



ANNUAL REPORT 2021/22



KwaZulu-Natal
GAMING & BETTING BOARD



edtea

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

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PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

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



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 Gambling Foundation
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprises
TR	Treasury Regulations



3. EXECUTIVE AUTHORITY'S FOREWORD



Honourable Mr R. R. Pillay MPL
MEC for Economic
Development, Tourism and
Environmental Affairs

In line with my designation as the MEC responsible for the Gaming and Betting industry in the province, the KwaZulu-Natal Gaming and Betting Board (KZNGBB) which is a Schedule 3C Public Entity falls under my leadership. The entity is geared towards implementing programmes which enable the realisation of radical economic transformation within the province.

RATIONALISATION

As per a Cabinet Resolution provided, there will be a rationalisation process that will be undertaken to amalgamate the KwaZulu-Natal Gaming and Betting Board as well as the KwaZulu-Natal Liquor Authority. It is envisaged that all stakeholders will work together to ensure the transition towards the KwaZulu-Natal Economic Regulator is undertaken effectively.

COVID-19, CIVIL UNREST AND KZN FLOODS The KZNGBB undertook a Covid-19 recovery plan to provide interventions and entailed new opportunities due to the challenges presented by the pandemic. The economic impact of the civil unrest was devastating, with an estimated R20 billion loss in GDP for the province. As a result, the gaming and betting industry incurred damage to property. The KZNGBB provided support and related interventions to affected licensees during this tumultuous period. During the civil unrest, a total of 199 sites were vandalized, and 99% of Sites have re-opened, 92% of Sites were Damaged related to LPM Sector. In the betting sector, five Township Sites (Umlazi, KwaMashu, Edendale, Inanda) remain closed. The province recently suffered devastating flood damage to various types of infrastructure. The KZN Gaming and Betting industry also incurred damage to sites. It is hoped that the licensees will be able to recover fully from the effects of the devastation.



REVENUE COLLECTION

Despite the devastating impact of the pandemic and the civil unrest during the 2021/22 financial year, the industry recovered adequately. It provided R672.280 million versus the amount collected in the previous financial year, which was R473.977 million.

JOB CREATION AND RETENTION

During the period under review, approximately 4 492 jobs were created in the Betting Sector and 3059 within the gaming sector. The impact of Covid-19 and the civil unrest resulted in 687 direct and 1718 indirect job losses. KZNGBB provided business support services for TERS applications which greatly assisted with job retention, and 4085 gaming industry employees were assisted with their submissions.

REDUCTION OF SOCIAL IMPACT OF HARMFUL EFFECTS OF GAMBLING

As part of our drive to eradicate illegal gambling in the province, the Board supported the SAPS during raids carried out on one hundred and forty-five [145] premises suspected of conducting illegal gambling, which resulted in the confiscation of twenty-nine [29] illegal gambling machines. These raids were carried out in various parts of the province.

CORPORATE SOCIAL RESPONSIBILITY HIGHLIGHTS

Corporate Social Responsibility highlights the amount to R7.8 million. The highlights of the spending by the gaming and betting industry are as follows:

- Food Security: The KZNGBB and gaming and betting industry undertook a Food Hamper drive; there were 320 families from various areas within the province.



- Digital Hub: Imbeleko Digital Academy, located deep in the valley of 1000 hills which empowers the youth living in the area, received a sponsorship of R1 million from Sibaya Casino Community Trust.
- Gender-Based Violence Interventions: To date, the industry has supported GBV interventions amounting to R12.8 million.

ACKNOWLEDGEMENTS

I want to take this opportunity to acknowledge the 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 the entire staff. I am positive that the KZNGBB will continue to provide the appropriate interventions and support in the gaming and betting industry.

MEC RR PILLAY, MPL

MEC for Economic Development, Tourism and Environmental Affairs

DATE: 11 July 2022

4. CHAIRPERSON'S STATEMENT



Dr S.G. Ngcobo
Chairperson of the KZNGBB

1. OVERVIEW AND STRATEGY

The year commenced and the country hasn't had any lockdowns so far, the industry is doing excessively great. There has been rapid recovery and most of the licensees are operating. After two full years the Durban July will be held physically and that is a positive outcome towards the industry. This will focus on the economic growth and job creation as well. The entity is committed to full recovery within the industry.

2. BUSINESS DEVELOPMENTS AND TECHNOLOGY

Our strategic focus area to focus more on recovering the industry fully. Staff has been working both in the office and remotely, they have been working on rotational basis and have been producing great performance while doing so. There is a GROPS system that has been introduced within the entity and an initiative was taken to introduce this system to the licensees since the evolution of the 4IR is taking place.

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.

The Board of KZNGBB has an addition of four board members which are Ms Mkhize, Mr Zikalala, Mrs Mhlongo and Ms Maharaj which have been of great assistance within our committees and the Board as a whole. Dr Nzimakwe and Mr Chetty left the Board of the entity on the 31st of July 2021 due to their contracts with the Board coming to an end. There has had a great impact in the growth of this entity and contributed a lot towards the success of the industry. The management of the entity produce exceptional services towards our stakeholders and ensure that the day-to-day business runs smoothly and efficiently as possible and for that we are forever grateful to them.

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 as of recently. There are other initiatives which are being led by the Communications Unit to ensure that lives of the public and communities at large are being taken care of and developed. The entity ensures to advance the livelihood of our province and ensure to bring about some change in the rural areas. The KZN Provincial sees rural and township areas as catalysts for achieving Radical Economic Transformation. The KwaZulu-Natal Gaming and Betting Board was realigned for this purpose to contribute towards this initiative by also funding learners from under privileged schools.

5. KZNGBB BLACK INDUSTRIALISTS PROGRAM

The KZNGBB Black Industrialist program is a vehicle to implement radical economic development and job creation. The program supports manufacturing and value chain projects within the gaming sector. The total investment for projects are R603 million and will support a total of 437 Jobs.

6. CONTRIBUTION BY INDUSTRY TO GDP AND LOCAL ECONOMY

The KZN Gaming and Betting industry is a major contributor to 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.

7. 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), 25 have operationalised. White ownership has been reduced from 74% to 18.75% since 2011/12 while Black owned/empowered businesses now stand at 81.25%.

8. LOOKING FORWARD

We are looking forward to a great year without any major challenges and hope that all management and staff will proceed with delivering the exceptional service at all costs. 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 and during the course of this year. I wish to thank all our strategic partners, the Board of Directors and its Chief Executive, senior executives, officials and all stakeholders who actively participated in seeing the KZNGBB mandate take off. I am also appreciative to the entity for maintaining clean audits for the past financial years.

We will continue to strive for a government that upholds the high professional standards and clean governance.



Dr. S.G. Ngcobo

Chairperson: KwaZulu-Natal Gaming and Betting Board
DATE: 11 July 2022



5. REPORT OF THE CHIEF EXECUTIVE OFFICER



Ms P. N. Baloyi
Chief Executive Officer

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 2022 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 and the industry have however, we have managed to navigate and provide interventions to address these challenges.

Impact on Revenue Collection

The industry has undergone difficult times with Covid and Civil unrest during the period under review, however the industry as able to improve sufficiently and provided R672.280 million versus the amount collected in the previous Financial year which was R473.977 million. This money was allocated for various service delivery programmes such as the construction of roads, houses and to ensure the provision of quality education, health, welfare services, water and electricity.

Tax Distribution

The total amount of Betting taxes generated by the Betting Industry during this financial period amounted to R200.2 million which is an increase of 16.10% when compared to the previous financial year. From the R 134.8 million in taxes generated by Bookmakers on Horseracing an amount of R67.4 million was distributed to Gold Circle by the Board in terms of Section D1 of the Gaming and Betting Tax Act. This amounted to a 27.49% increase in comparison to the previous year. The total amount of Gaming Taxes generated by the Gaming Industry during this financial period amounted to R472.0 million was a significant increase of 56.56% when compared to the previous financial year.

KZNGBB Involvement in Traditional Equine Industry Related Projects

The 2021 edition of the Dundee July Horseracing festival as well as the Kilmun Traditional horseracing event was undertaken after a two-year absence due to Covid-19 regulations as its provisions prohibited the staging of major events and mass gatherings. Even though both events were held behind closed doors and comprised of primarily horse owners and race day officials, the events provided for economic growth during these events.

Economic contribution

With an 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.

Job Creation and Retention

In the period under review there were 4 492 jobs that were created in the Betting Sector and 3059 within the gaming sectors, with the impact of Covid and the civil unrest resulting in 687 direct and 1718 indirect jobs losses. KZNGBB provided business support services for TERS applications which greatly assisted with job retention, there were 4085 gaming industry employees that were assisted with their submissions

-The entity continues to monitor the situation 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.

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 programmes and partnerships that must be considered for the roll-out of Gender Based Violence interventions and programmes. The KZNGBB together with the gaming and betting industry had answered the call to financially support Gender Based Violence interventions to address the scourge. In the 2019/20 Financial Year the 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.

CSI Contributions

The CSI contributions have been negatively impacted by factors such as the civil unrest as well as the pandemic as in the previous financial year industry stakeholders spent more than R12 million to uplift communities here in this province, however there was a drop to R7.8 million during the 2021/22 financial year. The KZNGBB is working closely with the industry to consolidate efforts to bring about more community development.

5.2 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 maintaining a clean audit in the year ahead to fulfil the mandate in respect of the protection of the public.





5.3. CONTRIBUTION TOWARDS GOVERNMENT PRIORITIES

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

- Ensure accurate revenue collection for the Provincial Government by the application of the KZN Gaming and Betting Act through the collection and verification of fees and taxes payable under the KZN Gaming and Betting Tax Act by licensees, thereby contributing to growth of the Provincial Economy.
- Updated KZNGBB's Transformation Strategy Implementation plan provides for an increase in the number of Black persons participating and gaining access into this industry to encourage growth in SMMEs to support the smaller players within the gambling industry, to enhance existing license conditions and will focus on ownership.
- Targets for job creation within the gambling industry are set by the Board in license conditions and employment related commitments made by licenses are closely monitored.
- The Boards transformation agenda includes training and development opportunities for Black youth, Black Women and designated groups to equip them with skills which will enhance opportunities for future employment in the gaming and betting industry.
- The Board continues to place emphasis on the alignment of Socio-Economic development initiatives by the gambling industry with the PGDP and the Poverty Alleviation Master Plan, the SED initiatives are ongoing. Each licensee continues to contribute to the community that falls within its jurisdiction of operation, spend on CSI is included in licensee conditions. Programmes are primary focused on Health, Welfare, Education, Community Upliftment, Sports and recreation and Arts and Culture. The gaming and betting industry expended an amount of over R5.5 million in the period under review on CSI programmes.

5.4 RATIONALISATION

In line with a Provincial Cabinet Resolution, the rationalisation process between the KwaZulu-Natal Gaming and Betting Board and the KwaZulu-Natal Liquor Authority has commenced in earnest.

5.5. ACKNOWLEDGEMENTS/APPRECIATION

I like to express my appreciation to the MEC responsible for the Gaming and Betting Portfolio, the Honourable Mr R. 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: 11 July 2022



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 Accounting Officer is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.
- The Accounting 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 2022.

Yours faithfully

Ms P N Baloyi

Chief Executive Officer

KwaZulu Natal Gaming and Betting Board

DATE: 11 July 2022





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.

7.2 LEGISLATIVE AND OTHER MANDATES

The KwaZulu-Natal Gaming and Betting Board operates within National and provincial legislative, policy and strategic frameworks such as follows:

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 Board's operations.
KZN Gaming and Betting Amendment Act (Act No. 4 of 2017)	
KZN 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	
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.



8. STRATEGIC 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 judgment, and polite behavior when dealing with all stakeholders

TRANSPARENCY

To embody honesty and open communication with all stakeholders

INNOVATION

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

OTHER POLICY IMPERATIVES RELEVANT TO KZNGBB

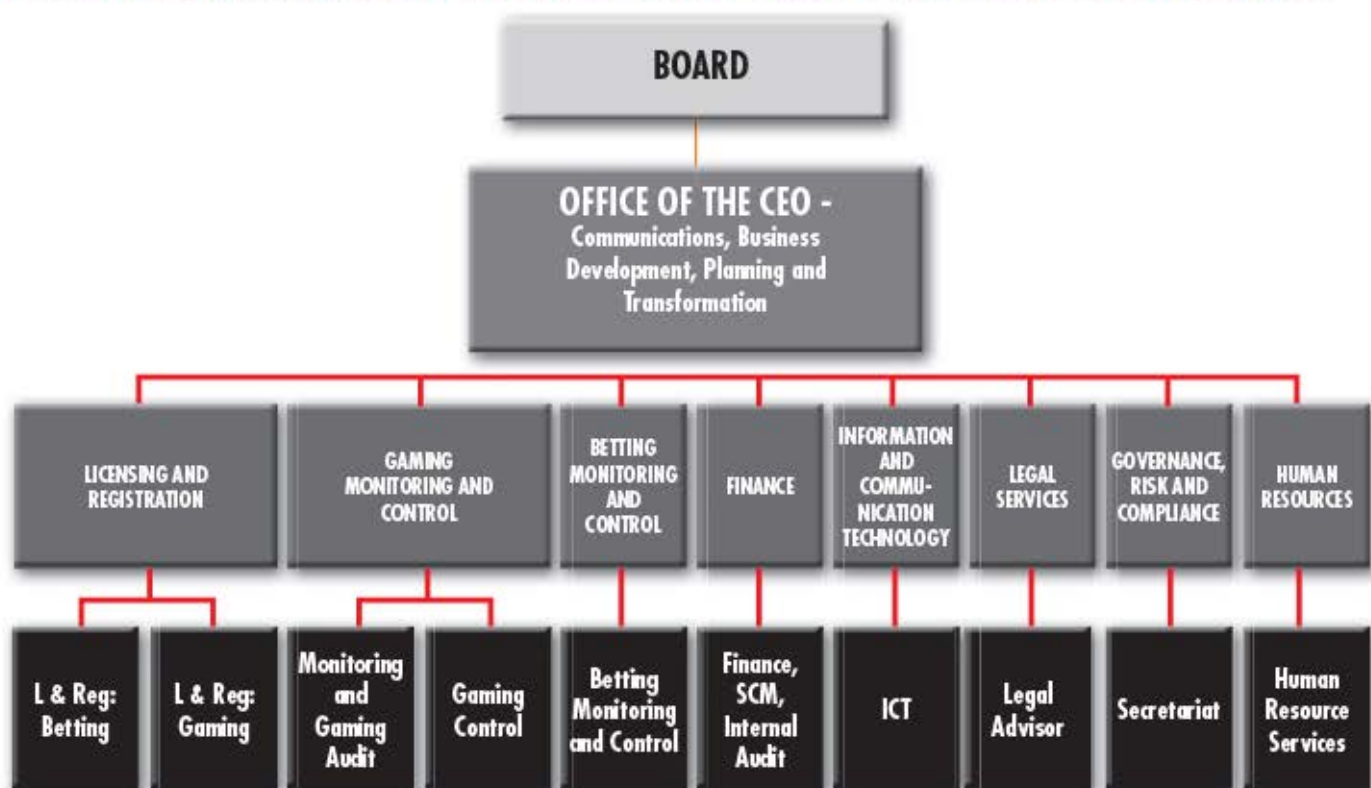
- Revised Framework for Strategic Planning and Annual Performance Plan. Medium Term Strategic Framework
- Medium Term Strategic Framework
- Provincial Growth and Development Framework
- Provincial Growth and Development Plan
- Medium Term Expenditure Framework
- National Treasury's Framework for Managing 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 programmes which will address triple challenges of poverty, unemployment and inequality through

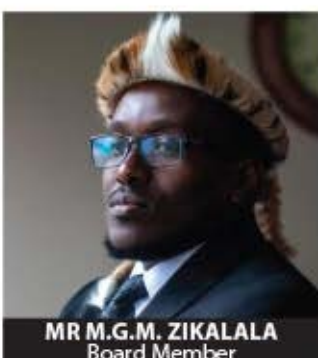
- Job Creation and Economic Development
- Industrialisation (Black Industrialist)
- Radical Economic Transformation
- Growing Small Business and Local Economic Development (SMME Development, Transformation, Infrastructure Development & Tourism)
- Rural Economic Development (Rural Horse Racing)
- Revenue Growth for Province
- Minimizing Negative Effects of Gambling
- Disaster Management Act, 2002



9. ORGANISATIONAL STRUCTURE



10. KWAZULU-NATAL GAMING AND BETTING BOARD MEMBERS



11. VALUE CREATED BY THE KZNGBB

KZNGBB VALUE ADDED STATEMENT					
Value Added (R'000)					
Item	2017/18	2018/19	2019/20	2020/21	2021/22
Total Revenue	90 626	73 484	76 741	80 993	77 935
Revenue(Taxes)	653 731	684 696	723 770	473 977	672 280
Total	744 357	758 186	800 511	554 970	750 215
Value Allocated					
To employees	44 951	48 865	57 209	62 777	62 405
To suppliers	22 655	31 899	31 596	22 187	23 197
Total	67 606	80 764	88 805	84 964	85 602
Total Value Created	676 751	677 422	711 706	470 006	664 613

Financial Capital

The entity received a grant fund of R51.4 million (2021/22 MTEF) from Provincial Government to fund operations and our industry contributes R 759 million to SMME spend in the local economy. Tax distribution in terms of the Tax Act resulted in R604.8 million being generated for the Provincial Revenue Fund and R67.4 million being distributed to Beneficiaries.

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.

Refers to page 72-73 of the Report of the Auditor General published.

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 2021-2022 financial year and relevant research into emerging trends Gambling industry.

SERVICE DELIVERY ENVIRONMENT.

Global Economic Outlook

The global economic outlook emerged somewhat benign in the latter part of 2021 leading up to early 2022 amid ensuing new variants of the Covid-19 pandemic. The emergence of the new Omicron COVID variant has led to a few countries re-imposing mobility restrictions which induces the risk of a prolonged broad-based economic recovery most notably amongst the emerging and developing nations, where vaccination rates still lag behind that of advanced countries. Although the threat of the pandemic remains on the downside and vaccine rollouts quite unevenly spread, the average number of deaths reported since October 2021 has been declining significantly largely due to the diffusion of vaccines with over 55% of the world population having received at least one dose.

Global growth is estimated at 5.9% in 2021 while the 2022 forecast has been revised downwards by half a percentage point to 4.4%. The downward revisions are informed by mobility restrictions associated with new variants, impact on the contact-intensive sectors, hindrance on global supply chains, constraints in labour supply due to infections amid the recent risks associated with the Russia/Ukraine geopolitical tensions. Meanwhile the cited limitations to global growth alongside weaker external demand and a myriad of other shocks have led to further downward revisions in some advanced economies including the United States where growth forecasts for 2022 were downgraded by -1.2% to 4%, Canada and Germany by -0.8 percentage point to 4.1% and 3.8% respectively. The economic growth outlook for advanced economies has been revised downwards by -0.6 percentage points to 3.9% for 2022 before moderating to 2.6% in 2023.

