

Annual Report

2023/2024



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Part A

1. General Information



1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME

KwaZulu-Natal Gaming and
Betting Board

**PHYSICAL ADDRESS
(PIETERMARITZBURG)**

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Redlands Estate
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Pietermaritzburg
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EXTERNAL AUDITORS

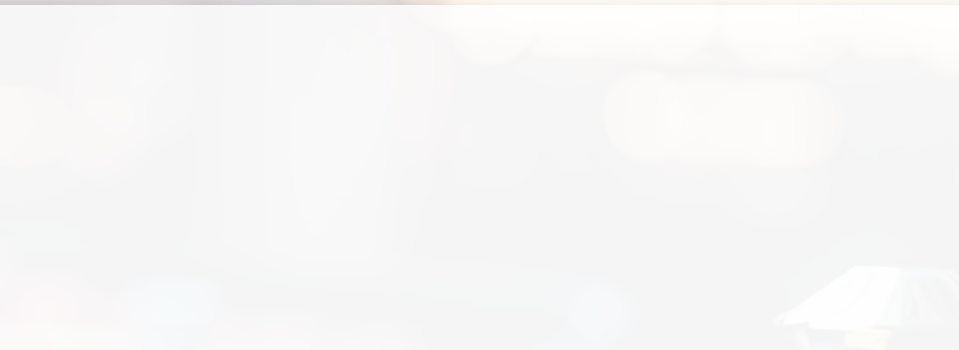
Auditor-General: South Africa: KZN

BANKERS

ABSA Bank

BOARD SECRETARY

Ms N. Ntombela



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



3. Foreword by the Executive Authority

Introduction:

As we reflect on the 2023/24 fiscal year, I am honoured to present the Annual Report on the state of the gaming and betting industry in KwaZulu-Natal. This report provides an in-depth review of our accomplishments in several critical areas, including revenue generation, our ongoing transformation strategy, the fight against illegal gambling, economic opportunities for black individuals, legislative challenges, readiness for the Fourth Industrial Revolution (4IR), protection of public interests, Corporate Social Initiatives (CSI), and the industry's response to gender-based violence (GBV).



Hon Rev Musa Zondi MPL
MEC Department, Tourism
and Environmental Affairs

REVENUE GENERATION:

I am pleased to announce that the gaming and betting industry in KwaZulu-Natal has demonstrated remarkable resilience and growth, generating substantial revenue over the past year. This success is a direct result of the collaborative efforts of industry stakeholders, operators, and regulators who have prioritized innovation, responsible practices, and effective oversight. The revenue generated has significantly contributed to our provincial economy, creating employment opportunities and funding numerous social and community development programs.

IMPLEMENTATION OF TRANSFORMATION STRATEGY:

Our unwavering commitment to transforming the KZN gaming and betting industry has yielded significant results. We have successfully executed a comprehensive strategy focused on inclusivity, diversity, and economic empowerment. Through targeted initiatives, strategic partnerships, and preferential procurement practices, we have made meaningful progress in ensuring black individuals have equal access to opportunities within the industry. We continue to promote skills development, entrepreneurship, and the creation of sustainable businesses, advancing our transformation agenda.

TRANSFORMATION FUND:

The Transformation Fund remains crucial in advancing our transformation agenda within the gaming and betting industry. Over the past year, we have allocated funds to initiatives that promote broad-based economic empowerment, skills development, and job creation. Through strategic partnerships and collaboration with industry stakeholders, we have achieved tangible progress in diversifying ownership, promoting entrepreneurship, and increasing the participation of historically disadvantaged individuals.

BLACK INDUSTRIALIST PROGRAM:

Our steadfast support for black industrialists in the gaming and betting industry continues through the Black Industrialist Program. This program provides targeted support, including access to funding, mentorship, and capacity-building opportunities. As a result, successful black-owned businesses have emerged within the industry, promoting economic inclusion, and driving sustainable growth. We take pride in the accomplishments of these black industrialists, who serve as role models for aspiring entrepreneurs.

