312.96</b>	<b>R12 506 230.97</b>	<b>R11 138 819.46</b>



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



Kungami Shoe Handover at Hlalalkazi Shool in Nquthu



Kungami Shoe Handover at Hlalalkazi Shool in Nquthu



Kungami Shoe Handover at Hlalalkazi Shool in Nquthu



Human Rights Day, Franklin Hall in Kokstad



Human Rights Day, Franklin Hall in Kokstad



Human Rights Day, Ntunjambili Maphumulo



Human Rights Day, Ntunjambili Maphumulo



Illegal Gambling Awareness Sessions



Illegal Gambling Awareness Sessions



Joint Compliance Inspections



Launch of Dundee July Legacy Projects



Joint Compliance Inspections



Joint Compliance Inspections



Joint Compliance Inspections



Illegal Gambling Awareness in Kokstad



Illegal Gambling Awareness in Bluff



Schools awareness campaigns in Mtubatuba area



KZNGBB Food Hamper Drive

### 13. 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 2021.

Audit and Risk Committee Members and Attendance: During the 2020/21 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 Audit and Risk Committee Charter. During the reporting period four (4) meetings were held and attendance was as tabled below:

Name of Member	No. of Meetings Attended
Mr. L.S. Gabela	4
Professor B.S. Stobie	4
Professor TI Nzimakwe	4
Ms Z. Mtongana (Later replaced by Mr. Khaya Mthethwa effectively from 01 December 2020)	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 Deloitte and this engagement came to an end on 31 March 2021. The audit plan was adjusted with permission of the Audit and Risk Committee and certain audits were not

conducted during the 2020/21 financial year. The audits planned have been conducted.

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.



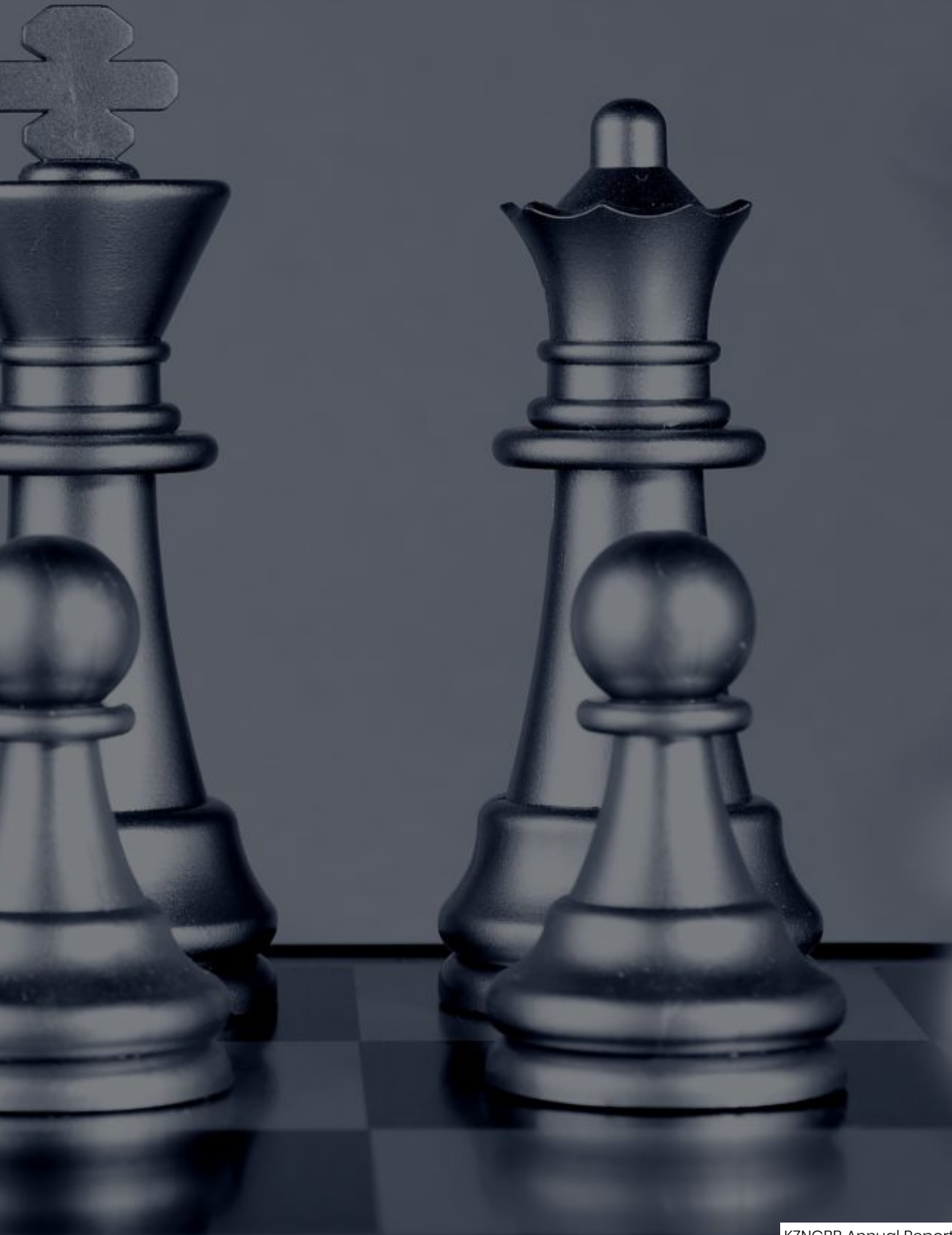
**Mr L.S. Gabela**

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

Date: 31 July 2021

## 14. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes/No	Discussion
Determining qualification criteria for the issuing of licences, concession or other authorisations in respect of economic activity in terms of any law?	Yes	The KZN Gaming and Betting Act has qualifying criteria for the issuing of licenses and this is read in conjunction with criteria set out in the National Gambling Act as well criteria as the Black Economic Empowerment Act and any Request for Application which might be issued by the Board in terms of the Act.
Developing and implementing a preferential procurement policy?	Yes	The KZN Gaming and Betting Board has developed and implemented a preferential procurement policy.
Developing qualification criteria for the sale of state-owned enterprises	Not Applicable	
Developing criteria for entering into partnerships with the private sector?	Not Applicable	
Determining criteria for the awarding of incentives, grants and investments schemes in support of Broad Based Black Economic Empowerment?	Yes	The KZN Gaming and Betting Board has commenced a Black Industrialist Programme which will ultimately give grants from the Transformation Fund. Criteria for determining who will qualify for such grant have been developed in the Transformation Fund Terms of Reference, Business Model and Guidelines as well as the Black Industrialist Policy.







PART D :  
**HUMAN  
RESOURCES**

# PART D: HUMAN RESOURCES

## 1. INTRODUCTION

The KZNGBB strives to be an employer of choice, and the Human Resource Management Strategy (HRMS) was tailored made towards fulfilling this developmental mandate. The primary objective of Human Resources Strategy is to attract, develop and retain suitable, qualified, and competent human resources for the Board. Ultimately, to ensure that all matters relating to human capital management and development are implemented effectively and efficiently.