Economic growth prospects for emerging markets and developing economies have also been adjusted downward by -0.3 percentage point to 4.8% for 2022. A weaker real estate sector in China alongside its zero-COVID cases strategy leading to protracted mobility restrictions are likely to have a dampening effect to future growth prospects in the near to

medium term. Economic growth in China is expected to slow down by -0.8 percentage points to 4.8% in 2022 with probable negative spill over effects on commodity exporting nations.

International Labour Markets

Global labour markets continue to struggle to recover from the COVID-19 pandemic that has dominated the global economy for a second year in 2021, preventing a full and balanced recovery of labour markets. The pace at which economic activity has recovered has depended largely on the extent to which the virus has been contained, such that the recovery is following different patterns across geographies, sectors and national income levels.

The global labour market outlook has deteriorated since the International Labour Organisation's (ILO) last projections; a return to pre-pandemic performance is likely to remain elusive for much of the world over the coming years. On the basis of the latest economic growth forecasts, the ILO is projecting that global total working hours for 2022 will remain 2% below pre-pandemic levels (ILO Trends, 2022). Global unemployment is projected to stand at 5.9% which is lower than the average of 6.2% in 2021. Global unemployment is expected to continue to decline but at a slow rate as the years come but overall key labour market indicators in all regions – Africa, the Americas, the Arab States, Asia and the Pacific, and Europe and Central Asia – have yet to return to pre-pandemic levels.

Recovery patterns vary significantly across regions, countries and sectors. Since the onset of the recovery, employment growth trends in low- and middle-income countries have remained significantly below those observed in richer economies. This owes largely to the lower vaccination rates and tighter fiscal space in developing countries. The impact has been particularly serious for developing nations that experienced higher levels of inequality, more divergent working conditions and weaker social protection systems even before the pandemic

Domestic Economic Outlook:

The national annual growth rate for 2021 was recorded at 4.9%; a resounding rebound from the Covid-19 induced readjusted contraction of -6.7% in 2020. Although the outlook for the national economy remains rather uncertain as the impact of the pandemic, the July 2021 social unrest and other deterrents to growth are still lingering, there is reason to be optimistic looking at annual sectoral growth trends for the year 2021. The strength of GDP growth in 2021 was largely driven by stronger household spending and increased export capacity.

With that said the fourth quarter sectoral output performance still shows signs of constraint as real growth domestic product (GDP) continue to lag pre-covid-19 levels of growth. The national economy is -1.8% smaller in size relative to the first quarter of 2020. Further to that the persistent threat of the Covid-19 pandemic, mostly recently increasing geopolitical risks with its associated risks of rising global oil prices, constrained supply chain and expectation of rising input cost which will continue to put upward pressure on consumer inflation could undermine and slowdown recovery.

(National and Local Developments in Gambling Industry)

The gross gambling revenue generated by the industry in between 2020-2021 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%.

Although the gambling industry overall continued to grow from a revenue perspective between 2019, the growth rate was significantly lower than increases experienced during the past couple of years. Casino gross gambling revenues declined for the first time since 1997 reflecting the tough economic conditions and the impact of illegal gambling. The other segments continued to show growth in 2016. Furthermore, Gross gambling revenues for casinos, limited payout machines, bingo and betting totalled R27 billion in 2016, a 3.9% increase on the prior year.

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.

Tourism Developments

The international travel and tourism are slowly recovering from the aftermath of the Covid-19 pandemic, arrivals grew by 4% year -on-year in 2021, however it was (-72%) less compared to the pre-pandemic numbers. The travel improvements are attributed to vaccination, easing of travel restrictions and cross-border coordination on travel and health protocols. The regions which have contributed significantly to the numbers is Europe and America by 19% and 17% respectively. Asia and Pacific recorded few tourists' arrivals, due to travel restriction and closure of most destinations in the region.

Tourism Data highlights the disruptive effects of the surge in pandemic infections in December 2021, especially through tighter domestic mobility restrictions and international travel bans. In Africa the omicron-related travel bans were



largely considered as discriminatory and unjust. As earlier highlighted, the African tourism industry was already facing serious challenges due to low levels of intra- African travel. A recent report from Africa No Filter found that only 63% of young Africans have ever travelled to another African country, despite wanting to see more of the continent. Restrictive visa regimes and the high cost of flights between countries make it harder for Africans to visit their neighbouring countries than fly overseas. While it is difficult to quantify at this stage, there is no doubt that the pandemic variants have negatively affect tourism activity on the continent.

The devastation of the tourism industry persisted in 2021; was worsened during the festive season when South African scientists announced the discovery of a new Covid-19 variant omicron. Domestic tourism businesses were severely affected and the announcement sparked international countries to place South Africa as one of the risky countries to visit, United Kingdom and United States of America included. These countries impose a travel ban on South Africa and other countries in the African region.

State of KZN Business Environment

The year 2022 started with strong expectations in the manufacturing sector and other industrial sectors in the KwaZulu-Natal economy, following years of difficulties from the pandemic in 2020 and the civil unrest in July 2021. The increased optimism about future business conditions is mainly due to the expectation that COVID-19 will be less disruptive to the economy in 2022. Also, that the existence of ample Political Will and the presence of social dialogue amongst concerned citizenry will help in seeking a sustainable solution to existing socio-economic challenges and the unemployment quandary.

The expectation is for the positivity to drive the recovery of the provincial economy, provide impetus to the implementation of the provincial economic reconstruction and transformation plan, support robust consumer spending and support trade and investment.

Emerging risk for KZN Business Environment

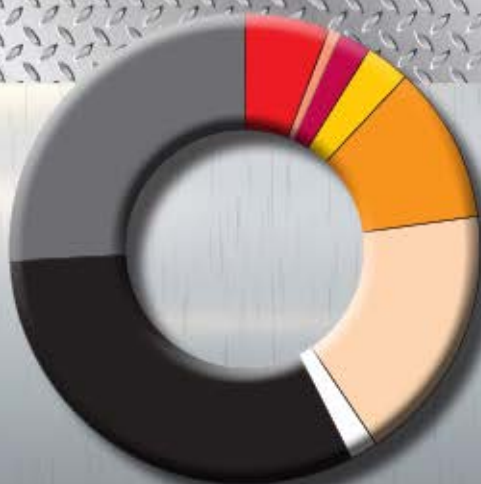
Some key risks to the KZN economy in 2022 include risks from the coronavirus variants, higher inflation (risk of stagflation), risks from key markets – including from China (slowing down economy), Russia and Ukraine (ongoing conflict), contractionary monetary policy (hawkish) from the South African Reserve Bank, low public & private investment and faltering inclusive growth.

At an aggregate level, business activity in KZN is proxied by the high frequency perception-based indicator - the composite business confidence index (BCI) - which reflects the percentage of respondents rating prevailing business conditions as either satisfactory or unsatisfactory.

Performance by Province

A total amount of R326 429 852 294 was wagered in FY2020/21, a fall of 27.8% from the previous financial year FY2019/20 (R451 899 133 881) due to the ripple effects of the Covid-19 pandemic on the gambling industry. Due to a nationwide total shutdown in Q1 of FY2020/21 and subsequent restrictions on public gatherings, less money was wagered in the gambling industry compared with the last five financial years. Casinos accounted for the highest turnover (TO) at 48.6% in comparison with all other gambling modes. Gauteng accounted for the highest amount of TO in respect of all gambling modes, compared to other provinces.





TURNOVER PER PROVINCE, ALL MODES, FY2020/21

Northern Cape	R19 261 191 781	5.9%
Eastern Cape	R2 558 428 485	0.8%
North West	R7 202 316 592	17.8%
Limpopo	R10 892 746 332	3.3%
Mphumalanga	R34 863 284 808	10.7%
KwaZulu-Natal	R58 250 686 458	17.8%
Free State	R5 769 132 107	1.8%
Gauteng	R103 906 531 483	1.8%
Western Cape	R83 789 634 237	25.7%



GGR PER GAMBLING MODE, ALL PROVINCES, FY2020/21

LPM	R2 434 393 885	10.5%
BINGO	R1 103 215 830	4.7%
BETTING	R10 604 752 791	45.6%
CASINOS	R9 107 191 030	39.2%

Gross Gambling Revenue per Gambling Mode and Province

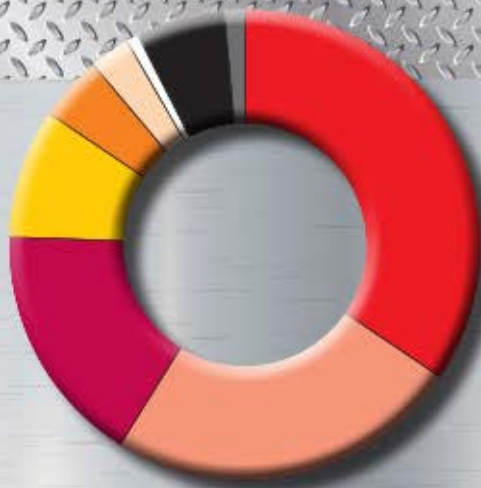
Gross gambling revenue (GGR) increased by 3.8% from R26 billion in FY2015/16 to R27 billion in FY2016/17; by 6.7% to R28.8 billion in FY2017/18; by 7.0% to R 30.8 billion in FY2018/19; and by 6.1% to R32 651 969 283 in FY2019/20. In FY2020/21, however, GGR decreased by 28.8% to R23 249 553 537. During FY2020/21, betting accounted for the highest GGR generated, being 45.6% as compared to other gambling modes. Compared to all other provinces, Gauteng at a 35% share, accounted for the highest amount of GGR generated.

GGR overall fell by almost a third in FY2020/21 compared to the previous financial year as all modes – except betting – recorded negative growth. Casino GGR specifically fell by more than 50%, with the LPM and bingo sectors losing over a third in revenues compared with FY2019/20 due to the effects of the global Covid-19 pandemic. Although the FY2020/21 had declines in operational positions in the casino, LPM and bingo sectors, the operational positions in the casino sector have, since FY2018/19, recorded negative growth for three consecutive financial years.

The number of operational EBTs in the bingo sector also fell in FY2020/21 after having followed an upward trajectory since FY2012/13. Traditional bingo fell further and became nonexistent

in two more provinces, meaning a total of four out of the six provinces offering bingo no longer have operational traditional bingo.





TURNOVER PER PROVINCE, ALL MODES, FY2020/21

Gauteng	R8 075 932 542	34.7%
Western Cape	R5 645 269 379	24.3%
Kwa-Zulu Natal	R3 918 530 389	16.9%
Mpumalanga	R2 058 984 744	8.9%
Limpopo	R970 226 198	4.2%
North West	R688 054 486	3.0%
Northern Cape	R162 009 414	0.7%
Eastern Cape	R1 423 696 755	6.1%
Free State	R306 849 610	1.3%

Analysis of GGR and gambling positions per gambling mode during the period FY2017/18 to FY2020/21 reflected the following growth and trends as shown in figures 5, 6 and 7:

GGR overall fell by almost a third in FY2020/21 compared to the previous financial year as all modes – except betting – recorded negative growth. Casino GGR specifically fell by more than 50%, with the LPM and bingo sectors losing over a third in revenues compared with FY2019/20 due to the effects of the global Covid-19 pandemic.

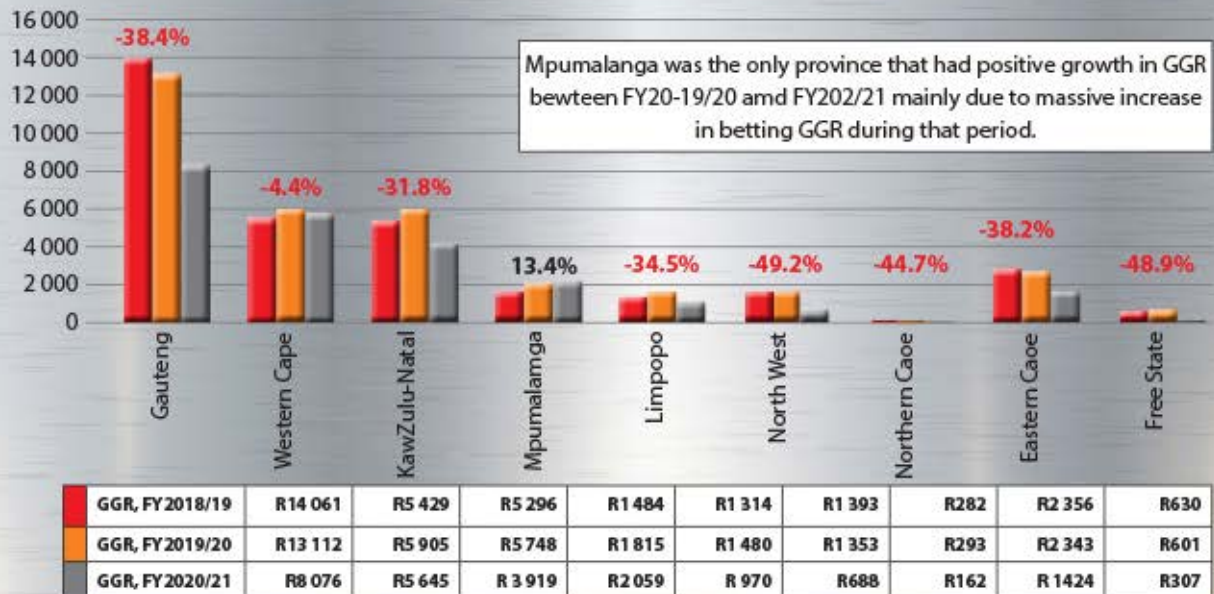
Although the FY2020/21 had declines in operational positions in the casino, LPM and bingo sectors, the operational positions in the casino sector have, since FY2018/19, recorded negative growth for three consecutive financial years. The number of operational EBTs in the bingo sector also fell in FY2020/21 after having followed an upward trajectory since FY2012/13. Traditional bingo fell further and became nonexistent in two more provinces, meaning a total of four out of the six provinces offering bingo no longer have operational traditional bingo.

Positive growth in GGR (21.0%) was recorded in the betting industry due to its uninterrupted accessibility during the year despite the Covid-19 restrictions that hampered access to other modes. Betting is the only mode of gambling that can be undertaken online in South Africa.

All provinces except Mpumalanga reported negative growth in revenues between FY2019/20 and FY2020/21. The hardest hit province was North West (-49.2%) followed by the Free State (-48.9%). Mpumalanga grew 13.4% – mainly due to a massive surge in betting GGR in FY2020/21 in spite of the effects of the Covid-19 pandemic.



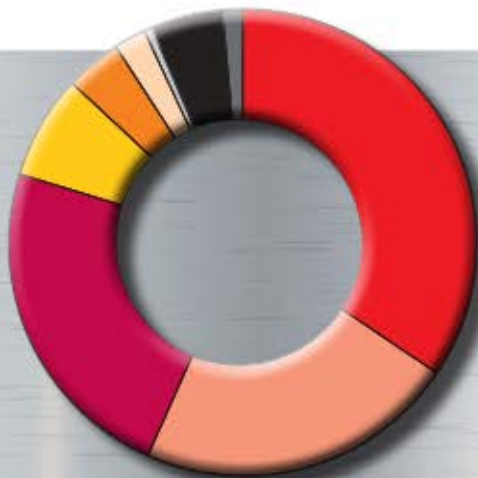
GROWTH RATE OF GGR PER PROVINCE (FY2018/19 - FY2021/22)



Taxes/Levies Contribution per Gambling Mode and Province

A total amount of R2 049 107 892 in taxes/levies was collected during FY2020/21. At 42.3%, casinos contributed the highest amount of taxes/levies in comparison with other gambling modes. Gauteng (35%) accounted for the highest amount of

taxes/levies relative to the other provinces. The collection of taxes/levies decreased by 1% from R2.8 billion in FY2015/16 to R2.7 billion in FY2016/17, increased by 5.7% to R2.9 billion in FY2017/18, by 6.8% to R3.1 billion in FY2018/19, by 3.2% to R3.2 billion in FY2019/20 and decreased by more than a third (36.1%) to R2 billion in FY2020/21.



TAXES/LEVIES PER PROVINCE, ALL MODES, FY2020/21

Gauteng	R708 091 056	34.6%
Western Cape	R452 953 352	22.1%
Kwa-Zulu Natal	R478 216 135	23.2%
Mpumalanga	R146 685 308	7.2%
Limpopo	R77 856 308	3.8%
North West	R46 043 910	2.2%
Northern Cape	R12 691 959	0.6%
Eastern Cape	R102 113 999	5.0%
Free State	25 455 941	1.2%

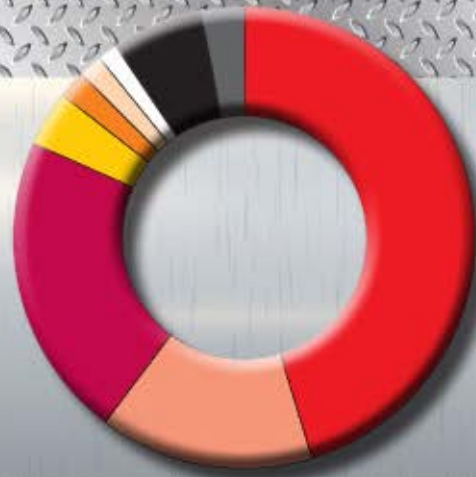
Casino Sector

By the end of the financial year FY2020/21, a total number of 38 casinos (out of a maximum of 41 licences) were operational in South Africa. This follows the closure of Naledi Casino in the Free State owned by Sun International due to the effects of the Covid-19 pandemic. Of the total casino market, the majority of the casinos are situated in Gauteng which has seven (18%) while the Western Cape, KwaZulu-Natal and the Eastern Cape each host five casinos (13%).