DEVELOPMENT OF RURAL HORSE RACING:

Recognizing the economic potential of rural areas, we have made significant strides in developing rural horse racing. This initiative has not only brought entertainment and excitement to rural communities but also created employment opportunities and stimulated economic activity. By investing in infrastructure, training programs, and marketing efforts, we have positively impacted local economies and empowered communities through increased participation in the horse racing industry.

AWARENESS CAMPAIGNS ON ECONOMIC OPPORTUNITIES:

We understand the importance of raising awareness about economic opportunities within the gaming and betting industries. Over the past year, we have conducted extensive awareness campaigns to inform individuals, particularly from historically disadvantaged backgrounds, about the various avenues available to them. Through partnerships with community

organizations, and industry stakeholders, we have provided information on entrepreneurship, skills development, and job prospects within the sector. These campaigns have sparked interest, inspired aspirations, and encouraged individuals to pursue economic opportunities within the gaming and betting industries.

CREATING ECONOMIC OPPORTUNITIES FOR BLACK INDIVIDUALS:

Facilitating economic opportunities for black individuals within the gaming and betting sector remains a key objective. We have implemented programs and initiatives aimed at fostering entrepreneurship, skills development, and job creation for black South Africans. By providing access to financing, mentorship, and training, we are empowering individuals to participate meaningfully in the industry. Through inclusive partnerships and supportive policies, we are driving economic growth and addressing historical imbalances.

ADDRESSING LEGISLATIVE CHALLENGES:

The gaming and betting industry faces several legislative challenges that impede its growth and transformation. We recognize the necessity of a regulatory framework that fosters industry development while safeguarding public interests. Our ministry is actively engaging with stakeholders, legal experts, and policymakers to address these challenges and develop forward-thinking legislation. By encouraging industry-wide dialogue, conducting comprehensive assessments, and ensuring robust regulatory frameworks, we aim to create an environment that promotes responsible gambling, protects consumers, and supports sustainable industry transformation.



COMBATING ILLEGAL GAMBLING:

The fight against illegal gambling continues to be a top priority. We are committed to eradicating illegal operations that undermine the integrity of the industry and harm our citizens. Through strengthened regulation, collaboration with law enforcement agencies, and public awareness campaigns, we have made significant progress in combatting illegal gambling. Our collective efforts aim to safeguard consumers, protect the interests of licensed operators, and create a fair and transparent gaming and betting environment.

CORPORATE SOCIAL INITIATIVES AND GENDER-BASED VIOLENCE:

We recognize the industry's responsibility to contribute positively to society through Corporate Social Initiatives (CSI). Our portfolio encourages operators to adopt CSI practices that address social, economic, and environmental challenges. Additionally, we are actively addressing gender-based violence (GBV) within the industry. By collaborating with stakeholders, we are developing comprehensive policies and programs to combat GBV, promote gender equality, and ensure a safe and inclusive gaming and betting environment for all.

CONCLUSION:

This Annual Report highlights the significant progress achieved in the KZN gaming and betting sector, showcasing the industry's robust revenue generation, commitment to transformation, efforts to combat illegal gambling, and the creation of economic opportunities for black individuals. I extend my sincere appreciation to all stakeholders for their unwavering support, dedication, and collaboration. Together, we will continue to shape an industry that contributes to our nation's economic growth, promotes social well-being, and upholds the highest standards of integrity.

Rev Musa Zondi

**Department of Economic Development, Tourism and
Environmental Affairs**

31st July 2024



4. Report of the Chairperson


I am pleased to address you on behalf of the erstwhile KwaZulu-Natal Gaming and Betting Board (KZNGBB). The KZNGBB has been rationalised with the KZN Liquor Authority to form the KZN Economic Regulatory Authority with effect from 04 June 2024. As we reflect on our recent achievements and look forward to the opportunities ahead, I am proud of the progress we have made together. Over the past five years, our board remained steadfast in its mission to tackle pressing societal challenges, with a particular focus on unemployment, poverty, and issues of race and gender inequality. Through strategic initiatives within the gaming and betting sector, we strived to make significant contributions to the welfare of our communities.