The Human Resources Unit is entrusted with a responsibility to provides services such as Training and Development, Recruitment and Selection, Labour Relations, Performance Management and Development Employee Wellness and Human Resource Administration.

During the period under review, KZNGBB

had a ratio of 29% of women in Senior Management position as compared to 71% of Men in Senior Management Position as at the end of 31 March 2021. The organisation recorded a vacancy rate of 27.55% and staff turnover of 2.81% as at the end of 31 March 2021.



## 2. HUMAN RESOURCES OVERSIGHT STATISTICS

### Personnel Cost by Programme Activity / Activity Objective

Programme / Activity / Objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp.	No. of Employees	Average personnel cost per employee (R'000)
KZNGBB	83 197	61 729	74%	73	846

### Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of Personnel Exp. To Total Personnel Cost	No. of Employees	Average personnel cost per employee (R'000)
Top Management	3 068	4.97%	1	3 068
Senior Management	10 006	16.21%	6	1 668
Professional Qualified	13 581	22.00%	11	1 235
Skilled	30 628	49.62%	43	712
Semi-skilled	3 972	6.43%	10	397
Unskilled	474	0.77%	2	237
<b>TOTAL</b>	<b>61 729</b>	<b>100%</b>	<b>73</b>	<b>846</b>

### Performance Rewards

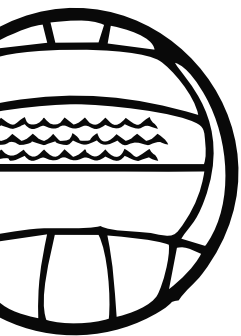
Level	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Cost (R'000)
Top Management	130	61 729	0.21%
Senior Management	295	61 729	0.48%
Professional Qualified	551	61 729	0.89%
Skilled	1 089	61 729	1.76%
Semi-Skilled	144	61 729	0.23%
Unskilled	6	61 729	0.01%
<b>TOTAL</b>	<b>2 215</b>	<b>61 729</b>	<b>3.59%</b>

### Training Costs

Programme / Activity / Objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Exp. as a % of Personnel Exp.	No. of Employees	Average training cost per employee (R'000)
KZNGBB	61 729	433	0.70%	73	6

Employment and Vacancies					
Programme / Activity / Objective	2019/20 No. of Employees	2020/21 No. of Approved Posts	2020/21 No. of Employees	2020/21 Vacancies	% of Vacancies
Office of the CEO	2	4	2	2	20.00%
Governance, Risk & Compliance	4	6	4	2	33.33%
Legal Services	3	4	3	1	25.00%
Human Resources	8	10	8	2	20.00%
Communications	1	2	1	1	50.00%
Finance	9	12	9	3	25.00%
ICT	4	6	4	2	33.33%
Licensing & Registration	12	13	11	2	15.38%
Gaming Monitoring & Control	18	22	18	4	18.18%
Betting Monitoring & Control	12	16	11	5	31.25%
Chief Operating Officer	0	2	0	2	100.00%
Business Development Unit	0	1	0	1	100.00%
<b>TOTAL</b>	<b>73</b>	<b>98</b>	<b>71</b>	<b>27</b>	<b>27.55%</b>

Programme / Activity / Objective	2019/20 No. of Employees	2020/21 No. of Approved Posts	2020/21 No. of Employees	2020/21 No. of Vacancies	% of Vacancies
Top Management	1	1	1	0	0.00%
Senior Management	6	10	6	5	50.00%
Professional Qualified	11	13	11	2	15.38%
Skilled	43	59	43	16	27.12%
Semi-skilled	10	13	9	4	30.77%
Unskilled	2	2	2	0	0.00%
<b>TOTAL</b>	<b>73</b>	<b>98</b>	<b>71</b>	<b>27</b>	<b>27.55%</b>





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 was expected to start in July 2020
- Planning, Monitoring and Evaluation Specialist- The successful candidate was expected to start before 31 March 2021.
- Inspector Law Enforcement

The above positions became vacant as a result of resignations.

Employment Changes				
Level	Employment at beginning of the period	Appointments	Terminations	Employment at end of the period
Top Management	1	0	0	1
Senior Management	6	0	1	5
Professional Qualified	11	0	0	11
Skilled	43	0	0	43
Semi-Skilled	10	0	1	9
Unskilled	2	0	0	2
<b>TOTAL</b>	<b>73</b>	<b>0</b>	<b>2</b>	<b>71</b>

As at the end of 31 March 2021, the organisational structure consists of 98 positions.

Industry Norm	KZNGBB 2019/20 FY	KZNGBB 2020/21 FY
7.5% per annum	6.33% (5)	2.81% (2)

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

Reason	Number	% of Total No. of Staff Leaving
Death	2	100%
Resignation	0	0%
Dismissal	0	0%
Retirement	0	0%
Ill Health	0	0%
Expiry of Contract	0	0%
Other	0	0%
<b>TOTAL</b>	<b>2</b>	<b>100%</b>

In this period there were two deaths. 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

<b>Labour Relations: Misconduct and Disciplinary Action</b>	
<b>Nature of Disciplinary Action</b>	<b>Number</b>
Verbal warning	0
Written warning	3
Final written warning	0
Dismissal	0
<b>TOTAL</b>	<b>3</b>

### Equity Targets and Employment Equity Status

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

<b>Levels</b>	<b>MALES</b>							
	<b>African</b>		<b>Coloured</b>		<b>Indian</b>		<b>White</b>	
	<b>Current</b>	<b>Target</b>	<b>Current</b>	<b>Target</b>	<b>Current</b>	<b>Target</b>	<b>Current</b>	<b>Target</b>
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	8	N/A	0	N/A	1	N/A	0	N/A
Skilled	18	N/A	0	N/A	3	N/A	0	N/A
Semi-skilled	1	N/A	0	N/A	0	N/A	0	N/A
Unskilled	0	N/A	0	N/A	0	N/A	0	N/A
<b>TOTAL</b>	<b>29</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>2</b>	<b>0</b>

<b>Levels</b>	<b>FEMALES</b>							
	<b>African</b>		<b>Coloured</b>		<b>Indian</b>		<b>White</b>	
	<b>Current</b>	<b>Target</b>	<b>Current</b>	<b>Target</b>	<b>Current</b>	<b>Target</b>	<b>Current</b>	<b>Target</b>
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	19	2	1	N/A	7	N/A	2	N/A
Semi-skilled	0	N/A	1	N/A	0	N/A	2	N/A
Unskilled	0	N/A	0	N/A	0	N/A	0	N/A
<b>TOTAL</b>	<b>21</b>	<b>8</b>	<b>2</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>5</b>	<b>0</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 :  
**FINANCE  
SECTION**

# PART E: FINANCE SECTION

## 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>Accounting Authority</b>	: Refer to paragraph 6 of the Accounting Authority's Report for details of members
<b>Head Office – Pietermaritzburg</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>Executive Authority</b>	: MEC of Economic Development, Tourism & Environmental Affairs
<b>Parent Department</b>	: Department of Economic Development, Tourism and Environmental Affairs
<b>Ultimate Controlling Body</b>	: KwaZulu-Natal Provincial Legislature
<b>Bankers</b>	: ABSA Bank
<b>Auditors</b>	: Auditor-General South Africa
<b>Board Secretary</b>	: Mrs. S.H. Meyiwa

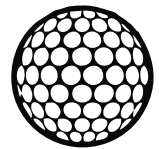
## INDEX

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

<b>CONTENT</b>	<b>PAGE</b>
Accounting Authority's Responsibilities and Approval	92
Report of the Auditor-General to the Provincial Legislature on the KZNGBB	94
Annexure: Auditor-General's Responsibility for the Audit	97
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GRAP : Generally Recognised Accounting Practice  
MEC : Member of the Executive Council  
EDTEA : Economic Development, Tourism & Environmental Affairs



## ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The members are required by the Public Finance and Management Act, (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the 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 2022 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.