**NUMBER OF OPERATIONAL CASINOS PER PROVINCE
AS AT 31 MARCH 2021**

Gauteng	7	18%
Western Cape	5	13%
Kwa-Zulu Natal	5	13%
Mpumalanga	3	8%
Limpopo	3	8%
North West	4	11%
Northern Cape	3	8%
Eastern Cape	5	13%
Free State	3	8%



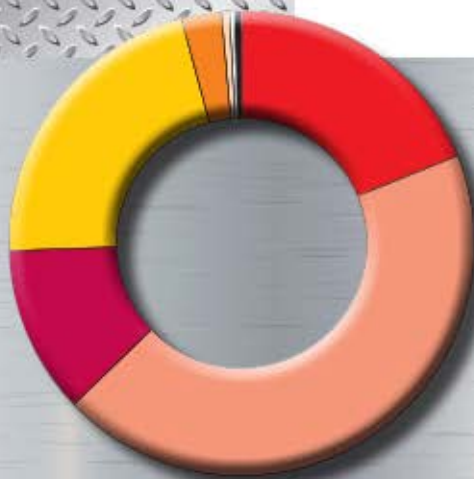
CASINOS TURNOVER PER PROVINCE, FY2020/21

Gauteng	R72 057 167 833	45.4%
Western Cape	R23 823 841 886	15%
Kwa-Zulu Natal	R34 182 763 368	21.5%
Mpumalanga	R6 069 376 630	3.8%
Limpopo	R3 211 826 578	2.0%
North West	R2 536 427 161	1.6%
Northern Cape	R2 035 767 192	1.3%
Eastern Cape	R10 503 986 353	6.6%
Free State	R4 382 401 749	2.8%

The total rand value of money wagered in casinos in FY2020/21 was R158 803 558 751. This amount represents 48.7% of the total turnover (money wagered) in all gambling modes. The effects of the Covid-19 outbreak affected the performance and growth of the South African casino industry due to the closure of operations following a nationwide lockdown in FY2020/21. In comparison with the previous year's turnover (R292 281 542 623), this is a drop of 46%. As at 31 March 2021, Gauteng had the highest number of casinos compared to other provinces resulting in the highest amount of money wagered during FY2020/21 (45.4%). This is followed by money wagered in casinos in KwaZulu-Natal (21.5%) and the Western Cape (15.0%) as reflected.

Betting Sector

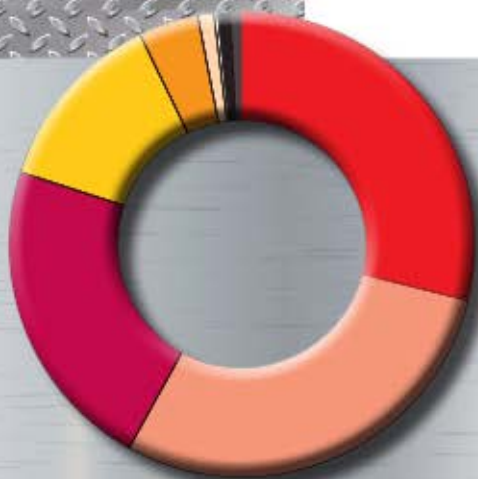
The total rand value of money wagered in the betting on horse racing and sport sector during FY2020/21 was R118 471 235 949, an increase of 56.5% from FY2019/20 (R75 700 192 595), in spite of the effects of the global pandemic. This amount represents 36.3% of all turnovers (money wagered) across all gambling modes. This is mainly attributed to the continued accessibility of the gambling mode on online platforms despite the complete shutdown in the land-based fraternity.



TURNOVER BETTING (TOTALISATORS AND BOOKMAKERS) PER PROVINCE, FY202/21

Gauteng	R22 476 648	19%
Western Cape	R52 012 712 628	43.9%
Kwa-Zulu Natal	R52 012 712 628	11.7%
Mpumalanga	R25 110 727 382	21.2%
Limpopo	R3 312 664 136	2.8%
North West	R744 285 836	0.6%
Northern Cape	R169 001 992	0.1%
Eastern Cape	R294 592 554	0.2%
Free State	R484 753 339	0.4%

The total rand value of taxes/levies collected by PLAs from the betting on horse racing and sport sector during FY2020/21 was R798 120 627 an increase of 19.1% from FY2019/20 (R669 723 254). This amount represents 38.9% of the total amount of taxes/levies collected from all gambling modes (inclusive of casinos, LPMs and bingo). The collection of taxes/levies increased by 8.5% from R 396 775 739 in FY2015/16 to R430 497 110 in FY2016/17, increased by 16.1% to R499 817 351 in FY2017/18, increased by 11.4% to R556 709 987 in FY2018/19 and increased by 20.3% in FY2019/20, whilst in FY2020/21 it increased by 19.1%. As at 31 March 2021, Gauteng accounted for the highest amount of betting taxes collected in the betting industry (29%), followed by Western Cape (29.2%) and KwaZulu-Natal (22.1%) as shown in figure 22 below.

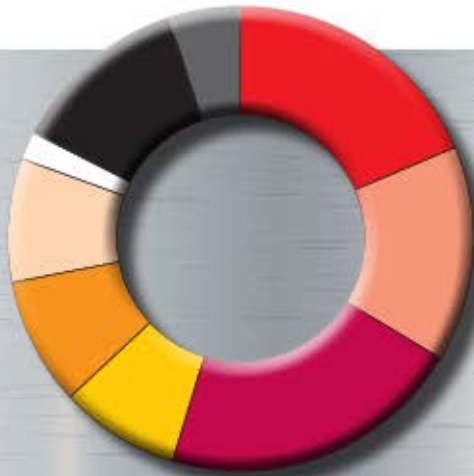


BETTING TAXES/LEVIES (TOTALISATORS AND BOOKMAKERS), PER PROVINCE, FY2020/21

Gauteng	R231 605 852	29%
Western Cape	R232 828 403	29.2%
Kwa-Zulu Natal	R176 296 691	22.1%
Mpumalanga	R100 823 684	12.6%
Limpopo	R33 219 986	4.2%
North West	R8 861 891	1.1%
Northern Cape	R2 039 922	0.3%
Eastern Cape	R7 756 473	1.0%
Free State	R 4 687 725	0.6 %

Limited Pay-out Machines

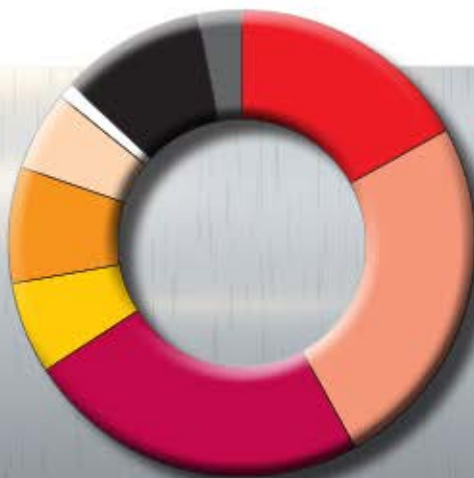
KwaZulu-Natal had the highest number of licensed active LPMs in FY2020/21 as at 31 March 2021, being 2940, followed by Gauteng that accounted for 2609 and the Western Cape (2078), as reflected in figure 24. The number of licensed active LPMs increased by 2.1% from 11 502 (FY2016/17) to 11 744 in FY2017/18 and increased by 11.0% to 13 034 in FY2018/19 as a result of increases in almost all provinces except Northern and Eastern Cape. This further increased by 8.4% to 14130 in FY2019/20 but decreased to 13 914 in FY2020/21 as reflected in figure 25.



NUMBER OF ACTIVE LPMs PER PROVINCE, FY202/21, AS AT 31 MARCH 2021

Gauteng	2 609	18,8%
Western Cape	2 078	14,9%
Kwa-Zulu Natal	2 940	21,1%
Mpumalanga	1 153	8,3%
Limpopo	1 253	9,0%
North West	1 212	8,7%
Northern Cape	258	1,9%
Eastern Cape	1 728	12,4%
Free State	682	4,9%

Although KwaZulu-Natal accounted for the highest number of licensed active LPMs (2632) and operational site operators (534) in FY2020/21, the highest amounts of money wagered in the LPM sector were wagered in the Western Cape (R7.95 billion or 24.9% of TO). This is followed by money wagered at LPM outlets in KwaZulu- Natal (R7.61 billion, 23.8%) and Gauteng (R5.45 billion, 17.1%) as reflected in figure below.



TURNOVER LPMs PER PROVINCE, FY202/21

Gauteng	R 5 435 555 437	17,1%
Western Cape	R7 953 079 724	24,9%
Kwa-Zulu Natal	R7 605 087 933	23,8%
Mpumalanga	R2 062 137 101	6,5%
Limpopo	R2 555 984 101	8,0%
North West	R1 827 695 405	5,7 %
Northern Cape	R353 659 311	1,1 %
Eastern Cape	R3 239 601 398	10,0%
Free State	R 901 977 019	2,8%



Bingo Sector

Of the nine provinces in South Africa, bingo has been rolled out in six provinces: Gauteng, Mpumalanga, Limpopo, Northwest, Eastern Cape and KwaZulu-Natal. A total number of 65 (out of 69 licensed) bingo halls were operational as at 31 March 2021 of which 11 were operational in Gauteng, 15 in the Eastern Cape, 20 in KwaZulu-Natal, 7 in the North West, 6 in Mpumalanga and 6 in Limpopo.



NUMBER OF OPERATIONAL BINGO OUTLETS PER PROVINCE AS AT 31 MARCH 2021

Gauteng	11	16.9%
Kwa-Zulu Natal	20	30.8%
Mpumalanga	6	9.2%
Limpopo	6	9.2%
North West	7	10.8%
Eastern Cape	15	23.1%



Gauteng accounted for the highest number of licensed operational bingo positions or seats totalling 2408 (38%) out of a national figure of 8 625 licensed operational positions in FY2020/21 as at 31 March 2021, compared to the Eastern Cape (2 170 or 25%), KwaZulu-Natal (1 612 or 19%), Mpumalanga (530 or 6%), North West (880 or 10%) and Limpopo (1 025 or 12%). It is important to note that as at 31 March 2021, more EBTs than traditional bingo seats were operational in all provinces offering bingo for play. No traditional bingo seats were operational in KwaZulu-Natal, Mpumalanga, North West and Eastern Cape.

KZNGBB OVERALL STATISTICS AS AT MARCH 2022:

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, 21 active Bingo Halls, 534 active LPM Site Operators, 46 Bookmaking Businesses, 2 Totalisator Operators and 2 Racecourse Operators. For the period under review, the provincial government generated a revenue of R438 Million. This suggests a negative trend of -31% (R640 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.

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.



BETTING MONITORING AND CONTROL - OPERATIONAL ACTIVITIES



	Monthly tax validation	Compliance Inspections	Transformation Monitoring Reports	Betting related change requests/ applications processed	Opinions on Contingency applications provided to the MEC	Betting dispute/ complaints investigations	Illegal gambling inspections conducted	Illegal gambling awareness campaigns	Other reports of illegal gambling activities investigated	Whistle blower reports of illegal gambling activities investigated
2021/22	502	200	9	105	5	15	23	18	4	0
2020/21	444	64	25	133	15	25	25	10	14	3

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.

As part of our drive to eradicate illegal gambling in the province, the Board supported the SAPS during raids carried out on one hundred and forty five [145] premises suspected of conducting illegal gambling which resulted in the confiscation of twenty nine [29] illegal gambling machines. These raids were carried out in various parts of the Province.



TOTAL NUMBER OF PREMISES RAIDED

2017/2018	145
2018/2019	42
2019/2020	41
2020/2021	112
2021/2022	109

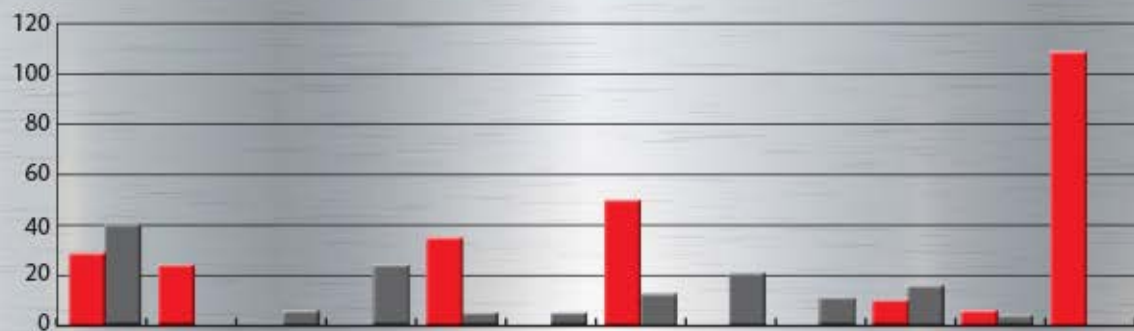


TOTAL NUMBER OF CONFISCATED/FORFEITED MACHINES

2017/2018	145
2018/2019	42
2019/2020	41
2020/2021	112
2021/2022	109

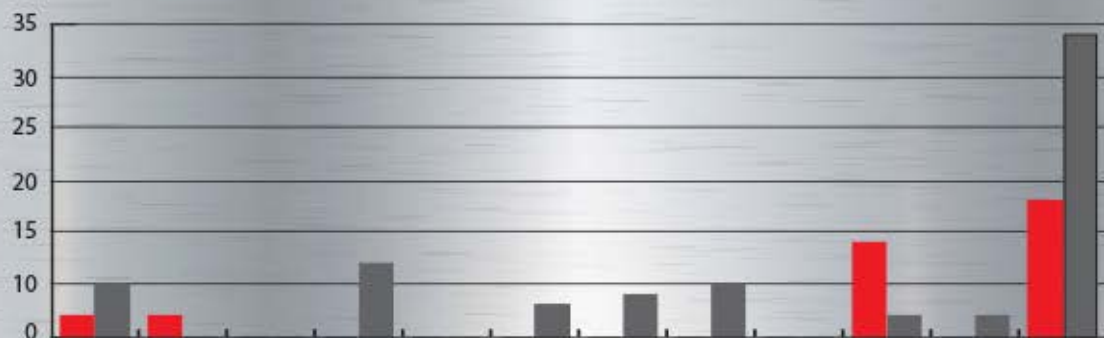


PREMISES RAIDED PER DISTRICT



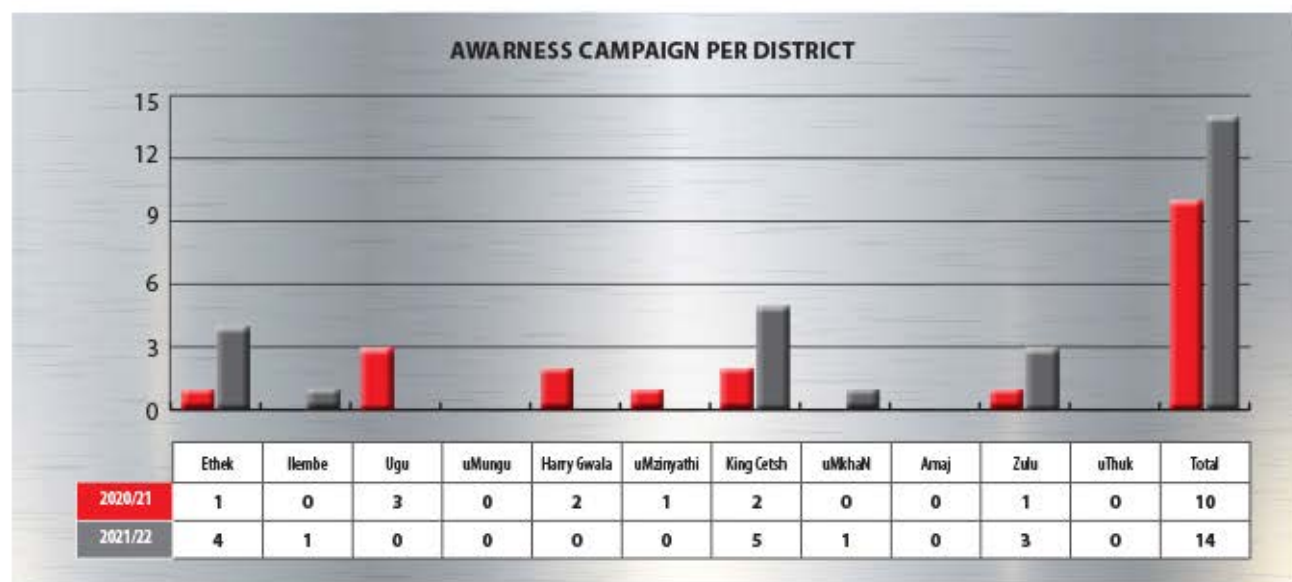
	Ethek	Ilembe	Ugu	uMungu	Harry Gwala	uMzinyathi	King Cetsh	uMkha	Amaj	Zulu	uThuk	Total
2020/21	29	24	0	0	35	0	5	0	0	10	6	109
2021/22	40	0	6	24	5	5	13	21	11	16	4	145

MACHINES CONFISCATED PER DISTRICT



	Ethek	Ilembe	Ugu	uMungu	Harry Gwala	uMzinyathi	King Cetsh	uMkha	Amaj	Zulu	uThuk	Total
2020/21	2	2	0	0	0	0	0	0	0	9	0	13
2021/22	6	0	0	7	0	3	4	5	0	2	2	29

As part of the Board's mandate to protect the public, fourteen [14] campaigns were conducted throughout the Province to raise awareness of the dangers of participating in illegal gambling.



Betting Taxes

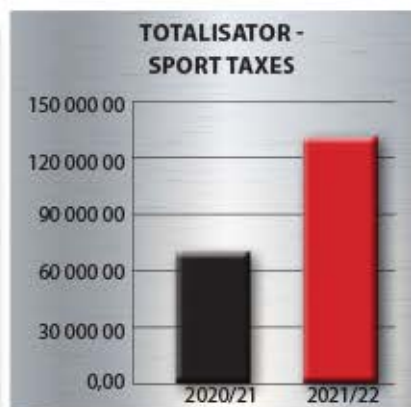
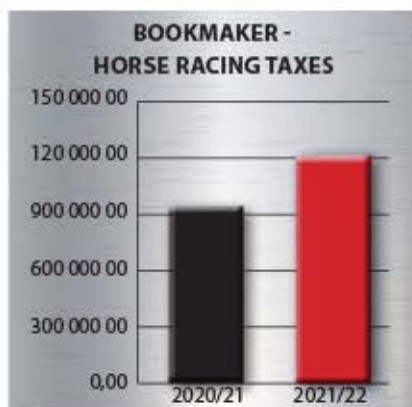
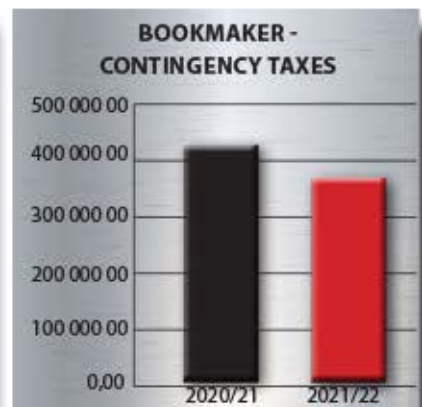
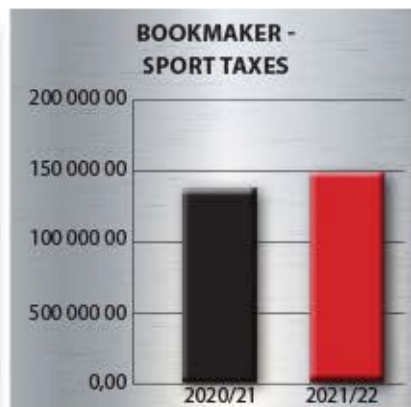
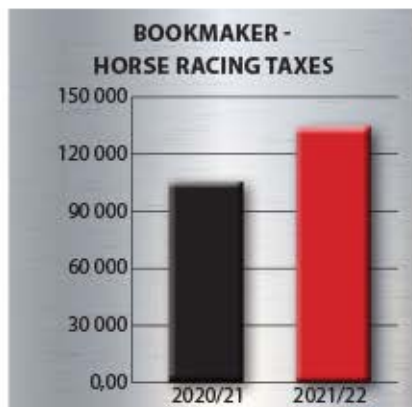
Conducted 502 monthly tax verifications on operational betting licensees to provide Provincial Government with assurance of accurate tax revenue payments made by betting licensees.