Ms M.P. Myeni
Chairperson of the KZN Gaming
and Betting Board.

Looking ahead to the 2024-2025 financial year, we recognize the critical role we must play in aligning with the Medium-Term Strategic Framework (MTSF), as well as the 7th Administrations priorities and we are focused on continuing this momentum and delivering on our commitments. We were particularly dedicated to Priority 2: Economic Transformation and Job Creation, recognizing their critical importance to the stakeholders and beneficiaries. We believe that we ensured that the gaming and betting industry operated with transparency and integrity, and drove inclusive economic growth and social development across our province.

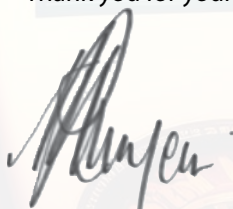
During the year our efforts translated into actionable initiatives that prioritized industry transformation and fostered inclusive economic participation, especially among vulnerable groups. Through targeted programs and collaborations with stakeholders, we created an environment where every individual, irrespective of background, had equitable opportunities to thrive within the gaming and betting sector.



The KZNGBB's mandate, enshrined in the KwaZulu-Natal Gaming and Betting Act (Act No. 8 of 2010), guided our strategic agenda. During the fiscal year, our focus centred on implementing programs that advanced job creation, economic development, industrialization, and supported small business growth and localization. Additionally, we contributed to township and rural economic development, generating revenue for our province, and mitigating the adverse social impacts associated with gambling through stringent governance and regulation.

The priorities of the Board underscored our unwavering commitment to fostering sustainable economic growth, promoting inclusive development, and ensuring responsible governance within the gambling and betting sector. Through targeted interventions and strategic partnerships, we believe that we delivered tangible benefits to the people of KwaZulu-Natal, advancing their well-being and prosperity.

As Chairperson of the Board, I have been honoured to lead the KZNGBB during this exciting time of opportunity and challenge. Together, with your continued support and partnership, we will build upon our successes and shape a brighter future. Thank you for your trust and dedication.



Ms M.P. Myeni

Chairperson of the KZN Gaming and Betting Board.

31st July 2024

5. Chief Executive Officer's Overview

General Performance Review

Revenue Generation and Tax Collection

The KwaZulu-Natal Gaming and Betting Board had a suitable 2023/24 financial year. The Board collected R733 million in taxes, demonstrating strong support for the government treasury, however there was a 5% decline in revenue. This decline could be attributed to a slump in the revenue collected in the bookmaking, limited payout machine and bingo sectors, it was only the casino sector which remained on par. Key factors may include a decrease of contingencies within the betting sector, as well as external challenges such as load shedding.



Ms Portia Baloyi
Chief Executive Officer
KZN Gaming and Betting Board

Key expenditure areas focused on regulatory compliance, capacity building, and technological improvements. This included:

- Employee costs, representing a substantial portion of total expenditure.
- Operational costs, primarily for IT upgrades and regulatory system maintenance.
- Regulatory enforcement, ensuring compliance and addressing illegal gambling activities.

CAPACITY OF THE KZNGBB

KZNGBB has a workforce of 62 full time employees and 5 interns/graduates, with plans to fill critical positions pending approval. By March 31 2024, the Senior Management team had a gender distribution of 40% women and 60% men, a vacancy rate of 17.7%, and a staff turnover of 12.90%. These rates can be attributed to funding related matters as well as a deficiency in critical talent.

INDUSTRY ECONOMIC DEVELOPMENT AND TRANSFORMATION

In support of the Government Transformation Agenda, the industry spent R780 million on procurement, benefiting 120 SMMEs, with 39% and 42% allocated to women and youth-owned businesses, respectively.