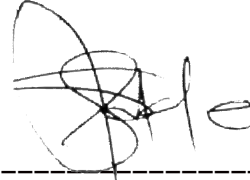
The entity is largely dependent on the department of EDTEA for continued funding of operations. The consolidated annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.



Although the accounting authority are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

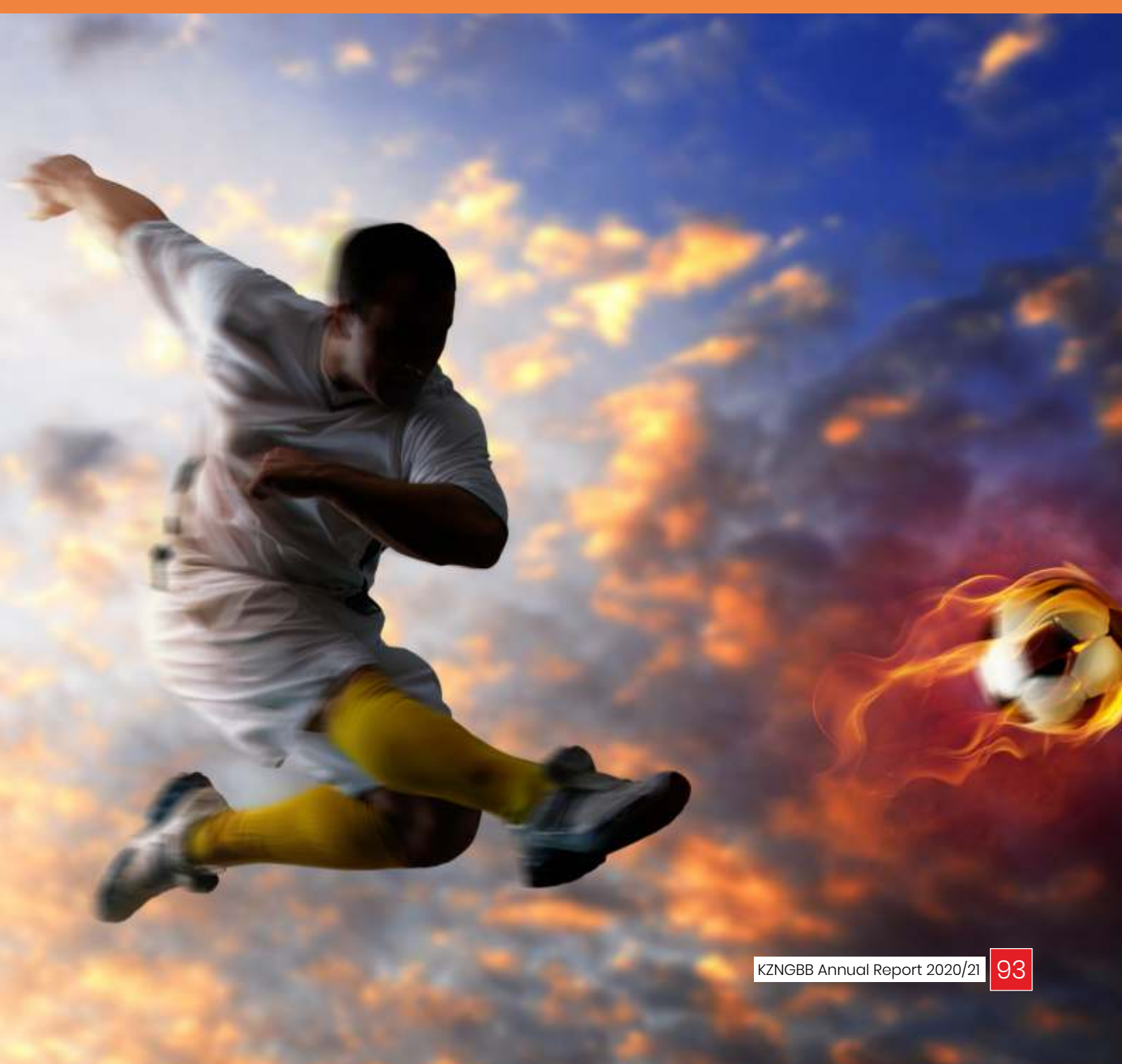
The external auditors are responsible for independently reviewing and reporting on the entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the entity's external auditors and their report is presented on page 5.

The consolidated annual financial statements set out on pages 6 to 41, which have been prepared on the going concern basis, were approved by the accounting authority on 28 May 2021 and were signed on its behalf by:



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**Dr S.G. Ngcobo**  
**Chairperson**



# REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE ON THE KZNGBB

## 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 the pages 102 to 134, which comprise the consolidated and separate statement of financial position as at 31 March 2021, the 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 financial position of the KZN Gaming and Betting Board as at 31 March 2021, and their financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act 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 my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for the Accountants' International code of ethics for the professional accountants (including

International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements of the IESBA code.

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

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

6. The board, which constitutes the accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such international 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 are free from material misstatement whether due to fraud or error, and to issue and auditors report that include my opinion. Reasonable assurance is a high level of assurance but is not guarantee that an audit conducted in accordance with the ISA 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 25 Of 2004 (PAA) and the general notice issues in the terms thereof, I have responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedure addresses the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. The procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the

extent of achievements in the current year or planned performance strategies and information in respect of the 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 5: Gaming, monitoring and control presented in the entity's annual performance report for the year ended 31 March 2021.

I performed procedures to determine

13. whether the reported performance information was properly presented and whether performance was consistent with the approved performance 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. I did not identify material findings on the usefulness and reliability of the reported performance information for programme 5: gaming monitoring and control.

### **Other Matters**

15. I draw attention to the matters below.

### **Achievement of planned targets**

16. The annual performance report on pages 40 to 60 sets out information on the achievement of planned targets of the year.

### **Adjustment of material misstatements**

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of the selected programme. As management subsequently corrected the misstatements, I did not raise any

material findings on the usefulness and reliability of the reported performance information.

## REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

### Introduction and Scope

18. In accordance with the PPA and the general notice issued in terms of ,I have a responsibility to report material findings on the entities compliance with specific matters and key legislation. I performed procedures to identify findings but not together evidence to express assurance.
19. I did not identify any material findings on compliance with the specific matters in key legislation sets out in general notice issued in terms of the PPA.