The total amount of Betting taxes generated by the Betting Industry during this financial period amounted to R 200 241 023.17 which is an increase of 16.10% 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 LOCAL HORSERACING TAXES	R 79 978 545.97	+23.30%
BOOKMAKER INTERNATIONAL HORSERACING TAXES	R 54 920 845.40	+34.11%
BOOKMAKER SPORT TAXES	R 15 171 917.53	+8.63%
BOOKMAKER CONTINGENCY TAXES	R 36 850 618.02	-13.37%
TOTALISATOR HORSERACING TAXES	R 12 011 679.07	+27.13%
TOTALISATOR SPORT TAXES	R 1 307 417.18	+84.87%

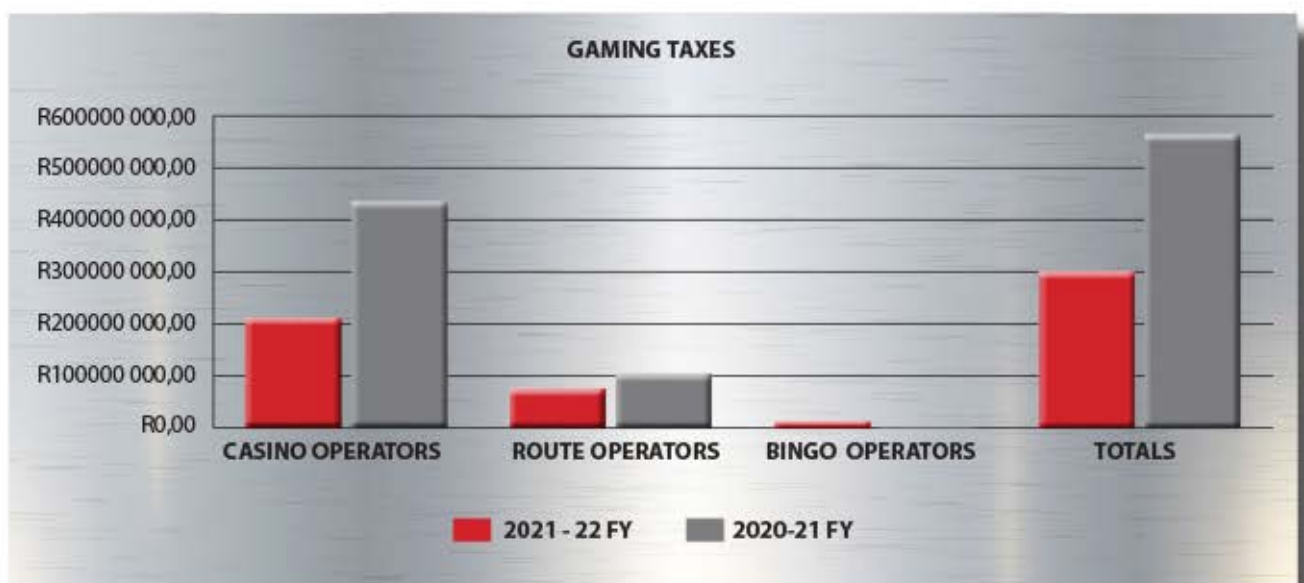
From the R 134.8 million in taxes generated by Bookmakers on Horseracing an amount of R 67.4 million was distributed to Gold Circle by the Board in terms of Section D1 of the Gaming and Betting Tax Act. This amounted to a 27.49% increase in comparison to the previous year.



Gaming Taxes

The total amount of Gaming Taxes generated by the Gaming Industry during this financial period amounted to R 471 843 351,95 which is significant increase of 46.54% when compared to the previous financial year,

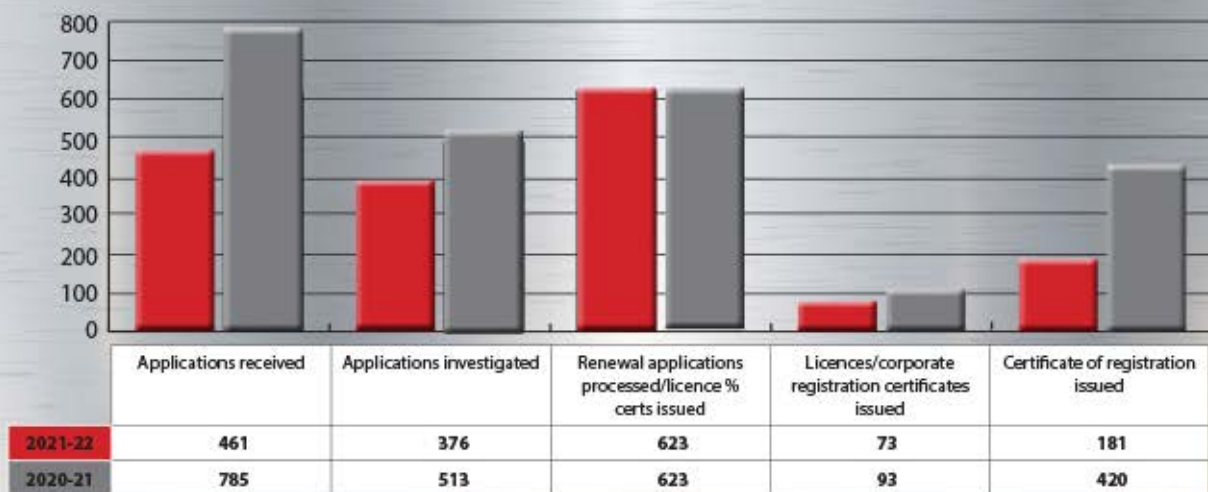
Sector	2021-22 FY	2020-21 FY	Variance	%Variance
Casino Operators	R 339 372 339,46	R211 321 474,05	R 128 050 865,41	60,60%
Route Operators	R 111 259 483,56	R76 981 065,99	R 34 278 417,57	44,53%
Bingo Operators	R 21 211 528,92	R13 204 827,94	R 8 006 700,98	60,63%
TOTALS	R 471 843 351,95	R301 517 668,10	R 140 335 983,96	46.54%



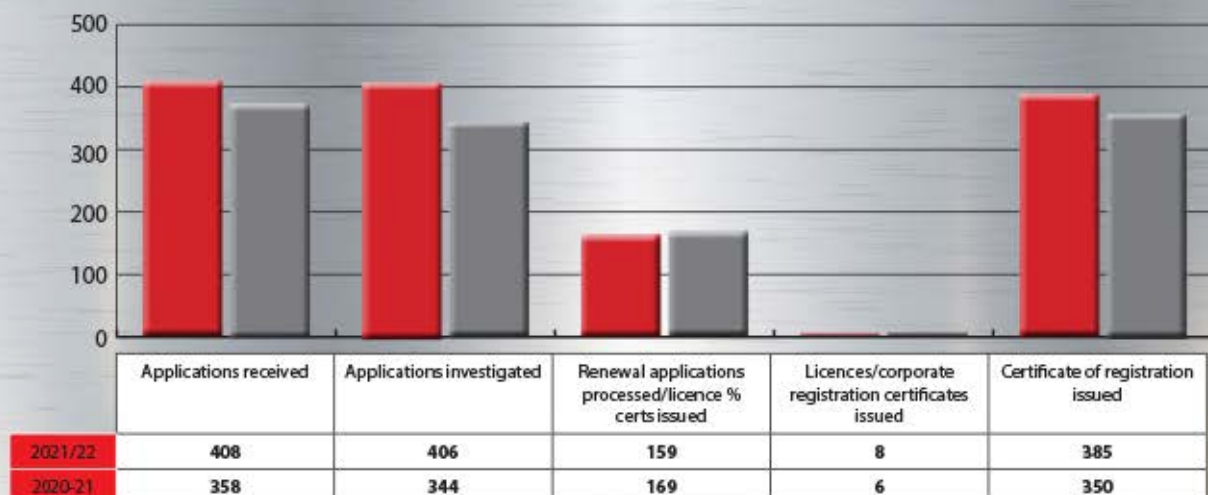
The Table and Graph above depict a significant decrease of -46,47% in Gaming Taxes when comparing 2020-21 FY to 2021-22 FY. The decrease is due to COVID-19 pandemic related disruptions and the national lockdown restrictions.

Note: The current comparative statistics since 2021/22 below reflect the decline in operational activities required to ensure effective licensing and registration of suitable persons within both the Gaming and Betting sectors.

LICENSING AND REGISTRATIONS: GAMING - OPERATIONAL ACTIVITIES FOR 2021/22:



LICENSING AND REGISTRATIONS: BETTING - OPERATIONAL ACTIVITIES FOR 2021/22:



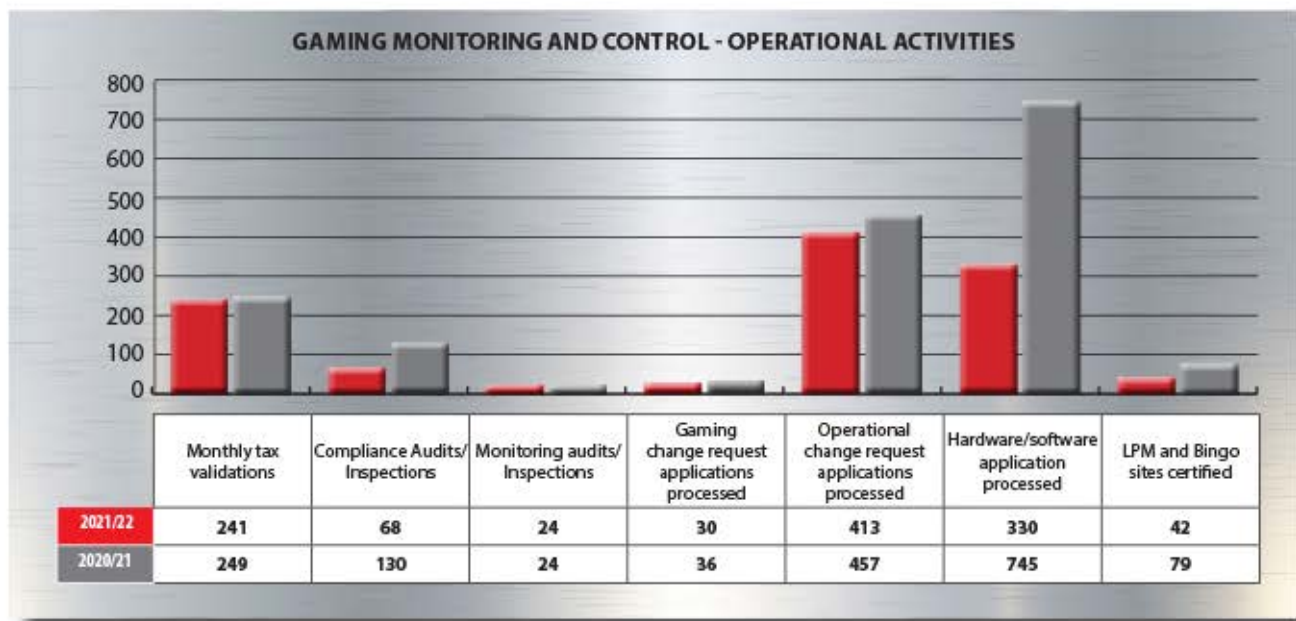
Industry Statistics: Licensees – as at 31st March 2021

Sector		Sector	
Casinos	5	Totalisators	2
Bingo Operators	21	Racecourse Operators	2
Independent Site Operator	0	Totalisator Outlets	107
Route Operators	4	National Manufacturer Licence	2
Site Operators	534	Provincial Certificate of Registration as a Manufacturer	2
Bookmakers Rights	110		

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	1300	1273	55	51	51
Suncoast Casino	2350	1521	80	61	61
Umfoloji Casino	300	300	14	14	14
Blackrock Casino	300	300	10	10	10
Golden Horse Casino	450	450	20	20	20

Note: The current comparative statistics since 2021/22 below reflect the decline in operational activities required to ensure effective licensing and registration of suitable persons within both the Gaming and Betting sectors.



Existing Registered Employees

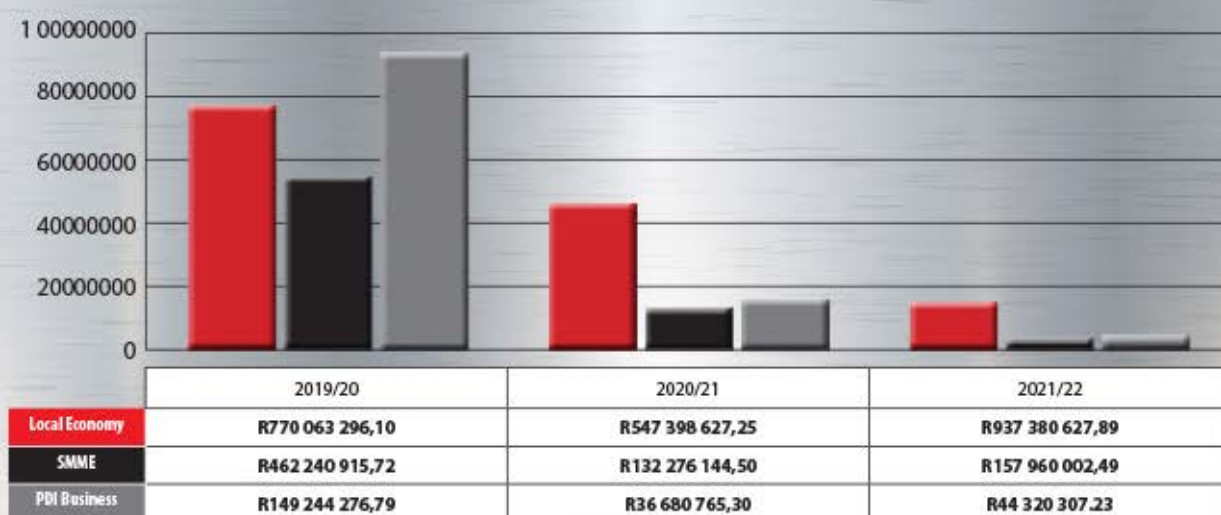
Gaming and Betting licensees provide access to employment opportunities, thereby encouraging new entrants into the industry within the Provincial economy. Additional jobs continue to be created through the growth in existing licensed operations.

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.

REPORTED SMME SPEND BY GAMING LICENSEES - 2016/17 TO 2021/22



REPORTED SMME SPEND BY GAMING LICENSEES - 2017/18-2021/22



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), 25 have operationalised. White ownership has been reduced from 74% to 18.75% since 2011/12 while Black owned/empowered businesses now stand at 81.25%



**TRANSFORMATION OF THE BETTING INDUSTRY -
31 MARCH 2022**

White owned - EME	17%
Black owned - QSE/Large	6%
Black empowered - QSE/Large	19%
White owned - QSE/Large	2%
Black owned/empowered - EME	56%



BOOKMAKING INDUSTRY - APRIL 2011

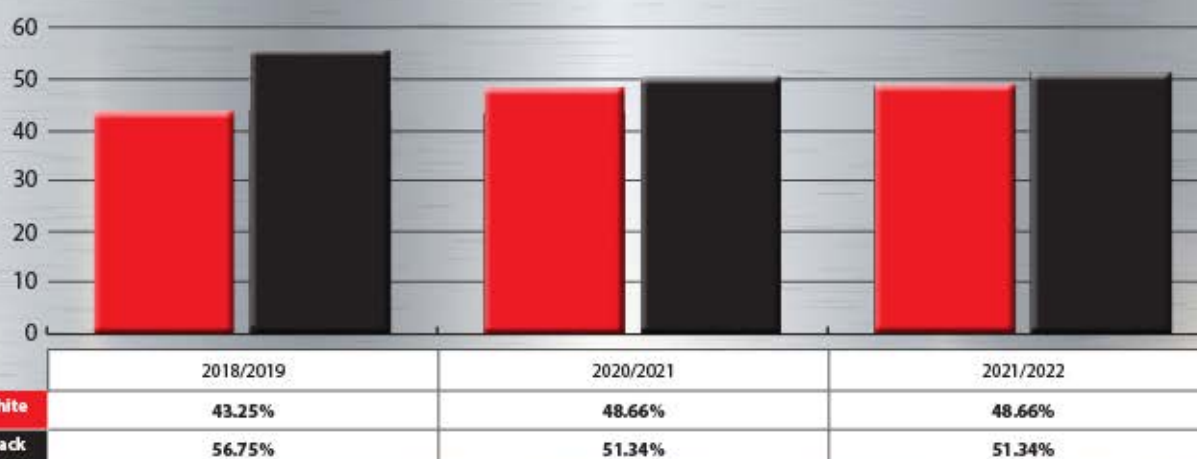
India	20%
Black	5%
Coloured	1%
White	74%

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 betting licensees to assess progress and determine levels of compliance

Economic Transformation – Gaming Casino

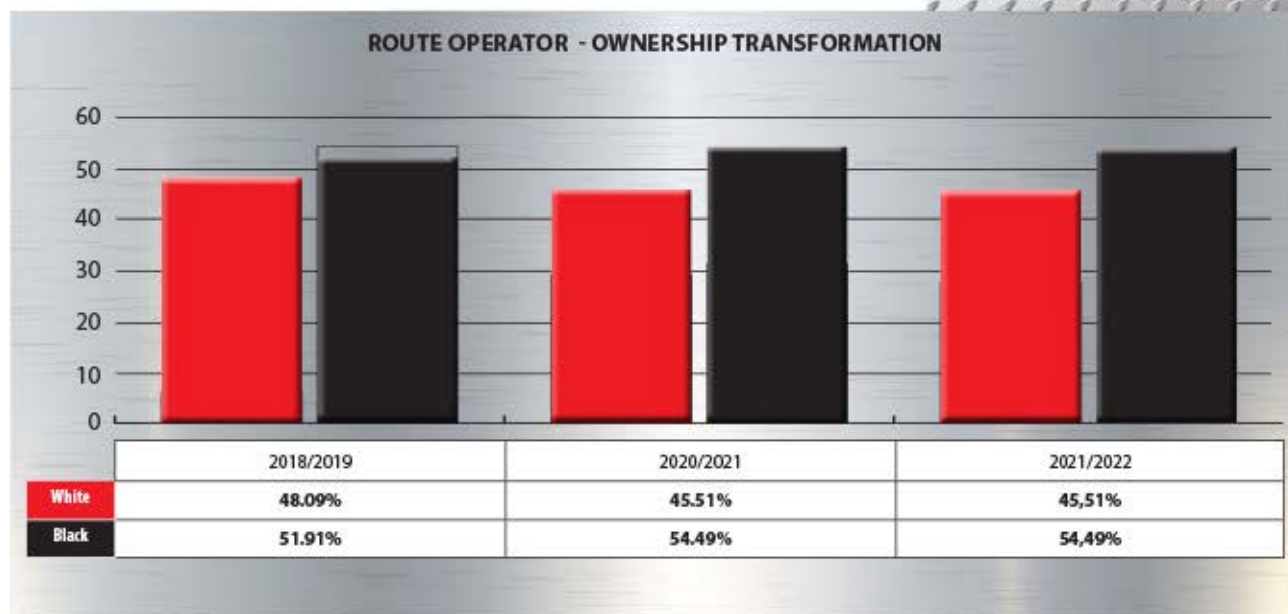
In terms of the casino industry, there has been an increase of 0.75% by the 2018/2019 FY compared to the 2013/2014 FY, and an increase of 7.34% by the 2020/2021 FY compared to the 2013/2014 FY, however, there has been a decrease of 5.41% between the 2020/2021 and the 2011/2022 FY