### OTHER INFORMATION

20. The accounting authority is responsible for other information. The other information comprises of information included in the annual report, which includes the audit committees reports. The other information does not include the consolidated and separate financial statements, the auditors reports and the selected programme presented in the annual performance reports that have been specifically reported in the auditors reports.
21. My opinion on the financial statements and findings on the reported performance information and the compliance with the legislation do not cover the information and I do not express an audit opinion or any form of assurance conclusion on it.
22. In connexion with my audits, my responsibility is to read the other information and, in doing so, consider whether the information is materially inconsistent with the consolidated and separate financial statements and the selected programme presented in the annual performance reports, or my knowledge obtained in the audit, or

otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report the fact. I have nothing to report in this regard.

### Internal control deficiencies

23. 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. I did not identify any significant deficiencies in internal control.

Auditor-General



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

Pietermaritzburg

DATE: 31 July 2021

# ANNEXURE

## AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

As part of an audience in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audits of the consolidated and separate financial statements and the procedures performed on the reported performance information for the selected programmes and under entities 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 the auditor's report I also:

- Identify and assist the risk 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 of my opinion. The risk of not detecting and material misstatement resulting from fraud is higher than the 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 entities internal control.
- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by the board, which constitutes the accounting authority.
- Conclude on the appropriateness of

the accounting authorities use off the going concerned basis of accounting in the preparation of 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 add betting board to continue as a going concern. If I conclude that the material uncertainty exists, I am required to draw attention to my auditors report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinions on the financial statements. My conclusions are based on the information available to me to the date of the auditors reports. However, future events or conditions may cause an entity to cease operating as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the entity to express an opinion under consolidated and separate financial statements. I am responsible for the direction supervision and performance of the group audits. 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 identified during my order.
4. I also provide the accounting authority with a statement that I have compiled with relevant ethical requirements regarding independence , and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats and safeguards applied.



# ACCOUNTING AUTHORITY'S REPORT

The members submit their report for the year ended 31 March 2021.

## 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 2 204 147 (2020: deficit R 8 695 161). The deficit was due to the entity utilising previous surpluses to fund operations.

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. The Provincial Legislature has resolved that the operations of the entity and KwaZulu-Natal Liquor Authority be rationalised. Work has begun in earnest to give effect to the resolution under the guidance of the Department of EDTEA.

## 3. GOING CONCERN

We draw attention to the fact that at 31 March 2021, the entity had an accumulated surplus (deficit) of R 477 218 59 and that the entity's total assets exceed its liabilities by R 477 218 59.

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.

In June 2020, the Provincial Executive / Cabinet took a decision that the operations of the KwaZulu-Natal Gaming & Betting Board and the KwaZulu-Natal Liquor Authority should be rationalised. In light of such decision, work has begun in Ernest to give effect to the resolution under the guidance of the Department of EDTEA. As part of the process, new legislation must be drafted to give effect to the decision. At this stage these legislative amendments have not been promulgated and as such the operations of the entity are expected to continue for the next 12 months. Furthermore, the transitional arrangements proposed in the revised legislation, will result in the transfer of the entire operations of the entity to the new entity, therefore the realisation of assets and settlement of liabilities, contingent obligations and commitments is expected to occur in the ordinary course of business i.e. there is no need to reassess the carrying values of assets and liabilities.

#### 4. SUBSEQUENT EVENTS

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

#### 5. ACCOUNTING POLICIES

The 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 ended in March 2021. The MEC of EDTEA has extended the term of office for the members.

One board member, Ms ZP Tenza, resigned during the period under review.

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

<b>Name</b>	<b>Nationality</b>
Dr SG Ngcobo	South African
Ms MP Myeni	South African
Adv KP Thango	South African
Ms ZP Tenza	South African <i>Resigned 01-10-2020</i>
Mr LS Gabela	South African
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 17 for details of Board Member's remuneration.

Refer to note 13 for details of Senior Management's remuneration.

#### 9. BOARD SECRETARY

The secretary of the entity is Mrs SH Meyiwa of:

##### Business address

(Head Office - Pietermaritzburg)  
KZNGBB House, Redlands Office Estate  
1 George MacFarlane Drive  
Pietermaritzburg, 3201



Postal address

Private Bag X9102, Pietermaritzburg, 3200

**10. AUDITORS**

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

The consolidated annual financial statements set out on pages 6 to 41, which have been

prepared on the going concern basis, were approved by the accounting authority on 28 May 2021 and were signed on its behalf by:



**Dr S.G. Ngcobo**

Chairperson



## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

Figures in Rand

	Note(s)	2021 R	2020 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	2	2 869 001	1 925 110
Cash and cash equivalents	3	85 271 547	101 645 730
		<b>88 167 548</b>	<b>103 570 840</b>
<b>Non-Current Assets</b>			
Movable assets	4	3 520 324	2 844 433
Intangible assets	5	1 392 651	2 978 392
		<b>4 912 975</b>	<b>5 822 825</b>
<b>Total Assets</b>		<b>93 080 523</b>	<b>109 393 665</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	6	889 063	850 331
Payables from exchange transactions	7	44 276 578	39 590 580
Taxes and transfers payable (non-exchange)	8	116 320	15 637 225
Travel lodge card	3	76 703	152 523
		<b>45 358 664</b>	<b>56 230 659</b>
<b>Total Liabilities</b>		<b>45 358 664</b>	<b>56 230 659</b>
<b>Net Assets</b>		<b>47 721 859</b>	<b>53 163 006</b>
Accumulated surplus	9	47 721 859	53 163 006
<b>Total Net Assets</b>		<b>47 721 859</b>	<b>53 163 006</b>

\*See Note 26

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand

	Note(s)	2021 R	2020 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rendering of services	10	22 064 838	24 759 362
Interest income	10 & 12	3 084 430	6 970 907
Sundry income	10	23 171	209 814
<b>Total revenue from exchange transactions</b>		<b>25 172 439</b>	<b>31 940 083</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidiaries	10 & 11	55 820 847	44 800 951
<b>Total revenue</b>	10	<b>80 993 286</b>	<b>76 741 034</b>
<b>Expenditure</b>			
Employee related costs	13	62 794 488	57 208 989
Depreciation and amortisation	14	2 590 375	1 940 298
Lease rentals on operating lease	15	4 963 368	4 976 303
Bad debts written off/provision		-	650 455
Loss on disposal of assets and liabilities		85 560	36 486
General expenses	16	12 753 123	20 601 235
Repairs and maintenance	19	10 519	22 429
<b>Total expenditure</b>		<b>83 197 433</b>	<b>85 436 195</b>
<b>Deficit for the year</b>		<b>(2 204 147)</b>	<b>(8 695 161)</b>

\*See Note 26

## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand

	Accumulated surplus	Total net assets
Opening balance as previously reported	62 566 167	62 566 167
Prior year adjustments	(708 000)	(708 000)
<b>Balance at 01 April 2019 as restated*</b>	<b>61 858 167</b>	<b>61 858 167</b>
Changes in net assets		
Loss for the year	(8 695 161)	(8 695 161)
Total changes	(8 695 161)	(8 695 161)
<b>Restated* Balance at 01 April 2020</b>	<b>53 163 006</b>	<b>53 163 006</b>
Changes in net assets		
Loss for the year	(2 204 147)	(2 204 147)
Surrender of amount to Department of EDTEA (Provincial Revenue Fund)	(3 237 000)	(3 237 000)
Total changes	(5 441 147)	(5 441 147)
<b>Balance at 31 March 2021</b>	<b>47 721 859</b>	<b>47 721 859</b>

\*See Note 26

## CASH FLOW STATEMENT

Figures in Rand

	Note(s)	2021 R	2020 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fees earned		20 953 664	28 378 518
Grants		55 820 847	44 800 951
Interest income		3 084 430	6 970 907
Other income		23 171	209 813
		<b>79 882 112</b>	<b>80 360 189</b>
<b>Payments</b>			
Employee costs		(59 983 133)	(56 076 315)
Suppliers		(31 194 257)	(12 578 883)
		<b>(91 177 390)</b>	<b>(68 655 198)</b>
<b>Net cash flows from operating activities</b>	20	<b>(11 295 278)</b>	<b>11 704 991</b>
<b>Cash flows from investing activities</b>			
Purchase of movable assets	4	(1 766 085)	(1 469 582)
Proceeds from claims	4	-	249
Purchase of intangible assets	5	-	(1 901 113)
<b>Net cash flows from investing activities</b>		<b>(1 766 085)</b>	<b>(3 370 446)</b>
<b>Cash flows from financing activities</b>			
Surrender of amounts to Department of EDTEA (Provincial Revenue Fund)		(3 237 000)	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(16 298 363)</b>	<b>8 334 545</b>
Cash and cash equivalents at the beginning of the year		101 493 207	93 158 662
<b>Cash and cash equivalents at the end of the year</b>	3	<b>85 194 844</b>	<b>101 493 207</b>

\*See Note 26

# ACCOUNTING POLICIES

## 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 and 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. These accounting policies are consistent with the previous period.

### 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

## ACCOUNTING POLICIES (continued)

### Contingencies

Contingencies in the current year required estimated and judgements, refer to note 28.

### 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 (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. The cost of an item of movable assets is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Movable assets is initially measured at cost.

The cost of an item of movable assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of movable assets is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset

acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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

## ACCOUNTING POLICIES (continued)

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

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

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	6 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 19).

### 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



## ACCOUNTING POLICIES (continued)

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.

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.

## ACCOUNTING POLICIES (continued)

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	Depreciation method	Average useful life
Computer software, internally generated	Straight-line	3 years
Computer software, other	Straight-line	3 to 6 years
Intangible assets under development	Straight-line	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 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

## ACCOUNTING POLICIES (continued)

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 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.

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.

## ACCOUNTING POLICIES (continued)

- 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.

## ACCOUNTING POLICIES (continued)

### Reversal of an impairment loss

The entity assesses 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 obligations

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.

## ACCOUNTING POLICIES (continued)

- **Other post retirement obligations**

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

### 1.11 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

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 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

## ACCOUNTING POLICIES (continued)

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,

## ACCOUNTING POLICIES (continued)

- 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.

#### Measurement

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

### 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



## ACCOUNTING POLICIES (continued)

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 those family members who may be expected to influence, or be influenced by that person 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

Figures in Rand

	2021	2020
	R	R

### 2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	49 641	27 198
Deposits	17 575	17 575
Accrued interest	4 786	580
Prepaid expenses	732 258	372 530
Sundry debtors	489 378	59 946
Study assistance	-	13 700
Accrued income (refer to note 2.1)	1 602 363	1 433 581
	<b>2 896 001</b>	<b>1 925 110</b>

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

As of 31 March 2021, trade and other receivables of R 592 223 (2020: R 592 223) were impaired and provided for.

The ageing of these amounts are as follows:

Over 6 months	592 223	592 223
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#### Reconciliation of provision for doubtful debts

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

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

	Accrued income	Study assistance	Total
Gross carrying value	2 180 712	13 874	2 194 586
Less: provision for doubtful amounts	(578 349)	(13 874)	(592 223)
	<b>1 602 363</b>	<b>-</b>	<b>1 602 363</b>

### 2.1 ACCRUED INCOME

#### Accrued income comprises:

Recovery of expenditure (refer to note 20)	954 568	472 318
Legal fee recovery	383 437	453 437
Interest receivable	264 358	507 826
	<b>1 602 363</b>	<b>1 433 581</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

Figures in Rand

2021 2020

	2021	2020
	R	R

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	2 234	2 289
Bank balances	70 153 125	88 642 941
Short-term deposits	15 116 188	13 000 500
Travel lodge card	(76 703)	(152 523)
	<b>85 194 844</b>	<b>101 493 207</b>
Current assets	85 271 547	101 645 730
Current liabilities (Travel lodge card)	(76 703)	(152 523)
	<b>85 194 844</b>	<b>101 493 207</b>

### 4. MOVABLE ASSETS

	2021			2020		
	Cost/ Valuations	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuations	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	441 618	(320 353)	121 265	503 438	(353 806)	149 632
Motor vehicles	425 937	(362 046)	63 891	425 937	(362 046)	63 891
Office equipment	264 390	(168 660)	95 730	515 217	(360 871)	154 346
Computer equipment	9 201 899	(5 962 461)	3 239 438	8 280 501	(5 803 937)	2 476 564
<b>TOTAL</b>	<b>10 333 844</b>	<b>(6 813 520)</b>	<b>3 520 324</b>	<b>9 725 093</b>	<b>(6 880 660)</b>	<b>2 844 433</b>

#### Reconciliation of movable assets - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	149 632	-	(6 162)	(22 205)	121 265
Motor vehicles	63 891	-	-	-	63 891
Office equipment	154 346	-	(27 231)	(31 385)	95 730
Computer equipment	2 476 564	1 766 085	(52 168)	(951 043)	3 239 438
	<b>2 844 433</b>	<b>1 766 085</b>	<b>(85 561)</b>	<b>(1 004 633)</b>	<b>3 520 324</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

Figures in Rand

### Reconciliation of movable assets – 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	129 996	38 265	(644)	(17 985)	149 632
Motor vehicles	63 891	-	-	-	63 891
Office equipment	161 247	21 450	(831)	(27 520)	154 346
Computer equipment	1 691 125	1 409 867	(35 260)	(589 168)	2 476 564
	<b>2 046 259</b>	<b>1 469 582</b>	<b>(36 735)</b>	<b>(634 673)</b>	<b>2 844 433</b>

## 5. INTANGIBLE ASSETS

	2021			2020		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, developed	6 367 731	(5 113 852)	1 253 879	6 367 731	(3 796 967)	2 570 764
Computer software	2 611 607	(2 472 835)	138 772	2 611 607	(2 203 979)	407 628
<b>TOTAL</b>	<b>8 979 338</b>	<b>(7 586 687)</b>	<b>1 392 651</b>	<b>8 979 338</b>	<b>(6 000 946)</b>	<b>2 978 392</b>

### Reconciliation of intangible assets – 2021

	Opening balance	Amortisation	Total
Computer software, developed	2 570 764	(1 316 885)	1 253 879
Computer software	407 628	(268 856)	138 772
	<b>2 978 392</b>	<b>(1 585 741)</b>	<b>1 392 651</b>

### Reconciliation of movable 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>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

Figures in Rand

2021

2020

### 6. OPERATING LEASE LIABILITY

Current liabilities	(889 063)	(850 331)
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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.