CASINO INDUSTRY - OWNERSHIP TRANSFORMATION



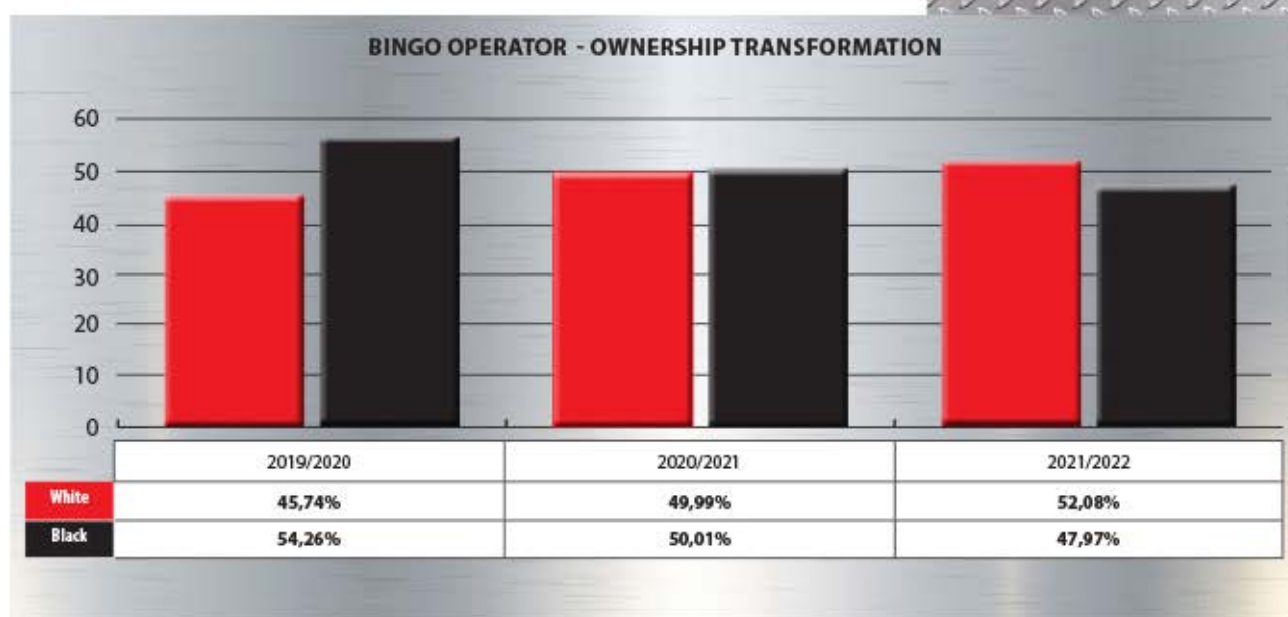
Route Operators

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 2021/2022 FY.



Bingo Operators

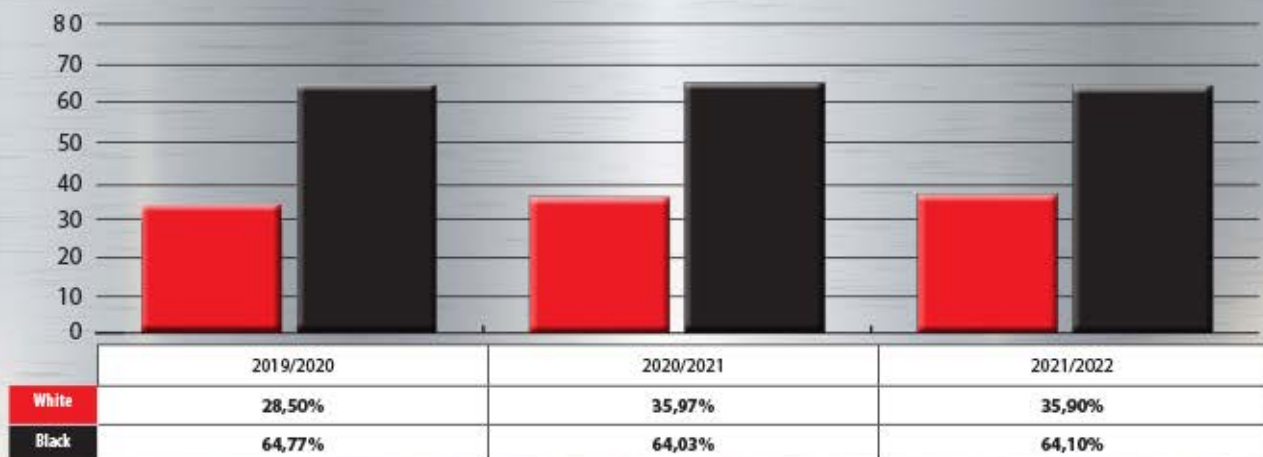
In terms of the bingo industry, there has been a decrease of 5.16% by the 2019/2020 FY compared to the 2018/2019 FY, and a further decrease of 4.25% by the 2021/2022 FY.



LPM Site Operators

In terms of the casino industry, there has been a decrease of 6.73% by the 2019/2020 FY compared to the 2018/2019 FY, and a decrease of 7.47% by the 2020/2021 FY compared to the 2019/2020 FY, and a further decrease of 0.74% between the 2021/2022 and the 2019/2020 FY.

LPM SITE OPERATORS - OWNERSHIP TRANSFORMATION



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.

Impact of COVID-19 Pandemic and Civil Unrest on Gambling and Tourism Industry

The KZNGBB undertook a COVID-19 recovery plan to provide interventions and entailed new opportunities derived because of conditions that were present due to the pandemic. One of the key areas involved business support services during the first national lockdown which entails TERS and SARS applications support. The economic impact of the civil unrest was devastating, with an estimated R20 Billion loss in GDP for the province. The gaming and betting industry incurred damage to property and loss of revenue as a result. The KZNGBB provided support and related interventions to affected licensees during this tumultuous period. During the civil unrest there was a total of 199 sites that Sector. In the betting sector, township sites located in Umlazi, Kwa-Mashu, Edendale, Inanda remain closed.

The onset of the COVID pandemic and civil unrest have discouraged both domestic and foreign tourism thereby negatively impacting revenue streams of the gaming and tourism industries. Gaming sites, including casinos serve as tourist attractions. Casinos will flourish if there is an increase in the number of tourists. Equally, tourists will only come to Durban if our casinos have world class facilities.

ECONOMIC RECOVERY

Progress against Economic Recovery Plan as at the end of
31 March 2022

RECOVERY PLAN INTERVENTION	STATUS OF IMPLIMENTATION
Recovery Plan 1: "Saving Jobs" –Initiate intervention to save jobs through assisting licensees to access relief funds –C19 TERS and SARS Relief.	<ul style="list-style-type: none"> • 4085 Employees assisted through the C19 TERS Relief fund. Licensees either applied themselves or used the assistant of LNN Consultants as well as the Gaming and Betting Units continued to extend assistance after that contract expired • There were 14978 Jobs in the Industry value chain before the block down. 3197 jobs have been lost through Sec 189. However, 861 New jobs were created in the industry.
Recovery Plan 2: "Providing Funding Support" – through assisting gambling industry to gain access to financial relief funds or through KZNGBB Guarantee Relief.	<p>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.</p> <ul style="list-style-type: none"> • 578 people were assisted through the C19 TERS Relief Fund. Licensees either applied themselves or used the assistant of LNN Consultants by Board. Other interventions included rotation of staff and pay cuts to curb job losses
Recovery Plan 3: "Reducing existing red tape" and reduce the cost of doing business and fast track online betting product development.	<ul style="list-style-type: none"> • The Act has been amended, to reduce red tape and barriers to entry – regulations have been put on hold due to rationalization exercise (delayed) • The Contingency process has been successful Contingencies applications between EDTEA and are being processed expediently; (completed) • Board processes to ensure Health Protocols included and implemented on gaming floors (completed) • Review of licence conditions being processed for those that have requested amendments (completed) • Submission for Renewal of Fees has been approved by KZNGBB and currently with EDTEA awaiting response – Licensing Committee presented Draft Deferral process, this has been published as an amended schedule. (in-progress)
Recovery Plan 4: Motivate return to operations and on-going stakeholder engagements	<ul style="list-style-type: none"> • On-going Stakeholder Engagements take place; recently was the interpretation of the Regulations issued in December (ongoing);
Recovery Plan 5: Interventions to recover Tax Losses and avoid further retrenchments through businesses requiring business rescue through proposed deferral of Taxes.	<ul style="list-style-type: none"> • Deferral Submission was submitted to MEC EDTEA and supported and MEC Finance was briefed. As the MEC's have changed another Briefing document was sent as reminders to EDTEA and we await engagement. This remains an outstanding item • Tax Act Amendment remains a Long outstanding matter
Recovery Plan 6: Drive local Investment and support local small business through black industrialist project	<ul style="list-style-type: none"> • The unit submitted its first application for funding on 13 September 2021 through the office of TIKZN. The remaining BI' projects 10 BI projects • Rand value of R593 Million and • Jobs intended to be created are 437 jobs.
Recovery Plan 7: Enhance raids to reduce growing illicit economy and enhance interventions to clamp down on illegal gambling or illicit activities and ensure gaming venues safe to support GBV on sites	<ul style="list-style-type: none"> • KZNGBB formed part of EDTEA team and undertaking raids – See later in report
Recovery Plan 8: Develop Strategic Partnerships	Ongoing

JOBS CREATED WITHIN GAMING AND BETTING INDUSTRY

The Gaming Industry had a total of **14978** permanent jobs. And accumulatively recorded **308 direct job losses** and **1598 indirect jobs lost** for the period from 01 April 2021 to 31 March 2022. There were **7751** permanent employment opportunities created and filled by the industry as of 31 March 2022. The tables below reflect the information as obtained from the gaming and Betting Industry as of 31 March 2022, these stats were severely affected by level 4 lock down and civil unrest in KZN

TOTAL NO. OF JOBS FOR GAMING & BETTING AS AT 31 MARCH 2022		NO.
JOBS BEFORE LOCKDOWN (PRE-COVID)		14 978
JOB LOSSES /SECTION 189 (DECEMBER)		3 197
NEW JOBS CREATED DURING YEAR (DIRECT AND INDIRECT JOBS)	BETTING SECTOR: 4492	7751
	GAMING SECTOR: 3059	

2.4 ORGANISATIONAL ENVIRONMENT

The current approved organisational structure has 100 posts, 76 of which are funded. A total of 73 posts are currently filled, with 3 of the budgeted positions being vacant. For the period under review, the organisation recorded a vacancy rate of 5.26% 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)

INSTITUTIONAL PERFORMANCE INFORMATION

The organisational performance, operations and interventions continue to contribute, if not directly, then indirectly to the National and Provincial priorities:

NDP Pillars

- Achieving a more capable State
- Driving a strong and inclusive economy.
- Building and strengthening the capabilities of South Africans

MTSF Priorities,

KZNGBB is expected to contribute towards the achievement of **3 strategic priorities:**

- **MTSF Priority 1:** Capable, Ethical and Developmental State
- **MTSF Priority 2:** Economic transformation and job creation
- **MTSF Priority 7:** A better Africa and world

KZN Provincial Growth Development Plan (PGDP)

- **Priority 2,3 & 4:** Job Creation, Growing the Economy, Growing SMMEs and Cooperative
- **Priority 8:** - Build a caring and incorruptible government
- **Priority 7:** Better Africa and the World

KZNGBB-KZNGBB STRATEGIC PRIORTIES FOR 2019-2024

POLITICAL TERM:

- 1) Job Creation and Economic Development
- 2) Industrialisation (Black Industrialist)
- 3) Radical Economic Transformation
- 4) Growing Small Business and Local Economic Development (SMME Development, Transformation, Infrastructure Development & Tourism)
- 5) Rural Economic Development (Rural Horse Racing)
- 6) Revenue Growth for Province
- 7) Minimizing Negative Effects of Gambling
- 8) Governance and Service Delivery



1.1. ORGANISATIONAL PERFORMANCE OVERVIEW

For the year under view, the organization achieved 88% (22) against 25 planned targets and 12% (3) reported as target not achieved for year 2021-2022.



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 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.
1.3 Legal Services	To provide legal advisory services to protect the legal interests of the entity and enhance transformation initiatives
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 strategic imperatives through stakeholder engagement using different communication mechanisms (housed under Office of the CEO).
1.6 Information Communication & Technology	The purpose of this programme is to provide information communication technology (ICT) and knowledge management services to the entity
1.7. Finance	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.

SUB-PROGRAMME 1.1- OFFICE OF THE CEO

SUB-PROGRAMME	PURPOSE
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 2021/22 Medium Term Targets

Performance Indicator		Baseline 2020/21	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
			Planned Target for 2021/22	Actual Achievement		
1	Number of Annual Performance Plans submitted to EDTEA in compliance with Strategic Planning Framework	1	1	1	N/A	Target achieved: The APP was approved by the MEC within statutory timeframe
2	Percent achievement of APP targets against planned targets	83%	85%	88%	+3	Target Achieved 22 Target were achieved against 25 planned targets.

SUB-PROGRAMME

1.2 GOVERNANCE RISK AND COMPLIANCE

Sub-Programme	Purpose
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 2021/22 Medium Term Targets

Performance Indicator		Baseline 2020/21	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
			Planned Target for 2021/22	Actual Achievement		
3	Number of levels Governance and Accountability management practise assessment report	2	2	2	N/A	Target achieved:
4	Number of reports settling out percentage implementation of Strategic Mitigation Plan	4	4	4	N/A	Target achieved:

SUB-PROGRAMME



1.3 LEGAL SERVICES

Sub-Programme	Purpose
LEGAL SERVICES	To provide legal advisory services to limit litigation and enhance transformation initiatives through license conditions

Pre-Determined Objectives for 2021/22 Medium Term Targets

Performance Indicator		Baseline 2020/21	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
			Planned Target for 2021/22	Actual Achievement		
5	Percentage of successful non-compliance hearings that are issued with charge sheets / warning letters or admission of guilt	100%	100%	100%	N/A	Target Achieved
6	Number of reports submitted setting out the status of litigation.	4	4	4	N/A	Target Achieved

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 2021/22 Medium Term Targets

Performance Indicator		Baseline 2020/21	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
			Planned Target for 2021/22	Actual Achievement		
7	Number of Reports setting out percentage implementation of HRP	4	4	100%	N/A	Target Achieved
8	Percentage of approved funded post filled	7.6%	10% or less	5,26%	+4.8%	Target Achieved

SUB-PROGRAMME
1.5: COMMUNICATIONS

Pre-Determined Objectives for 2021/22 Medium Term Targets

Sub-Programme	Purpose
	To address the communication requirements of all stakeholders, both internally and externally, and to create awareness of the Board's strategic imperatives through stakeholder engagement using different communication mechanisms (housed under Office of the CEO).

Pre-Determined Objectives for 2021/22 Medium Term Targets

Performance Indicator		Baseline 2020/21	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
			Planned Target for 2021/22	Actual Achievement 2021/22		
9	Number of reports on the implementation of Annual Communication Plan	4	4	4	N/A	Target Achieved

SUB-PROGRAMME
1.6: 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 2021/22 Medium Term Targets

Performance Indicator		Baseline 2020/21	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
			Planned Target for 2021/22	Actual Achievement 2021/22		
10	Number of progress reports on the implementation of the audit improvement plan	4	4	4	N/A	Target Achieved
11	% Reduction in fruitless and wasteful expenditure	60%	50%	Zero for 2021-22 50% (for prior years)	N/A	Target Achieved

Performance Indicator		Baseline 2020/21	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
			Planned Target for 2021/22	Actual Achievement 2021/22		
12	% Reduction in irregular expenditure	50%	40%	36%	-4%	Target partially achieved. The condonation of Irregular Expenditure is within the jurisdiction of the Provincial Treasury. The finance unit applied for the condonation of the expenditure to the Treasury in 2020. Treasury approved 36% of the expenditure at year end, the other matters are still under consideration.

SUB PROGRAMME

1.7: 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 2021/22 Medium Term Targets

Performance Indicator		Baseline 2021/22	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
			Planned Target for 2021/22	Actual Achievement 2021/22		
13	Quarterly ICT Status Reports on the percentage implementation of ICT Strategic Implementation plan	4	4	4	N/A	Target Achieved
14	Percentage implementation of gambling online Portal Project activities (phase 2 & 3)	100%	100%	100%	N/A	Target Achieved

PROGRAMME 2: BUSINESS DEVELOPMENT

Sub-Programme	Purpose
Business Development	To facilitate, develop and implement the Black Industrialist programme and other transformation projects which contribute to job creation, development of Small Businesses and the creation of opportunities within the Gambling Industries.

Pre-Determined Objectives for 2021/22 Medium Term Targets

Performance Indicator		Baseline 2021/22	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
			Planned Target for 2021/22	Actual Achievement 2021/22		
15	Quarterly Reports Status of Black Industrial plan implemented	4	4	4	N/A	Target Achieved
16	Report on Number of employment opportunities created through Black Industrialist Program	4	4	4	N/A	Target Achieved
17	Report on Number of SMME's created through Black Industrialist Program	4	4	4	N/A	Target Achieved

PROGRAMME 3: LICENSING AND REGISTRATION

Sub-Programme	Purpose
Licensing and Registration	To optimise service excellence through receipt, investigation, licensing, and registration for applications that incorporate job creation, transformation, socio- economic development and continuous suitability.

Pre-Determined Objectives for 2021/22 Medium Term Targets

Performance Indicator		Baseline 2020/21	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
			Planned Target for 2021/22	Actual Achievement 2021/22		
18	Number of corporate applications processed and approved in terms of the KZNGBB Act	120	150	87	63	Target not achieved: The number of received applications were less than estimated target. Civil unrest and Staff protest affected the operations of the organization. 87(75%) applications were processed against 116 applications received.
19	Number of renewal applications processed in terms of the KZNGBB Act	300	400	730	+330	Target Achieved: More applications were received. This was due to efficient online (Grop system) application process. Monthly stakeholder meetings with Route Operators
20	Number of new corporate gaming and betting applicants processed in terms of the KZNGBB Act probed and making commitments on B-BBEE requirements	2	2	16	+14	Target Achieved: More applications were probed for BBBEE compliance.

CORRECTIVE MEASURES TO ADDRESS AREAS OF UNDERPERFORMANCE

Indicator	Reason for Under-Achievement	Recovery Strategy for 2022/2023	Responsible Person
Number of corporate applications processed and approved in terms of the KZNGBB Act	The number of applications received were less than the estimated target. Civil unrest and staff protest affected the operations of the organisation. 87 applications were processed against 116 applications received.	Ensure full compliance with the SOP of issuing of license by all stakeholders	Senior Manager: Licensing and Registration

PROGRAMME 4: MONITORING AND COMPLIANCE

Sub-Programme	Purpose
Monitoring and Compliance	To ensure a properly regulated, transformed and compliant industry which enhances inclusive economic growth, generates revenue and drive human and socio-economic development, in order to protect the interest of the public

Pre-Determined Objectives for 2021/22 Medium Term Targets

Performance Indicator		Baseline 2021/22	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
			Planned Target for 2021/22	Actual Achievement 2021/22		
21	Number of reports on percentage of applications processed within targeted timeframe	90%	8	8	N/A	Target achieved
22	Number of reports on the rand value of verified gambling taxes collected	100%	8	8	N/A	Target achieved
23	Number of monitoring reports produced in respect of levels of Ownership, SMME contribution, CSI, job creation and compliance with Licence Conditions	100%	48	33	-15	Target not achieved: Lack of capacity: one of the monitoring team members was seconded to EDTEA to assist with processing of contingency applications.

Performance Indicator		Baseline 2021/22	Actual Performance Against Target		Deviation from Planned Target	Comment on the Deviations
			Planned Target for 2021/22	Actual Achievement 2021/22		
24	Number of reports in respect of the employment of black people within the gambling industry	New	8	8	N/A	Target Achieved
25	Number of reports compiled on illegal gambling raids conducted	15	15	23	+8	Target Achieved: The tipoff information received led to more gambling raids conducted. The Board conduct gambling raids supported by SAPS on premises suspected of conducting illegal gambling.



PART C: GOVERNANCE REPORT

1. INTRODUCTION

KZNGBB is committed to maintaining the highest standards of governance in its role for responsibility of 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 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 King IV.

1.6 The Responsible MEC: EDTEA, Mr RR Pillay appointed the following Members until the conclusion of the proposed rationalisation process with KZN Liquor Authority, the date of which is yet to be determined:

- Dr S Ngcobo
- Ms Myeni
- Adv Thango
- Mr Gabela
- Prof Stobie
- Ms C. Mhlongo
- Ms F. Mkhize
- Ms N. Maharaj
- Mr M. Zikalala.

1.7 During the year, the term of office of Mr S. Chetty and Prof T. Nzimakwe came to an end (31 July 2021)

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 for the Board to the Executive Authority.

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 May 2022, the Financial and Annual Performance Reports were presented to the Executive Authority, for the 2021 financial year - 01 April 2021 to 31 March 2022. The report detailed revenue, expenditure and 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 appointed representatives on the Board, as he is empowered to do by Section 8 of the Act. These roles have been performed by Ms N. Thaver and Mr K. Mthethwa during the financial year.

4.1.3 Details of the Board Members are as follows:

NAME	DESIGNATION	DATE APPOINTED	AREA OF EXPERTISE	COMMITTEE MEMBERSHIP
Dr S.G. Ngcobo	Chairperson	11 April 2018	Governance, Business Development, Education	1. Attends All Board Meetings 2. Finance Committee
Mrs M.P. Myeni	Deputy Chairperson	11 April 2018	Communications, ICT	1. Licencing, Registration, Monitoring, Control and Compliance Committee (Chairperson) 2. Social Ethics and Transformation Committee (Member since May 2020)
Prof B.S. Stobie	Member	11 April 2018	Finance	1. Audit and Risk Committee 2. Finance Committee (Chairperson) 3. Human Resources and Remuneration Committee
Mr L.S. Gabela	Member	11 April 2018	Finance, Auditing, Public Administration	1. Licencing, Registration, Monitoring, Control and Compliance Committee 2. Finance Committee until 31 July 2021 3. Audit and Risk Committee (Chairperson) 4. Human Resources and Remuneration Committee (Member since October 2020)
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. Transformation Fund Adjudication Committee (Chairperson)
Ms C. Mhlongo	Member	1 August 2021		1. Audit and Risk Committee
Ms S.F. Mkhize	Member	1 August 2021		1. Human Resources and Remuneration Committee (Chairperson) 2. Social, Ethics and Transformation Committee
Ms N. Maharaj	Member	1 August 2021		3. Dispute and Disciplinary Committee 4. Finance Committee
Mr M. Zikalala	Member	1 August 2021		1. Licensing Committee 2. Dispute and Disciplinary Committee (Chairperson) 3. Tax Act Task Team (Chairperson)

NAME	DESIGNATION	DATE APPOINTED	AREA OF EXPERTISE	COMMITTEE MEMBERSHIP
Ms P.N. Baloyi	Chief Executive Officer	May 2015	Governance, Legal and Compliance	1. EXCO 2. MANCO 3. IT Steering Committee 4. Attends Board and Committee meetings

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 ten 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 usually 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 Governance, legislative and regulatory 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 however some Committees terms of reference allow them to attend to the functions of the Board and any resolution taken is reported directly to 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

4.5.1 The table below reflects the number of attendances by Board Members during the financial year.

	BOARD	LICENS- ING	FINANCE	HR	AUDIT	SET	PUBLIC HEAR- ING	DISPUTE HEAR- ING	RATION- ALISA- TION	AG/ SCOPA/ S.HOLD- ER
Dr Ngcobo	9		1						1	
Ms Myeni	8	7				4	2			1
Adv Thango	9	7				4	3	2		
Prof Stobie	9		5	6	4				3	
Mr Gabela	9	7	2	6	4		3		4	1
Ms Mhlongo	6				2					
Ms Mkhize	5			3		2				
Ms Maharaj	5		3					1		
Mr Zikalala	5	3						1		

4.1 MANAGEMENT COMMITTEES

- 4.1.1 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.
- 4.1.2 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.
- 4.1.3 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.
- 4.1.4 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;
 - Monitoring and Managing Ethics; and
 - Communicating with stakeholders.

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 or as necessary 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 Ms Mhlongo. The Responsible MEC further appointed the CFO of EDTEA, Mr K. Mthethwa as the 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.

- 8.3 The entity received no requests for information in terms of the promotion of Access to Information Act during the period.

- 8.4 The entity received one notice of non-compliance with legislation during the period. The non compliance related to health and safety measures of the entity and in particular training of Health and Safety officers and officials appointment. These areas of non-compliance were rectified immediately.

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 and the entity has undertaken an Ethics Risk Survey which has had positive feedback and indicated areas that require improvement.

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 can be 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 licensees 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 are intended and do have a positive impact on KZN communities. In the period the Board has ensured that priority is given to projects which are aligned to Covid-19 impact recovery, recovery from the violent insurrections in July 2021 as well as the recent flood devastation that has impacted the Province.





CSI INITIATIVES BY GAMING AND BETTING INDUSTRY

REGULATION 3 REPORTING INFORMATION

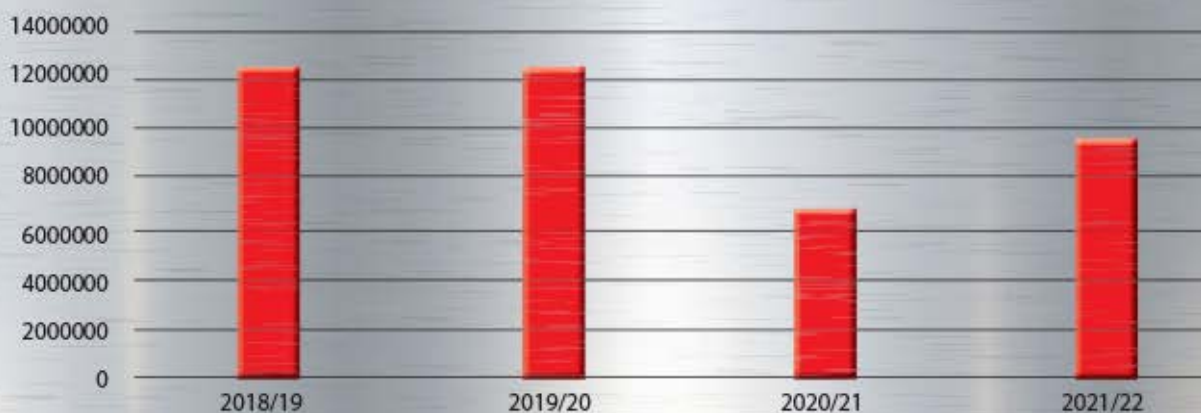
REPORTED GAMBLING LICENSEES' CONTRIBUTIONS TO ECONOMIC DEVELOPMENT

REGULATION 3 (1) (h) - Information regarding progress made, through the activities of the Board, towards the promotion of tourism, employment and economic and social development in the Province

REPORTED CORPORATE SOCIAL INVESTMENT CONTRIBUTIONS

Description	2021/22	2020/21	2019/20	2018/19
Casino	R 956 880.17	R 519 031.74	R 5 535 158.48	R 5 306 146.05
LPMs	R 2 808 019.00	R 3 158 562.00	R 2 861 513.00	R 2 394 249.00
Bingo	R 945 290.01	R 1 306 763.13	R 745 148.84	R 746 057.12
Bookmakers & Totalisators	R 4 864 836.03	R 1 898 238.73	R 3 268 492.64	R 4 059 778.80
TOTAL	R 9 575 025.21	R 6 882 595.60	R 12 410 312.96	R 12 506 230.97

COMPARATIVE CSI REPORTED CONTRIBUTIONS – 2018/19 TO 2021/22



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



CSI Handover by Sibaya Trust at the Imbeleko Foundation



Schools awareness



2021 Edition of Dundee July



Kilmun Traditional Horse-riding event



Responsible Gambling Month Activities and Awareness

COMMUNITY ENGAGEMENT SESSIONS



International Junior Miss South Africa

15. 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 2022.

Attendance at Meetings:

At all times during the 2021/22 financial year the Audit and Risk Committee consisted of the four members. On 31 July 2021 the term of office of Prof T.I. Nzimakwe ended and he was replaced on the Committee by Ms C.N. Mhlongo who was appointed in August 2021. Mr Mthethwa is appointed as an external Member by the responsible MEC EDTEA, the Honourable Mr R. Pillay.

The Committee must meet at least four (4) times per annum as per its approved Audit and Risk Committee Charter. During the reporting period six (6) meetings were held and attendance was as tabled below:

Name of Member	Number of Meetings Attended
Mr L.S. Gabela	6
Prof B.S. Stobie	6
Prof T.I. Nzimakwe	1
Mr K. Mthethwa	0
Ms C.N. Mhlongo	3

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 Morar Inc. The internal audit plan was approved the Audit and Risk Committee and the planned audits were conducted during the 2021/22 financial year.

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.

Management Reports:

The Committee reviewed the quarterly in year management reports submitted in terms of the PFMA 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 internal controls are 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 and Risk Committee Chair and reports to the Committee on internal audit duties and other matters designated to the function. The Audit and Risk 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.

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 are pleased to accept the Auditor-General South Africa's report on the annual financial statements and performance, and are of view that the clean audit opinion may 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 2022

16. 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 RESOURCE MANAGEMENT

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.

The organisation recorded a vacancy rate of 26,53% and staff turnover of 2.70% as at the end of 31 March 2022.

Employment and vacancies

Programme / Activity / Objective	2020/21 No. of Employees	2021/22 No of Approved Posts	2021/22 No of Employees	2021/22 No of Vacancies	% of Vacancies
Office of the CEO	2	4	3	1	25,00%
Governance, Risk & Compliance	4	6	4	2	33,33%
Legal Services	3	4	3	1	25,00%
Human Resources	8	10	7	3	30,00%
Communications	1	2	1	1	50,00%
Finance	9	12	9	3	25,00%
ICT	4	6	4	2	33,33%
Licensing & Registration	11	13	11	2	15,38%
Gaming Monitoring & Control	18	22	18	4	18,18%
Betting Monitoring & Control	11	16	11	5	31,25%
Chief Operating Officer	0	2	1	1	50,00%
Business Development Unit	0	1	0	1	100,00%
Total	71	98	72	26	26,53%

Level	2020/21 No. of Employees	2021/22 No of Approved Posts	2021/22 No of Employees	2021/22 No of Vacancies	% of Vacancies
Top Management	1	1	1	0	0,00%
Senior Management	5	10	6	4	40,00%
Professional qualified	11	13	11	2	15,38%
Skilled	43	59	47	12	20,34%
Semi – Skilled	9	13	5	8	61,54%
Unskilled	2	2	2	0	0,00%
TOTAL	71	98	72	26	26,53%

During the current year the entity filled the following positions:

New positions:

- Manager: Performance Monitoring & Evaluation
- Board Secretary
- Chief Operating Officer

Employment changes

Level	Employment at beginning of the period	Appointments	Terminations	Employment at end of the period
Top Management	1			1
Senior Management	5	1		6
Professional qualified	11	1	1	11
Skilled	47	1	1	47
Semi – Skilled	5			5
Unskilled	2			2
TOTAL	71	3	2	72

As at the end of 31 March 2022, the organisational structure consists of 98 positions.

Reasons for staff leaving

Reason	Number	% of Total No. of Staff Leaving
Death	-	-
Resignation	1	50,00%
Dismissal	-	-
Retirement	-	-
Ill health	1	50,00%
Expiry of contract	-	-
Other	-	-
Total	2	100,00%

During the period there were two resignations. It is difficult to fill the vacant positions as a result of recruitment restrictions imposed by cost cutting measures issued by Provincial Treasury. Notwithstanding this, the measures incorporate a procedure to request permission to recruit for critical funded positions. Permission has been granted by the relevant authorities and recruitment has commenced to ensure that the positions are filled as soon as possible

Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal warning	
Written warning	5
Final written warning	
Dismissal	
Total	5

Equity Targets and Employment Equity Status

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

Levels	MALES							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	n/a	0	n/a	0	n/a	0	n/a
Senior Management	2	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	17	n/a	0	n/a	3	n/a	0	n/a
Semi-skilled	3	n/a	0	n/a	0	n/a	0	n/a
Unskilled	0	n/a	0	n/a	0	n/a	0	n/a
TOTAL	30	1	0	0	5	0	2	0

Levels	FEMALES							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	n/a	0	n/a	0	n/a	0	n/a
Senior Management	0	3	0	n/a	0	n/a	1	n/a
Professional Qualified	1	3	0	n/a	1	n/a	0	n/a
Skilled	17	2	1	n/a	7	n/a	2	n/a
Semi-skilled	1	n/a	1	n/a	0	n/a	0	n/a
Unskilled	2	n/a	0	n/a	0	n/a	0	n/a
TOTAL	22	8	2	0	8	0	3	0

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
TOTAL	0	0	0	0



PART E:

FINANCIAL STATEMENTS

**KwaZulu-Natal Gaming and
Betting Board**

**Consolidated Annual Financial
Statements for the year ended
31 March 2022**

GENERAL INFORMATION

Consolidated Annual Financial Statements for the year ended 31 March 2022

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To regulate the Gambling industry in KwaZulu-Natal
Accounting Authority	Refer to paragraph 6 of the Accounting Authority's Report for details of members
Head Office - Pietermaritzburg	KZNGBB House Redlands Office Estate 1 George MacFarlane Drive Pietermaritzburg 3201
Durban office	18th Floor, The Marine 22 Dorothy Nyembe Street Durban 4001
Postal address	Private Bag X9102 Pietermaritzburg 3200
Executive Authority	MEC of EDTEA
Parent department	Department of EDTEA
Ultimate controlling body	KwaZulu-Natal Provincial Legislature
Bankers	Absa Bank
Auditors	Auditor-General South Africa
Board secretary	Mrs S Meyiwa (resigned 31 July 2021) Mrs PJ Stretch (fulfilled functions since 01 August 2021)

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Consolidated Annual Financial Statements for the year ended 31 March 2022

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
EDTEA	Economic Development, Tourism and Environmental Affairs
KZNGBB	KwaZulu-Natal Gaming & Betting Board



ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

Consolidated Annual Financial Statements for the year ended 31 March 2022

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 risks cannot be fully eliminated, the entity endeavours to minimise them 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 2023 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 entity 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 auditing 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 72-74.

The consolidated annual financial statements set out on pages 75-112 which have been prepared on the going concern basis, were approved by the accounting authority on 31 May 2022 and were signed on its behalf by:



Dr SG Ngcobo
Chairperson

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

Report on the audit of the consolidated financial statements

Opinion

1. I have audited the consolidated financial statements of the KwaZulu-Natal Gaming and Betting Board Group set out on pages 75 to 112, which comprise the consolidated statement of financial position as at 31 March 2022, 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 Group as at 31 March 2022, 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, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

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

Responsibilities of the accounting authority for the financial statements

6. The 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 internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Auditor-general's responsibilities for the audit of the consolidated and separate financial statements
8. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
9. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures 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 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 3: licencing and registrations presented in the entity's annual performance report for the year ended 31 March 2022.



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

Report on the audit of the consolidated financial statements

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify material findings on the usefulness and reliability of the reported performance information for programme 3: licencing and registrations.

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. The annual performance report on pages 41 to 49 sets out information on the achievement of planned targets for the year and management's explanations provided for the over and under achievement of targets.

Report on the audit of compliance with legislation

Introduction and scope

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

Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the consolidated and separate financial statements, the auditor's report and the selected programme presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary. 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

Pietermaritzburg

27 July 2022



Auditor-general's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied 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 or safeguards applied.

ACCOUNTING AUTHORITY'S REPORT

Consolidated Annual Financial Statements for the year ended 31 March 2022

The members submit their report for the year ended 31 March 2022.

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 6 131 135 (2021: deficit R 2 181 466).

Other comments:

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 Executive Council 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 2022, the entity had an accumulated surplus of R 41 590 724 and that the entity's total assets exceed its liabilities by R 41 590 724.

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.

ACCOUNTING AUTHORITY'S REPORT

Consolidated Annual Financial Statements for the year ended 31 March 2022

Going concern (continued)

In June 2020, the Provincial Executive Council 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 earnest 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 MEC of EDTEA has extended the term of office for the existing members until the Rationalisation process is finalised. During the year, the term of office for two(2) members ended and they were not reappointed. The MEC of EDTEA appointed four new members to fill the vacancies that existed on the Board.