### 7. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	1 612 840	856 887
Income received in advance	29 100 367	29 240 650
Cash guarantees received from licensees	2 311 909	2 348 655
Third party payments	850 527	194 494
Sundry creditors	77 188	102 188
Leave pay accrual	2 699 497	2 375 533
Accrued expenses (refer note 7.1)	7 045 415	4 472 173
CSI & Donations	578 835	-
	<b>44 276 578</b>	<b>39 590 580</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, medical aid and other third parties.

CSI & Donations relate to amounts received from pledges made by licensees to be used for projects aimed at Gender-based violence initiatives and CSI initiatives.

#### Maturity Analysis of Trade and other payables

##### Liquidity risk

Not later than a month	34 371 194	31 424 706
Later than a month and not later than three months	4 315 143	3 441 687
Later than three months and not later than a year	5 590 241	4 724 188
	<b>44 276 578</b>	<b>39 590 581</b>

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

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

Figures in Rand

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### 7.1 Accrued expenses

#### Breakdown of accrued expenses

Capital expenditure	903 468	903 468
Current expenditure	3 334 487	2 436 031
Compensation related	2 807 460	1 132 674
	<b>7 045 415</b>	<b>4 472 173</b>

### 8. TAXES AND TRANSFERS PAYABLE (NON-EXCHANGE)

Gambling tax payable	116 854	14 428 756
Statutory payables	(534)	1 208 469
	<b>116 320</b>	<b>15 637 225</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 21.

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

### 9. ACCUMULATED SURPLUS

#### Reconciliation of accumulated surplus

2012 - Net assets acquired from erstwhile entities	25 081 668	25 081 668
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 - Prior year adjustments (2019)	(708 000)	(708 000)
2020 - Loss for the year	(8 695 162)	(8 695 162)
2021 - Loss for the year	(2 204 147)	-
2021 - Surrender of funds	(3 237 000)	-
	<b>47 721 858</b>	<b>53 163 005</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

Figures in Rand

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

#### Building Investment

Opening balance	21 041 835	24 139 704
Interest earned on funds	755 630	1 541 746
Amounts spent on lease rentals	(4 600 882)	(4 639 615)
	<b>17 196 583</b>	<b>21 041 835</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 12). The funds are used to pay for the lease rentals for the Durban and Pietermaritzburg offices.

### 10. REVENUE

Rendering of services	22 064 838	24 759 362
Interest income	3 084 430	6 970 907
Sundry income	23 171	209 814
Government grants & subsidies	55 820 847	44 800 951
	<b>80 993 286</b>	<b>76 741 034</b>

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

Rendering of services	22 064 838	24 759 362
Interest income	3 084 430	6 970 907
Sundry income	23 171	209 814
	<b>25 172 439</b>	<b>31 940 083</b>

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

##### Transfer revenue

Government grants & subsidies	55 820 847	44 800 951
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### 11. GOVERNMENT GRANTS & SUBSIDIES

#### Operating grants

Equitable share	55 788 000	44 770 996
Training levy	32 847	29 955
	<b>55 820 847</b>	<b>44 800 951</b>

### 12. INVESTMENT REVENUE

#### Interest revenue

Interest received - entity	3 021 551	6 894 952
Interest received - Transformation Fund	62 879	75 955
	<b>3 084 430</b>	<b>6 970 907</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

Figures in Rand

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### 13. EMPLOYEE RELATED COSTS

Basic remuneration	52 679 089	50 760 499
Performance bonus	2 214 925	696 507
Medical aid subsidy	2 921 982	2 798 535
Unemployment insurance	140 328	137 083
Leave pay accrual	323 964	260 374
Long-service awards	81 000	18 000
Acting allowances	1 163 115	364 520
Cell phone allowance	293 565	250 068
Provident fund costs and risk benefits	1 751 059	1 600 259
Temporary employees	17 703	31 261
Reallocation Allowance	44 394	50 730
Interns - stipends	1 036 649	129 615
Leave payout	126 715	111 538
	<b>62 794 488</b>	<b>57 208 989</b>

#### Senior Management Remuneration

For year ended 31 March 2021	Basic remuneration	Allowances & long service awards	Contributions	Performance rewards	Total
<b>Ms. PN Baloyi:</b> Chief Executive Officer	1 987 635	41 100	232 321	129 953	2 391 009
<b>Mr. BE Radebe</b> (N1): Senior Manager - Licensing & Registration (See note)	1 174 934	51 809	131 601	-	1 358 344
<b>Mr. RS Goodayle</b> (N2): Senior Manager - Gaming Monitoring & Compliance	1 354 875	65 100	164 782	117 870	1 702 627
<b>Mrs. PJ Stretch:</b> Head - Governance Risk & Compliance	1 360 623	53 100	159 034	58 935	1 631 692
<b>Mr. V Ramdas:</b> Chief Financial Officer	1 340 725	53 100	178 927	88 403	1 661 155
<b>Mr. RC Bestel:</b> Senior Manager - Betting Monitoring & Control	1 321 440	53 100	198 216	29 468	1 602 224
<b>Mr. M Ngwenya:</b> Chief Legal Officer	1 321 441	36 600	198 216	-	1 556 257
<b>Mr. I Mncube</b> (N3): Acting Senior Manager - Gaming Monitoring & Compliance	551 395	22 000	40 794	54 657	668 846
<b>Mr. T Ngubane</b> (N4): Acting Senior Manager - Licensing & Registration	1 348 300	48 300	96 405	54 657	1 547 662
<b>Mr M Sabelo</b> (N5): Acting Senior Manager - Gaming Monitoring & Compliance	825 930	27 700	55 610	-	909 240
	<b>12 587 298</b>	<b>451 909</b>	<b>1 455 906</b>	<b>533 943</b>	<b>15 029 056</b>



## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

Figures in Rand

For year ended 31 March 2020	Basic remuneration	Allowances & long service awards	Contributions	Performance rewards	Total
<b>Ms. PN Baloyi:</b> Chief Executive Officer	1 848 756	37 800	215 693	186 538	2 288 787
<b>Mr. BE Radebe</b> (N1): Senior Manager - Licensing & Registration (See note)	1 231 144	49 800	143 505	57 574	1 482 023
<b>Mr. RS Goodayle</b> (N2): Acting Senior Manager - Business Development	1 226 080	52 800	148 691	69 089	1 496 660
<b>Mrs. PJ Stretch:</b> Head - Governance Risk & Compliance	1 231 144	49 800	143 505	46 059	1 470 508
<b>Mr. V Ramdas:</b> Chief Financial Officer	1 214 460	49 800	160 968	69 146	1 494 374
<b>Mr. RC Bestel:</b> Senior Manager - Betting Monitoring & Control	1 192 405	49 800	178 861	-	1 421 066
<b>Mr. M Ngwenya:</b> Chief Legal Officer	1 192 619	13 000	178 893	-	1 384 512
<b>Mr. I Mncube</b> (N3): Acting Senior Manager - Gaming Monitoring & Compliance	321 372	11 700	23 833	-	356 905
<b>Mr. T Ngubane</b> (N4): Acting Senior Manager - Licensing & Registration	1 273 086	45 000	94 999	33 959	1 447 044
	<b>10 731 066</b>	<b>359 500</b>	<b>1 288 948</b>	<b>462 365</b>	<b>12 841 879</b>

N1 **Mr Radebe** sadly passed away on 20 January 2021. He 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.