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

Name	Nationality	Changes
Dr SG Ngcobo	South African	
Ms MP Myeni	South African	
Adv KP Thango	South African	
Mr LS Gabela	South African	
Dr TI Nzimakwe	South African	Term ended 31 July 2021
Prof. BS Stobie	South African	
Mr SN Chetty	South African	Term ended 31 July 2021
Mrs Maharaj	South African	Appointed 01 August 2021
Mrs Mhlongo	South African	Appointed 01 August 2021
Ms Mkhize	South African	Appointed 01 August 2021
Mr Zikalala	South African	Appointed 01 August 2021

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 Board secretary, Mrs S Meyiwa, resigned as at 31 July 2021. Mrs PJ Stretch has since filled the role of the board secretary.

Business address (Head Office - Pietermaritzburg)

KZNGBB House
Redlands Office Estate
1 George MacFarlane Drive
Pietermaritzburg



ACCOUNTING AUTHORITY'S REPORT

Consolidated Annual Financial Statements for the year ended 31 March 2022

. Board secretary (continued)

Postal address 3201
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 75-112 which have been prepared on the going concern basis, were approved by the accounting authority on 31 May 2022 and were signed on its behalf by:



Dr SG Ngcobo
Chairperson

STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Note(s)	2022	2021
Assets			
Current Assets			
Receivables from exchange transactions	2	2 649 777	2 896 001
Cash and cash equivalents	3	75 758 502	85 271 547
		78 408 279	88 167 548
Non-Current Assets			
Movable assets	4	3 711 677	3 520 324
Intangible assets	5	496 118	1 392 651
		4 207 795	4 912 975
Total Assets		82 616 074	93 080 523
Liabilities			
Current Liabilities			
Operating lease liability	6	608 320	889 063
Payables from exchange transactions	7	40 296 221	44 276 578
Taxes and transfers payable (non-exchange)	8	102 857	116 320
Tourvest lodge card	3	17 952	76 703
		41 025 350	45 358 664
Total Liabilities		41 025 350	45 358 664
Net Assets		41 590 724	47 721 859
Accumulated surplus	9	41 590 724	47 721 859
Total Net Assets		41 590 724	47 721 859



STATEMENT OF FINANCIAL PERFORMANCE

Consolidated Annual Financial Statements for the year ended 31 March 2022

	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions			
Rendering of services	10	22 594 906	22 064 838
Interest income	10&12	3 173 925	3 084 430
Sundry income	10	638 873	23 171
Gain on disposal of movable assets		65 115	-
Total revenue from exchange transactions		26 472 819	25 172 439
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	10&11	51 462 364	55 820 847
Total revenue	10	77 935 183	80 993 286
Expenditure			
Employee related costs	13	62 405 418	62 776 785
Depreciation and amortisation	14	2 118 269	2 590 375
Lease rentals on operating lease	15	4 946 343	4 963 368
Loss on disposal of assets and liabilities		-	85 560
General expenses	16	14 590 658	12 770 826
Repairs and maintenance	19	5 630	10 519
Total expenditure		84 066 318	83 197 433
Deficit for the year		(6 131 135)	(2 204 147)

STATEMENT OF CHANGES IN NET ASSETS

Consolidated Annual Financial Statements for the year ended 31 March 2022

	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	53 163 006	53 163 006
Balance at 01 April 2020	53 163 006	53 163 006
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)
Balance at 01 April 2021	47 721 859	47 721 859
Changes in net assets		
Loss for the year	(6 131 135)	(6 131 135)
Total changes	(6 131 135)	(6 131 135)
Balance at 31 March 2022	41 590 724	41 590 724



CASH FLOW STATEMENT

Consolidated Annual Financial Statements for the year ended 31 March 2022

	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Sale of goods and services		23 389 012	20 953 664
Grants		51 462 364	55 820 847
Interest income		3 172 740	3 084 430
Other cash item		638 873	23 171
		<u>78 662 989</u>	<u>79 882 112</u>
Payments			
Employee costs		(65 212 878)	(59 965 430)
Suppliers		(21 556 431)	(31 211 960)
		<u>(86 769 309)</u>	<u>(91 177 390)</u>
Net cash flows from operating activities	20	<u>(8 106 320)</u>	<u>(11 295 278)</u>
Cash flows from investing activities			
Purchase of movable assets	4	(1 536 069)	(1 766 085)
Proceeds from sale of movable assets	4	188 095	-
Net cash flows from investing activities		<u>(1 347 974)</u>	<u>(1 766 085)</u>
Cash flows from financing activities			
Surrender of amounts to Department of EDTEA (Provincial Revenue Fund)		-	(3 237 000)
Net increase/(decrease) in cash and cash equivalents		<u>(9 454 294)</u>	<u>(16 298 363)</u>
Cash and cash equivalents at the beginning of the year		85 194 844	101 493 207
Cash and cash equivalents at the end of the year	3	<u>75 740 550</u>	<u>85 194 844</u>

ACCOUNTING POLICIES

Consolidated Annual Financial Statements for the year ended 31 March 2022

	Note(s)	2022	2021
1. Presentation of Consolidated Annual Financial Statements			
<p>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).</p> <p>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.</p> <p>A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated annual financial statements, are disclosed below.</p>			
1.1 Government grants			
<p>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</p>			
1.2 Materiality			
<p>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.</p> <p>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.</p>			
1.3 Significant judgements and sources of estimation uncertainty			
<p>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:</p> <p>Provision for doubtful debts</p> <p>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</p> <p>Contingencies</p> <p>Contingencies in the current year required estimated and judgements, refer to note 27</p>			
1.4 Cash and cash equivalents			
<p>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.</p>			
1.5 Movable assets			
<p>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.</p>			

ACCOUNTING POLICIES

Consolidated Annual Financial Statements for the year ended 31 March 2022

1.5 Movable assets (continued)

The cost of an item of movable assets is recognised as an asset when:

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

Movable assets is initially measured at cost.

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

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

Where an item of movable assets is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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

Movable assets 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.

ACCOUNTING POLICIES

Consolidated Annual Financial Statements for the year ended 31 March 2022

1.5 Movable assets (continued)

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 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.

ACCOUNTING POLICIES

Consolidated Annual Financial Statements for the year ended 31 March 2022

1.6 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	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.

ACCOUNTING POLICIES

Consolidated Annual Financial Statements for the year ended 31 March 2022

1.7 Financial instruments (continued)

Receivables from exchange transactions

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

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

Payables from exchange transactions

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

Cash and cash equivalents

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

Liquidity Risk

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

1.8 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 - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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.



ACCOUNTING POLICIES

Consolidated Annual Financial Statements for the year ended 31 March 2022

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

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

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

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

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

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

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

Recoverable 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.

ACCOUNTING POLICIES

Consolidated Annual Financial Statements for the year ended 31 March 2022

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

The entity 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.



ACCOUNTING POLICIES

Consolidated Annual Financial Statements for the year ended 31 March 2022

1.10 Employee benefits (continued)

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.

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 27.

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 Assets; and

ACCOUNTING POLICIES

Consolidated Annual Financial Statements for the year ended 31 March 2022

1.11 Provisions and contingencies (continued)

- 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.

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.

Rendering of services

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

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

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

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

Interest

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

1.14 Revenue from non-exchange transactions

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

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents 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.



ACCOUNTING POLICIES

Consolidated Annual Financial Statements for the year ended 31 March 2022

1.14 Revenue from non-exchange transactions (continued)

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 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.

ACCOUNTING POLICIES

Consolidated Annual Financial Statements for the year ended 31 March 2022

1.18 Related parties (continued)

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

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	2022	2021
2. Receivables from exchange transactions		
Trade debtors	49 459	49 641
Deposits	17 575	17 575
Prepaid expenses	742 531	732 258
Sundry debtors	227 948	489 378
Accrued income (refer to note 2.1)	1 612 264	1 607 149
	2 649 777	2 896 001
Trade and other receivables - provision for doubtful debts		
As of 31 March 2022, trade and other receivables of R 11 483 (2021: R 592 223) were impaired and provided for.		
The ageing of these loans is as follows:		
Over 6 months	11 483	592 223
Reconciliation of provision for doubtful debts		
Opening balance	592 223	592 223
Amounts written off as uncollectible	(580 740)	-
	11 483	592 223
Reconciliation of gross carrying amount and nett realisable value		
	Study assistance	Total
Gross carrying value	11 483	11 483
Less: provision for doubtful amounts	(11 483)	(11 483)
	-	-
2.1 Accrued Income		
Accrued income comprises:		
Recovery of expenditure (refer to note 21)	1 121 893	954 568
Legal fee recovery	-	383 437
Interest receivable	325 057	269 145
Insurance proceeds	165 314	-
	1 612 264	1 607 150
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3 086	2 234
Bank balances	60 022 326	70 153 125
Short-term deposits	15 733 090	15 116 188
Travel lodge card	(17 952)	(76 703)
	75 740 550	85 194 844
Current assets	75 758 502	85 271 547
Current liabilities (Travel lodge card)	(17 952)	(76 703)
	75 740 550	85 194 844

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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Figures in Rand

4. Movable assets

	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Furniture and fixtures	437 868	(339 119)	98 749	441 618
Motor vehicles	65 000	(55 250)	9 750	425 937
Office equipment	252 560	(184 447)	68 113	264 390
Computer equipment	10 159 420	(6 624 355)	3 535 065	9 201 899
Total	10 914 848	(7 203 171)	3 711 677	10 333 844
				(6 813 520)
				3 520 324

Reconciliation of movable assets - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	121 265	-	(375)	(22 141)	98 749
Motor vehicles	63 891	-	(54 141)	-	9 750
Office equipment	95 730	-	(1 496)	(26 121)	68 113
Computer equipment	3 239 438	1 536 069	(64 503)	(1 175 939)	3 535 065
Total	3 520 324	1 536 069	(120 515)	(1 224 201)	3 711 677

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
Total	2 844 433	1 766 085	(85 561)	(1 004 633)	3 520 324

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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Figures in Rand

5. Intangible assets

	2022		2021	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software, developed	6 367 731	(5 915 141)	6 367 731	(5 113 852)
Computer software	1 495 766	(1 452 238)	2 611 607	(2 472 835)
Total	7 863 497	(7 367 379)	8 979 338	(7 586 687)
				1 392 651

Reconciliation of intangible assets - 2022

	Opening balance	Disposals	Amortisation	Total
Computer software, developed	1 253 879	-	(801 289)	452 590
Computer software	138 772	(2 464)	(92 780)	43 528
	1 392 651	(2 464)	(894 069)	496 118

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
	2 978 392	(1 585 741)	1 392 651

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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	2022	2021
6. Operating lease asset (liability)		
Current liabilities	(608 320)	(889 063)

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	167 751	1 612 840
Income received in advance	29 647 063	29 100 367
Cash guarantees received from licensees	2 707 457	2 311 909
Third party payments	930 133	850 527
Sundry creditors	82 049	77 188
Leave pay accrual	3 148 221	2 699 497
Accrued expenses (refer note 7.1)	3 471 022	7 045 415
CSI & Donations	142 525	578 835
	40 296 221	44 276 578

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	30 744 950	34 371 192
Later than a month and not later than three months	3 553 067	4 315 143
Later than three months and not later than a year	5 998 203	5 590 241
	40 296 220	44 276 576

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

7.1 Accrued expenses

Breakdown of accrued expenses

Capital expenditure	1 791 554	903 468
Current expenditure	1 679 468	3 334 487
Compensation related	-	2 807 460
	3 471 022	7 045 415

8. Taxes and transfers payable (non-exchange)

Gambling tax payable	103 599	116 854
Statutory payables	(742)	(534)
	102 857	116 320



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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	2022	2021
8. Taxes and transfers payable (non-exchange) (continued)		
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. Refer to note 21.		
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 period adjustment	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)	(2 204 147)
2021 - Surrender of funds	(3 237 000)	(3 237 000)
2022 - Loss for the year	(6 131 135)	-
Rounding	1	1
	41 590 724	47 721 859
Ring-fenced internal funds and reserves within accumulated surplus		
Building investment		
Opening balance	17 196 583	21 041 835
Interest earned on funds	829 119	755 630
Amounts spent on lease rentals	(4 919 711)	(4 600 882)
	13 105 991	17 196 583
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 entity utilises the funds to pay the lease rentals for the Durban and Pietermaritzburg offices.		
10. Revenue		
Rendering of services	22 594 906	22 064 838
Interest income	3 173 925	3 084 430
Sundry income	638 873	23 171
Gain on disposal of movable assets	65 115	-
Government grants & subsidies	51 462 364	55 820 847
	77 935 183	80 993 286

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Consolidated Annual Financial Statements for the year ended 31 March 2022

	2022	2021
10. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	22 594 906	22 064 838
Interest income	3 173 925	3 084 430
Sundry income	638 873	23 171
Gain or loss on disposal of assets and liabilities	65 115	-
	26 472 819	25 172 439
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	51 462 364	55 820 847
11. Government grants & subsidies		
Operating grants		
Equitable share	51 361 000	55 788 000
Training levy	101 364	32 847
	51 462 364	55 820 847
12. Investment revenue		
Interest revenue		
Interest received - entity	3 109 421	3 021 551
Interest received - Transformation fund	64 504	62 879
	3 173 925	3 084 430



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Consolidated Annual Financial Statements for the year ended 31 March 2022

	2022	2021
13. Employee related costs		
Basic remuneration	52 294 987	52 679 089
Performance bonus	1 473 104	2 214 925
Medical aid subsidy	3 113 441	2 921 982
Unemployment insurance	160 466	140 328
Leave pay accrual	448 724	323 964
Long-service awards	72 000	81 000
Acting allowances	1 332 233	1 163 115
Cell phone allowance	347 060	293 565
Provident fund costs and risk benefits	1 900 828	1 751 059
Reallocation Allowance	75 545	44 394
Interns - stipends	1 129 100	1 036 649
Leave payout	57 930	126 715
	62 405 418	62 776 785

Senior Management Remuneration

For year ended 31 March 2022	Basic remuneration	Allowances & Long service awards	Contributions	Performance rewards	Total
Ms. PN Baloyi Chief Executive Officer	2 317 843	43 878	270 917	75 962	2 708 600
Mr. RS Goodayle (N2) Senior Manager - Gaming Monitoring & Compliance	1 352 098	67 878	164 444	103 776	1 688 196
Mrs. PJ Stretch Head - Governance Risk & Compliance	1 357 835	55 878	158 708	59 184	1 631 605
Mr. V Ramdas Chief Financial Officer	1 552 768	55 878	208 277	86 123	1 903 046
Mr. RC Bestel Senior Manager - Betting Monitoring & Control	1 318 732	55 878	197 810	59 184	1 631 604
Mr. M Ngwenya Chief Legal Officer	1 318 732	55 878	197 810	-	1 572 420
Mr. I Mncube (N3) Acting Senior Manager - Gaming Monitoring & Compliance	337 141	13 650	24 558	-	375 349
Mr. T Ngubane (N4) Acting Senior Manager - Licensing & Registration	1 378 520	51 078	99 718	27 717	1 557 033
Mr M Sabelo (N5) Acting Senior Manager - Gaming Monitoring & Compliance	726 372	27 939	50 168	51 956	856 435
Mr T Zungu Acting Chief Legal Officer(N6)	429 948	17 026	31 497	-	478 471
Mr B Mngoma Chief Operating Officer	827 456	23 881	103 432	-	954 769
	12 917 445	468 842	1 507 339	463 902	15 357 528
For the year ended 31 March 2021	Basic remuneration	Allowances & Long Service Awards	Contributions	Performance rewards	Total

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Consolidated Annual Financial Statements for the year ended 31 March 2022

				2022	2021
13. Employee related costs (continued)					
Ms. PN Baloyi	1 987 635	41 100	232 321	129 953	2 391 009
Chief Executive Officer					
Mr. BE Radebe (N1)	1 174 934	51 809	131 601	-	1 358 344
Senior Manager - Licensing & Registration (See note)					
Mr. RS Goodayle (N2)	1 354 875	65 100	164 782	117 870	1 702 627
Acting Senior Manager - Business Development					
Mrs. PJ Stretch	1 360 623	53 100	159 034	58 935	1 631 692
Head - Governance Risk & Compliance					
Mr. V Ramdas	1 340 725	53 100	178 927	88 403	1 661 155
Chief Financial Officer					
Mr. RC Bestel	1 321 440	53 100	198 216	29 468	1 602 224
Senior Manager - Betting Monitoring & Control					
Mr. M Ngwenya	1 321 441	36 600	198 216	-	1 556 257
Chief Legal Officer					
Mr. I Mncube (N3)	551 395	22 000	40 794	54 657	668 846
Acting Senior Manager - Gaming Monitoring & Compliance					
Mr. T Ngubane (N4)	1 348 300	48 300	96 405	54 657	1 547 662
Acting Senior Manager - Licensing & Registration					
Mr M Sabelo (N5)	825 930	27 700	55 610	-	909 240
Acting Senior Manager - Gaming Monitoring & Compliance					
	12 587 298	451 909	1 455 906	533 943	15 029 056

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.

N6 - Mr Zungu was appointed to act as Acting Chief Legal Officer from 01 May 2021 to 30 June 2021 and from 01 February 2022 to 31 March 2022..