N2 **Mr Goodayle** was appointed as Acting Senior Manager Business Development w.e.f. 01 January 2020.

N3 **Mr Mncube** was appointed as Acting Senior Manager Gaming Monitoring & Compliance from 01 January 2020 to 30 June 2020 and then again from 01 February 2021 to 31 March 2021.

N4 **Mr Ngubane** was appointed as Acting Senior Manager Licensing & Registration w.e.f. 08 October 2018.

N5 **Mr Sabelo** was appointed as Acting Senior Manager Gaming Monitoring & Compliance from 01 July 2020 to 31 January 2021.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

Figures in Rand

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### 14. DEPRECIATION AND AMORTISATION

Movable assets (refer to note 4)	1 004 633	634 673
Intangible assets (refer to note 5)	1 585 742	1 305 625
	<b>2 590 375</b>	<b>1 940 298</b>

### 15. LEASE RENTALS ON OPERATING LEASE

#### Premises

Contractual amounts	4 637 541	4 670 913
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#### Equipment

Contractual amounts	325 827	305 390
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**4 963 368**      **4 976 303**

### 16. GENERAL EXPENSES

Advertising, Publications and Public Hearings	96 472	477 659
Audit committee fees	-	100 976
Auditors remuneration	652 728	1 052 988
Bank charges	55 241	73 749
Board remuneration (refer to note 16)	2 439 690	3 041 756
Cleaning	120 866	330 231
Computer expenses	537 670	873 932
Conferences and seminars	-	199 375
Consulting and professional fees	380 358	374 367
Courier & postage	-	2 999
Electricity	499 163	592 218
Entertainment	-	1 066
External meeting refreshments	2 064	75 109
Fleet expenses	72 183	178 858
Illegal gambling operations	13 760	9 800
Insurance	482 910	458 772
Internal audit	630 396	756 194
Legal expenses	1 057 014	3 007 558
Levies (statutory)	473 322	595 256
Office set-up and restoration costs	-	175 912
Licensing, investigation and monitoring costs	325 747	1 030 138
Marketing	980 651	742 835
Printing and stationery	56 423	276 725
Probity checks	4 975	17 645
Software licenses and support	1 604 757	1 569 076
Staff placement costs	78 732	34 915
Staff welfare	156 882	170 096
Subscriptions	10 451	6 717
Telephone and fax	804 747	500 277
Training	432 457	629 960
Travel - overseas	-	730 855
Travel and subsistence	783 464	2 480 141
Venue expenses	-	33 080
	<b>12 753 123</b>	<b>20 601 235</b>

In large, the operating expenditure of the entity reduced in line with the Lockdown procedures implemented by Government to deal with the COVID-19 pandemic. In 2020, Legal expenses increased due to litigation initiated by licensees/applicants challenging the decisions taken by the Board.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

Figures in Rand

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### 17. BOARD REMUNERATION

#### Non-executive 2021

	Member's fees	Reimbursement expenses	Total
Dr SG Ngcobo	275 389	506	275 895
Ms MP Myeni	374 353	1 355	375 708
Adv KP Thango	319 635	1 317	320 952
Ms ZP Tenza	160 358	-	160 358
Mr LS Gabela	382 346	628	382 974
Dr TI Nzimakwe	286 475	-	286 475
Prof. BS Stobie	345 273	-	345 273
Mr SN Chetty	291 030	1 025	292 055
	<b>2 434 859</b>	<b>4 831</b>	<b>2 439 690</b>

#### 2020

	Member's fees	Reimbursement 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>

### 18. AUDITORS' REMUNERATION

Fees	652 728	1 052 988
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### 19. REPAIRS AND MAINTENANCE

Office buildings	10 519	22 429
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Repairs and maintenance costs relating to motor vehicles are disclosed with fleet expenses. Repairs and maintenance costs relating to computer equipment are disclosed under computer expenses. Refer to note 16.

### 20. CASH (USED IN) GENERATED FROM OPERATIONS

Deficit	(2 204 147)	(8 695 161)
<b>Adjustments for:</b>		
Depreciation and amortisation	2 590 375	1 940 298
(Gain) / Loss on disposal of assets	85 560	36 486
Bad debts written off / provision	-	592 223
Movements in operating lease liability	38 732	351 936
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(970 890)	880 559
Payables from exchange transactions	4 685 997	2 072 964
Taxes and transfers payable (non-exchange)	(15 520 905)	14 525 686
	<b>(11 295 278)</b>	<b>11 704 991</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

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### 21. RELATED PARTIES

#### RELATIONSHIPS

Accounting Authority  
Ultimate controlling entity  
Executive Authority  
Controlling Department

Refer to members' report note 17  
KwaZulu-Natal Provincial Legislature  
MEC of EDTEA  
Department of Economic Development, Tourism  
and Environmental Affairs  
Transformation Fund

Controlled entities

Entities controlled by the same controlling Department

The KZNGBB is one of many public entities under the control of the Department of Economic Development, Tourism and Environmental Affairs. Kindly refer to the Department's website, [www.kznedtea.gov.za](http://www.kznedtea.gov.za), for the complete list of related entities.

Senior Management

Refer to note 13

#### Related party transactions

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

Department of Economic Development, Tourism and Environmental Affairs	458 607 944	744 893 555
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##### Grants received

Department of Economic Development, Tourism and Environmental Affairs	55 788 000	44 770 996
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##### KZN Liquor Authority

Secondment of an employee - employee costs	1 532 917	1 050 667
Less: provision for bad debts	(578 349)	(578 349)

<b>954 568</b>	<b>472 318</b>
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### 22. TAXATION

The entity is exempted from the payment of income tax.

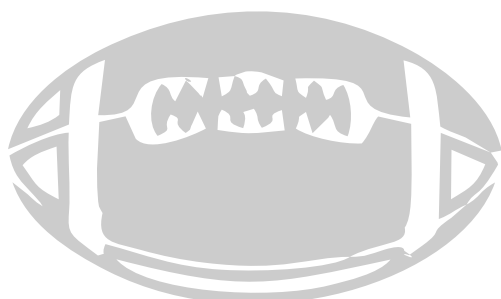
### 23. EMPLOYEE BENEFIT OBLIGATIONS

#### 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	7 527 375	7 122 092
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## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

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### 24. FINANCIAL INSTRUMENTS DISCLOSURE

#### Categories of financial instruments

2021

##### Financial liabilities

	At amortised cost	Total
Trade and other receivables from exchange transactions	2 896 001	2 896 001
Cash and cash equivalents	85 271 547	85 271 547
	<b>88 167 548</b>	<b>88 167 548</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	44 276 578	44 276 578
Taxes and transfers payable (non-exchange)	116 320	116 320
Travel lodge card	76 703	76 703
	<b>44 469 601</b>	<b>44 469 601</b>

2020

##### Financial liabilities

	At amortised cost	Total
Trade and other receivable 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	39 590 581	39 590 581
Taxes and transfers payable (non-exchange)	15 637 225	15 637 225
Travel lodge card	152 523	152 523
	<b>55 380 329</b>	<b>55 380 329</b>

### 25. 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.

### 26. PRIOR PERIOD ERRORS

#### Prior period error 1: Disclosure of Acting positions in Senior Management Remuneration

In terms of GRAP 20 the entity is required to disclose the remuneration paid to officials holding key positions in the entity, including those appointed in acting positions. In the prior period the entity did not disclose the remuneration of officials appointed to act in key positions in the entity. As a result the prior period disclosure in Note 13 has been updated to include the remuneration paid to officials acting in key positions. The amendment had no affect on the statement of financial position, statement of financial performance and cash flow statement.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

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### Prior period error 2: Disclosure of provision for doubtful debts in Related party note

In terms of GRAP 20 the entity is required to disclose related party transactions along with any provisions for doubtful debts raised against the balance. In the prior period the entity disclosed the gross amount relating to the secondment of an employee to KZN Liquor Authority and did not disclose the provision raised against the amount. The prior period disclosure in note 21 has been updated to include provision. The amendment had no effect on the statement of financial position, statement of financial performance and cash flow statement.

### Prior period error 3: Incorrect license fee raised

A licensee is required to pay an annual license fee based on the type of license it possesses and the number of gaming positions it has licensed. Bingo licenses awarded in terms of the previous dispensation were entitled to operate limited payout machines in addition to their bingo positions. During the year, it was discovered that licensees within the Bingo sector were charged a separate fee for the limited payout machines in previous years. This resulted in an overstatement of revenue for the financial years 2015/16 to 2018/19. Although individually the effect of the error on each year is not material, cumulatively it is and therefore the prior period adjustment. The cumulative effect is that revenue was overstated by R838 000 and Income in advance was understated by the same amount.

### Prior period error 4: Income not recorded

During the year it was identified that certain amounts reserved on the online regulatory system for application fees and investigation fees had not been duly invoiced. As a result revenue was not recognised and the amounts were reflected as a liability under income in advance. The correction of the error has resulted in R844 594 being recognised in the 2019/20 period and R130 000 being recognised in the prior periods. Income in advance reduced by the same amounts.

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

#### Statement of financial position

Income in advance (decrease)	-	136 594
Opening Accumulated Surplus (decrease)	-	708 000

#### Statement of financial performance

Fees earned (increase)	-	(844 594)
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#### Cash flow statement

##### Cash flow from operating activities

Fees earned	-	708 000
Suppliers	-	(708 000)

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## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

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### 27. COMMITMENTS

#### Authorised capital expenditure

##### Already contracted for but not provided for

- Intangible assets	908 695	908 695
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Total capital commitments

Already contracted for but not provided for	908 695	908 695
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Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	5 187 438	4 865 376
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- in second to fifth year inclusive	5 751 786	10 939 224
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<b>10 939 224</b>	<b>15 804 600</b>
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Operating lease payments represent rentals payable by the entity for certain of its equipment and for the leasing of office space in Pietermaritzburg and Durban.

### 28. CONTINGENCIES

- The Peoples Forum Against EBT's vs KZNGBB - The applicant is seeking to set aside the Board's decision with regards to the installation of EBT's. The Board is opposing the matter and as such could be liable for costs if an award is made against it. 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 in the matter is R50 000.
- 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 by the bingo industry. The Board is opposing the matter as it interferes with the entity's ability to implement the amended Act with regards to EBT's. The matter is on-going. Management are of the view that the court will find in their favour. There are settlement negotiations currently underway. The estimated costs for counsel is R1 million to continue the defence of the matter.
- 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 matter, the parties are awaiting an interlocutory ruling. However, the matter is now moot and we are seeking a settlement on the matter. The anticipated costs for counsel is R50 000.
- Three (3) Employees vs KwaZulu-Natal Gaming and Betting Board - This is a labour matter where certain employees have taken the entity to court regarding their remuneration and unfair labour practices. The matter is being defended. At this stage it is not possible to reasonably quantify the costs should an order be made against the Board. The anticipated costs for counsel is R200 000 to defend the matter.
- A contingent liability exists with regards to potential surrender of surplus funds accumulated by the entity. The entity has, in the past, applied for and been granted approval for the retention of surplus funds to be used for operations and specific projects. During the year the entity was instructed by the Provincial Treasury to surrender an amount to assist fund the National Government's emergency relief package. This was a once off event and it is not expected that the entity will be required to surrender any further amounts at this point in time. However should the request be made then a contingent liability does exist. At this point in time the amount to be surrendered cannot be reliably measured.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

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### 29. FRUITLESS AND WASTEFUL EXPENDITURE

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

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. No person within the entity was found to be negligent.





## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

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### 30. IRREGULAR EXPENDITURE

Opening balance as previously reported

<b>Incidents/cases identified in the current year include those listed below:</b>	<b>Disciplinary steps taken/other comments</b>		
Board remuneration.	No person responsible.	1 798 784	1 798 784
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. Process delayed by capacity issues and the pandemic	There existed a gap in policy leading to the possible loss to the entity. The amounts have prescribed due to the time that has elapsed since the investigation was undertaken.		
<b>Incident 2</b> - Legal fees 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	No person responsible. No fraud or corrupt activities.  The entity did not suffer any loss.	3 759 479	3 759 479
<b>Incident 3</b> - Expired Contracts The entity made use of contracts that had expired. APPLICATION HAS BEEN MADE TO PROVINCIAL TREASURY FOR THE CONDONATION OF THE AMOUNT	No person responsible. No fraud or corrupt activities identified.  The entity did not suffer any loss	331 255	331 255
		<b>5 889 518</b>	<b>5 889 518</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.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (Continued)

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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.

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### 32. NEW STANDARDS AND INTERPRETATIONS

#### 32.1 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 2021 or later periods but are not relevant to its operations:

#### **Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards**

Objective of this directive: The Board has approved the application of International Financial Reporting Standards (IFRS® Standards) issued by the International Accounting Standards Board (IASB®) for public entities (hereafter referred to as "an entity") that meet the criteria to apply IFRS Standards as outlined in the Directive on The Selection of an Appropriate Reporting Framework by Public Entities (Directive 12).

Entities that apply IFRS Standards and operate in the public sector may need to formulate an accounting policy in the absence of an IFRS Standard that specifically applies to a transaction, other event or condition (hereafter referred to as "formulating an accounting policy") using other sources. When formulating an accounting policy in the absence of an IFRS Standard, the entity needs to consider its users and their information needs. Users of financial statements prepared using the IFRS Standards are interested in information on the return on their investments, and/or the return of their investments, and to make decisions about providing resources to the entity.

The objective of this Directive is to explain when, and in what circumstances, an entity may consider the principles in a Standard of GRAP when formulating such an accounting policy.

It covers: Scope, Formulating an accounting policy in the absence of a specific IFRS® Standard, and Basis for conclusions.

The effective date of the standard is 01 April 2021.





KWAZULU-NATAL GAMING & BETTING BOARD