14. Depreciation and amortisation

Movable assets (refer to note 4)	1 224 201	1 004 633
Intangible assets (refer to note 5)	894 068	1 585 742
	2 118 269	2 590 375



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Consolidated Annual Financial Statements for the year ended 31 March 2022

	2022	2021
15. Lease rentals on operating lease		
Premises		
Contractual amounts	4 638 977	4 637 541
Equipment		
Contractual amounts	307 366	325 827
	4 946 343	4 963 368
16. General expenses		
Advertising, Publications and Public Hearings	66 177	96 472
Auditors remuneration	931 239	652 728
Bank charges	58 534	55 241
Board remuneration (refer to note 17)	2 773 132	2 439 690
Cleaning	146 024	120 866
Computer expenses	113 202	537 670
Consulting and professional fees	511 164	380 358
Courier & postage	841	-
Electricity	499 559	499 163
External meeting refreshments	3 163	2 064
Fleet expenses	96 420	72 183
Illegal gambling operations	980	13 760
Insurance	525 726	482 910
Internal audit	100 579	630 396
Legal expenses	1 202 780	1 057 014
Levies (statutory)	651 278	473 322
Office set-up and restoration costs	172 914	-
Licensing, investigation and monitoring costs	578 361	325 747
Marketing	553 051	980 651
Printing and stationery	177 371	56 423
Probity checks	22 322	4 975
Software licenses and support	2 693 840	1 604 757
Staff placement costs	34 883	78 732
Staff welfare	138 731	156 882
Subscriptions	4 579	10 451
Temp employees	2 644	17 703
Telephone and fax	1 118 174	804 747
Training	572 144	432 457
Travel and subsistence	829 096	783 464
Venue expenses	11 750	-
	14 590 658	12 770 826

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Consolidated Annual Financial Statements for the year ended 31 March 2022

	2022	2021	
17. Board remuneration			
Non-executive			
2022			
	Members' fees	Reimbursive expenses	Total
Dr SG Ngcobo	269 297	-	269 297
Ms MP Myeni	406 435	-	406 435
Adv KP Thango	388 494	-	388 494
Mr LS Gabela	438 330	2 166	440 496
Dr TI Nzimakwe	104 926	-	104 926
Prof. BS Stobie	384 654	649	385 303
Mr SN Chetty	74 242	-	74 242
Mrs Maharaj	147 779	-	147 779
Mrs Mhlongo	129 968	1 353	131 321
Ms Mkhize	218 261	-	218 261
Mr Zikalala	206 578	-	206 578
	2 768 964	4 168	2 773 132
2021			
	Members' fees	Reimbursive 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
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
Ms ZP Tenza	160 358	-	160 358
	2 434 859	4 831	2 439 690
Non-executive			
2021			
	Members' fees	Other fees (Consultancy fees to subsidiary)	Total
Dr SG Ngcobo	275 389	506	275 895
Ms MP Myeni	374 353	1 355	375 708
Mr LS Gabela	319 635	1 317	320 952
Dr TI Nzimakwe	160 358	-	160 358
Prof. BS Stobie	382 346	628	382 974
Mrs Maharaj	286 475	-	286 475
Ms Mkhize	345 273	-	345 273
	291 030	1 025	292 055
	2 434 859	4 831	2 439 690
18. Auditors' remuneration			
Fees	931 239	652 728	

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	2022	2021
19. Repairs and maintenance		
Office buildings	5 630	10 519
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 operations		
Deficit	(6 131 135)	(2 204 147)
Adjustments for:		
Depreciation and amortisation	2 118 269	2 590 375
(Gain) / Loss on disposal of assets	(65 115)	85 560
Movements in operating lease liability	(280 743)	38 732
Changes in working capital:		
Receivables from exchange transactions	246 225	(970 890)
Payables from exchange transactions	(3 980 358)	4 685 997
Taxes and transfers payable (non-exchange)	(13 463)	(15 520 905)
	(8 106 320)	(11 295 278)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Consolidated Annual Financial Statements for the year ended 31 March 2022

	2022	2021
21. Related parties		
RELATIONSHIPS		
Members	Related party transactions with Board Members is limited to the remuneration paid to members as disclosed in the AFS. There were no other related party transaction to disclose. Refer to members' report note 17	
Ultimate controlling entity	KwaZulu-Natal Provincial Legislature	
Executive Authority	MEC of EDTEA	
Controlling Department	Department of EDTEA	
Controlled entities	Transformation Fund	
Entities controlled by the same controlling Department	The KZNGBB is one of a number of public entities under the control of the Department of EDTEA. The complete list of related entities can be found on the Department's website: www.kznedtea.gov.za .	
Senior Management	Related party transactions with Senior Management is limited to the remuneration paid to management as disclosed in the AFS. There were no other related party transaction to disclose. Refer to note 13	
Related party transactions		
Collection of gambling taxes on behalf of the Province		
Department of EDTEA	665 694 448	458 607 944
Grants received		
Department of EDTEA	51 361 000	55 788 000
KZN Liquor Authority (balance included under trade receivables)		
Secondment of an employee - employee costs	1 532 917	1 532 917
Less: provision for bad debts	-	(578 349)
Strategic planning facilitator - shared cost	167 325	-
Less: Amount written off (secondment)	(578 349)	-
	1 121 893	954 568
Key management information		
Class	Description	Number
Non-executive board members	Governance oversight body	9
Executive board members	Chief Executive Officer	1
Executive management	Policy implementation	6
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	7 804 492	7 527 375

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Consolidated Annual Financial Statements for the year ended 31 March 2022

	2022	2021
24. Financial instruments disclosure		
Categories of financial instruments		
2022		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	2 649 777	2 649 777
Cash and cash equivalents	75 758 502	75 758 502
	78 408 279	78 408 279
Financial liabilities		
	At amortised cost	Total
Trade and other payables from exchange transactions	40 296 220	40 296 220
Taxes and transfers payable (non-exchange)	102 857	102 857
Bank overdraft	17 952	17 952
	40 417 029	40 417 029
2021		
Financial assets		
	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
	88 167 548	88 167 548
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
Bank overdraft	76 703	76 703
	44 469 601	44 469 601

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.

Employee related costs - note 13, in the prior year the entity disclosed temporary employees hired via agencies under employee costs. During the current year the amount has been reclassified to general expenses, refer to note 16., to enhance the readers understanding of the financial statements. The change had no effect on the statement of financial performance and statement of financial position but did change the cash flow statement.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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25. Comparative figures (continued)

Cash flow statement - extract

	Comparative figures previously reported	Reclassificati on	After reclassificatio n
Employee costs	(59 983 133)	17 703	(59 965 430)
Suppliers	(31 194 257)	(17 703)	(31 211 960)
Total	(91 177 390)	-	(91 177 390)

26. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Intangible assets	-	908 695
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Total capital commitments

Already contracted for but not provided for	-	908 695
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Total commitments

Total commitments

Authorised capital expenditure	-	908 695
--------------------------------	---	---------

The entity had no capital commitments at year end.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	4 325 892	5 187 438
- in second to fifth year inclusive	1 425 894	5 751 786
	5 751 786	10 939 224

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.

27. Contingencies

- The Peoples Forum Against EBTs 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 KZN Treasury & KZNGBB - The licensee has brought an application seeking to have its "freeplay" credits excluded from the calculation of their gambling tax liability. If successful, the licensee is seeking to be reimbursed for approximately R76 million in overpaid taxes. The matter is being defended by the KZN Treasury ably supported by the Board. The costs of council to defend the matter will be covered by the Department. The licensee is seeking a cost order to be granted solely against the Board. At this stage, it is uncertain what the cost order would amount to if the applicant is successful.
- 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.



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27. Contingencies (continued)

- 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 the operations and specific projects. During the previous year the entity was instructed by the Provincial Treasury to surrender an amount to assist fund with 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 denied then a contingent liability does exist of approximately R37,3 million, being the cash reserve amount.

28. Fruitless and wasteful expenditure

Opening balance as previously reported	-	1 921
Add: Fruitless and wasteful expenditure identified - current	699	-
Less: Amount written off - current	-	(1 921)
Closing balance	699	-

The entity was charged interest as a result of the late payment of the Telkom invoice. The invoice was misplaced resulting in the late payment. The matter is being investigated.

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings
Interest on late payment of Telkom	The matter is under investigation

29. Irregular expenditure

Opening balance as previously reported	5 889 518	5 889 518
Opening balance as restated	5 889 518	5 889 518
Less: Amount condoned by the Provincial Treasury	(2 114 380)	-
Closing balance	3 775 138	5 889 518

Irregular expenditure is presented inclusive of VAT

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29. Irregular expenditure (continued)

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

Disciplinary steps taken/criminal proceedings

No person responsible.

Board remuneration.

In 2015, Provincial Treasury conducted an audit into the remuneration paid to former board members and the number of meetings held. The report identified a potential over payment of R1,798,784 to members. The report recommended that the MEC of Finance implement procedures for the recovery of the amounts. Provincial Treasury condoned R1733125 of the expenditure. The balance will be looked at by the Board.

Incident 2 - 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 was resolved with the appointment of a legal panel and a revised engagement model.

The entity applied to Provincial Treasury in 2020 for the condonation of the amount, the amount has not been condoned.

Incident 3 - Expired Contracts

The entity continued to use contracts after the initial period had expired. The amount was condoned by Provincial Treasury

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. The entity obtained value for money for the amounts disbursed

No person responsible. No fraud or corrupt activities

The entity obtained value for money for the amounts disbursed

Officials were reprimanded for inadequate contract management.

No fraud or corrupt activities identified. The entity obtained value for money for the amounts disbursed

15 659 1 798 7843 759 479 3 759 479331 255

$$\begin{array}{r} 3\,775\,138 \\ \hline 5\,889\,518 \end{array}$$

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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30. 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 funding agreements.

Credit risk

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

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

31. Going concern

We draw attention to the fact that at 31 March 2022, the entity had an accumulated surplus of R 41 590 724 and that the entity's total assets exceed its liabilities by R 41 590 724.

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 Legislature took a decision that the operations of the KwaZulu-Natal Gaming & Betting Board and the KwaZulu-Natal Liquor Authority should be rationalised. Preparations have commenced 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.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Department of EDTEA continues to provide funding for the ongoing operations of the entity and that the entity will be granted approval to retain its accumulated surpluses. For the 2022/23 financial year the Department has committed R50,552 million towards funding the entity. This amount coupled with own revenue collections of R23 million and reserves of R39,9 million are more than sufficient to cover the operating expenditure of the entity for the forthcoming year. The entity remains a key revenue source for the Province and there is no intention by the Department of EDTEA or the Legislature to stop its operations.

32. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

Details of the arrangement is as follows:

The KZN Provincial Treasury has appointed the KwaZulu-Natal Gaming & Betting Board to assist with the collection and distribution of gambling taxes as contemplated in section 77 of the KwaZulu-Natal Gaming & Betting Act. Licensees submit their tax returns to the entity and also pay the tax due. Amounts due to the Provincial Revenue Fund are paid to the entity first and thereafter distributed to beneficiaries. The entity confirms these amounts before consolidating same and obtaining Provincial Treasury approval to distribute the taxes to beneficiaries. The entity then pays out amounts due. The entity is also responsible for managing any refund due or overpayment made by a licensee, this is done by either an offset against future tax payable or a refund payment. Refer to notes 8 & 21 for values relating to this arrangement.

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32. Accounting by principals and agents (continued)

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

Refer to note 8 for the balance of taxes to be distributed/refunded on behalf of the Provincial Treasury..

No risks have been transferred to the entity.

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

Gambling Taxes

Opening balance	116 854	14 428 756
Amounts collected on behalf of principal	665 681 193	501 202 725
Cash paid on behalf of the principal	(67 965 650)	(55 465 183)
Amounts transferred to the principal	(597 728 798)	(460 049 444)
	103 599	116 854

The closing balance represents amounts collected in advance or refunds due to licensees.

All categories

Opening balance	116 854	14 428 756
Expenses incurred on behalf of the principal	665 681 193	501 202 725
Cash paid on behalf of the principal	(67 965 650)	(55 465 183)
Amounts transferred to the principal	(597 728 798)	(460 049 444)
	103 599	116 854

33. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

34. New standards and interpretations

34.1 Standards and interpretations effective and adopted in the current year

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

GRAP 109: Accounting by Principals and Agents

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

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

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



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34. New standards and interpretations (continued)

34.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2022 or later periods:

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS@ 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14@) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these have not yet been set.

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

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Consolidated Annual Financial Statements for the year ended 31 March 2022

34. New standards and interpretations (continued)

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. 01 April 2023.

The entity expects to adopt the interpretation for the first time in the 2023/2024 consolidated annual financial statements.

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

GRAP 1 (amended): Presentation of Financial Statements

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

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

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

Statement of financial position and statement of financial performance

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

Notes structure

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

Disclosure of accounting policies

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

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

The effective date of this amendment is for years beginning on or after 01 April 2025.

The entity expects to adopt the amendment for the first time in the 2025/2026 consolidated annual financial statements.

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



PART F

TRANSFORMATION FUND

FORMERLY HORSE RACING AND
BETTING TRANSFORMATION
FUND

**Annual Financial Statements for
the year ended 31 March 2022**

GENERAL INFORMATION

Annual Financial Statements for the year ended 31 March 2022

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To promote opportunities and 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, (Act 53 of 2003) to participant in the gambling industries.
Accounting Authority	Refer to paragraph 6 of Members Report for details
Business address	KZNGBB House Redlands Office Park 01 George MacFarlane Drive Pietermaritzburg 3201
Postal address	Private Bag X9102 Pietermaritzburg 3200
Controlling entity	KwaZulu-Natal Gaming and Betting Board
Executive Authority	MEC of EDTEA
Economic entity	Department of EDTEA
Auditors	Auditor-General South Africa

INDEX

Annual Financial Statements for the year ended 31 March 2022

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

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
EDTEA	Economic Development, Tourism & Environmental Affairs
MEC	Member of the Executive Council

MEMBERS' RESPONSIBILITIES AND APPROVAL

Annual Financial Statements for the year ended 31 March 2022

The members are required by the KwaZulu-Natal Gaming & Betting Act, Act 08 of 2010, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the members 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 risks cannot be fully eliminated, the entity endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The 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 members are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for providing reasonable assurance on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on [pages 117-119](#).

The annual financial statements set out on [pages 120-127](#), which have been prepared on the going concern basis, were approved by the members on 31 May 2022 and were signed on its behalf by:



Dr SG Ngcobo
Chairperson

REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE ON THE TRANSFORMATION FUND

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Transformation Fund set out on pages 120 to 127, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, the statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Transformation Fund as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the 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 financial statements section of my report.
4. I am independent of the fund in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for 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 and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of Generally Recognised Accounting Practices and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the Transformation Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE ON THE TRANSFORMATION FUND

Auditor-general's responsibilities for the audit of the financial statements

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

Performance information reporting

10. As the Fund was dormant for the year under review, no work was performed on the audit of performance information.

Audit of compliance with legislation

11. As the Fund was dormant for the year under review, no work was performed on the audit of compliance with legislation.

Audit of compliance with legislation

12. I considered internal control relevant to my audit of the financial statements; 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

Pietermaritzburg

27 July 2022



AUDITOR-GENERAL
SOUTH AFRICA

Auditor-general's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied 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 or safeguards applied.

MEMBERS' REPORT

Annual Financial Statements for the year ended 31 March 2022

The members submit their report for the year ended 31 March 2022.

1. Incorporation

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

The assets of the erstwhile Sports Trust was transferred to the Transformation Fund in terms section 137(2) of the KwaZulu-Natal Gaming and Betting Act, Act 8 of 2010, as amended.

2. Review of activities

Main business and operations

To promote opportunities and 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, (Act 53 of 2003) to participant in the gambling industries.

In October 2017, the Provincial Executive approved the amendment of the KwaZulu-Natal Gaming and Betting Act, Act 08 of 2010. Included in the amendments, was the change of the name of the Fund from the "Horse Racing & Betting Transformation Fund" to the "Transformation Fund" as well as broadening the scope of the Fund, from focusing solely on the horse racing and betting sectors, to include all gambling sectors in the Province.

During the year under review, the Fund generated only earned interest income on its cash balance and there were no expenditure. During March 2021, the MEC of EDTEA approved the terms of reference of the Fund. During the current year the Fund invited Tier 1 applications, these are applications with a maximum funding requirement of up to R200 000. The assessment of these applications were in progress at the end of the financial year and it is expected that the the first distributions from the Fund will be made after year end.

Net surplus of the Fund was R 64 504 (2021: surplus R 62 879).

3. Going concern

We draw attention to the fact that at 31 March 2022, the Fund had an accumulated surplus of R 1 620 822 and that the Fund's total assets exceed its liabilities by R 1 620 822.

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

4. Subsequent events

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

5. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed Standards GRAP issued by the Accounting Standards Board as the prescribed framework by National Treasury.



MEMBERS' REPORT

Annual Financial Statements for the year ended 31 March 2022

6. Members

6.1 Accounting Authority

The members of the Fund during the year and to the date of this report are as follows:

Name	Nationality	Changes
Dr SG Ngcobo	South African	
Ms MP Myeni	South African	
Adv KP Thango	South African	
Mr LS Gabela	South African	
Dr TI Nzimakwe	South African	Term ended 31 July 2021
Prof BS Stobie	South African	
Mr SN Chetty	South African	Term ended 31 July 2021
Mr Zikalala	South African	Appointed 01 August 2021
Mrs Maharaj	South African	Appointed 01 August 2021
Mrs Mhlongo	South African	Appointed 01 August 2021
Ms Mkhize	South African	Appointed 01 August 2021

6.2 Transformation Fund Adjudication Committee

The Accounting Authority has established the Transformation Fund Adjudication Committee. The Committee's role is to consider and adjudicate on all applications received by the Fund. The Committee comprises of two Board members, an appointed member from the Department of EDTEA and the Chief Executive Officer. The Committee is supported by the Business Development Unit in receiving and assessing applications and making recommendations to the Committee for adjudication.

7. Secretary

The Fund had no secretary during the year.

8. Auditors

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

The annual financial statements set out on pages 120-127, which have been prepared on the going concern basis, were approved by the members on 31 May 2022 and were signed on its behalf by:



Dr SG Ngcobo
Chairperson

STATEMENT OF FINANCIAL POSITION

Annual Financial Statements for the year ended 31 March 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Receivables from exchange transactions	2	5 972	4 787
Cash and cash equivalents	3	1 614 850	1 551 531
		1 620 822	1 556 318
Total Assets		1 620 822	1 556 318
Net Assets		1 620 822	1 556 318
Accumulated surplus		1 620 822	1 556 318
Total Net Assets		1 620 822	1 556 318

STATEMENT OF FINANCIAL PERFORMANCE

Annual Financial Statements for the year ended 31 March 2022

Figures in Rand	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions	5	64 504	62 879
Interest income			
Surplus for the year		64 504	62 879

STATEMENT OF CHANGES IN NET ASSETS

Annual Financial Statements for the year ended 31 March 2022

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2020	1 493 439	1 493 439
Changes in net assets		
Surplus for the year	62 879	62 879
Total changes	62 879	62 879
Balance at 01 April 2021	1 556 318	1 556 318
Changes in net assets		
Surplus for the year	64 504	64 504
Total changes	64 504	64 504
Balance at 31 March 2022	1 620 822	1 620 822

CASH FLOW STATEMENT

Annual Financial Statements for the year ended 31 March 2022

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Interest income		63 319	58 672
Net increase/(decrease) in cash and cash equivalents		63 319	58 672
Cash and cash equivalents at the beginning of the year		1 551 531	1 492 859
Cash and cash equivalents at the end of the year	3	1 614 850	1 551 531

ACCOUNTING POLICIES

Annual Financial Statements for the year ended 31 March 2022

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 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.

1.2 Revenue from exchange transactions

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 Fund 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.

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 recognised when it is probable that economic benefits will flow to the fund and the amount can be measured reliably.

Interest income is accrued on a time proportion basis, taking into account the principal amount and the effective interest rate.

Interest income

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

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Annual Financial Statements for the year ended 31 March 2022

Figures in Rand	2022	2021
2. Receivables from exchange transactions		
Accrued Income	5 972	4 787
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Short-term deposits	1 614 850	1 551 531
4. Revenue		
Interest received - investment	64 504	62 879
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received - investment	64 504	62 879
5. Interest income		
Interest revenue		
Bank	64 504	62 879
6. Cash generated from operations		
Surplus	64 504	62 879
Changes in working capital:		
Receivables from exchange transactions	(1 185)	(4 207)
	63 319	58 672



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