JOB CREATION

The KZNGBB's regulatory and economic development activities facilitated the creation of 1465 jobs in 2023/24 Financial Year. Over the Medium Term Strategic Framework (MTSF) period a total of 5856 direct jobs have been facilitated. This contribution highlights KZNGBB's role in promoting economic growth and providing employment opportunities within the province.

ERADICATION OF ILLEGAL GAMBLING

Raids on 93 premises led to the confiscation of 109 illegal machines and R104 521 cash declared to SAPS.

CORPORATE SOCIAL RESPONSIBILITY

Social responsibility remains central, with over 120,000 people reached through responsible gambling awareness campaigns. KZNGBB facilitated R31 million towards community initiatives, benefiting 2,320 households through a Food Security Programme, school refurbishments, and providing water infrastructure to 3,896 households. Support was also given to Gender-Based Violence and Femicide (GBVF) initiatives.

BLACK INDUSTRIALIST PROGRAMME

The KZNGBB remains committed to mandate of driving economic transformation through programmes such as the Black Industrialist as well as the Transformation fund. The Black industrialist program stands as a potent force which drives and enables both transformative change and economic empowerment. With a steadfast commitment to fostering inclusivity and innovation, the BI programme has paved the way for the development of Black Industrialists across diverse sectors including manufacturing, as well as gaming and betting technologies. It is within these focus areas, nine pioneering projects have been nurtured and supported, propelling the growth and evolution of these industries.

The KZN Gaming and Betting Board is profiling 20 Black Industrialists 11 of whom are women, in order to transform and create new business in the Gaming and betting sector in manufacturing. Through disbursements of over **R1, 2 million**, the program has provided financial backing and -created 45 jobs as a result. The focus areas include businesses in the Gaming and betting sector in manufacturing (Hardware, Software, Surveillance & CCTV cameras etc).

TRANSFORMATION FUND

The Transformation fund has played a crucial role in fostering positive economic development and growth. Through its strategic disbursement a total sum of R323 040 to approved projects during 2023/2024 was undertaken.

This infusion of funds has yielded significant dividends leading to the enhancement and expansion of these enterprises. The Transformation Fund is designed to provide funding support for various gaming and betting initiatives. The Transformation Fund supports the Horseracing Value Chain development including

breeding programmes, farrier training, veterinary services, animal laboratories, indigenous hostess studbook and Jockey development training. Beneficiaries of the fund during the period under review entailed:

Projects Approved during 2023/2024

- Traditional Horse Racing and Breeding Association - R 100,000.00
- Dolphin Coast Equestrian Centre - R 132, 600.00 - Professionalization and Standardisation workshops for Traditional Horse Racing Associations
- Bet Chats SA - R 100,000.00 - Develop and maintain online educational sport betting platform

CLEAN AUDIT OUTCOME

KZNGBB achieved a clean audit outcome for the third consecutive year, reflecting its commitment to good governance and sound financial management. These achievements underscore the team's dedication to promoting a responsible and sustainable gaming and betting industry in KwaZulu-Natal, ensuring continued growth and positive community impact. Our financial practises, internal controls and adherence to regulator standards have been independently verified, affirming the integrity of our operations. The entity has various levels of oversight bodies in place to monitor the levels of compliance on an ongoing basis. It must be noted that these aforementioned structures have underwritten to the attaining of a Clean Audit achievement for this period. It is incumbent on the entity that required audit improvement plans to address the matters that were identified during the audit process will proceed.

RATIONALISATION

In a significant organizational change, KZNGBB has been merged with KZNLA into a single entity called the KZN Economic Regulatory Authority .

ACKNOWLEDGEMENTS AND APPRECIATION

Appreciation is hereby extended to the Honourable MEC for EDTEA, Chairperson, Board members, management as well as staff for their continuous support.



Ms Portia Baloyi
Chief Executive Officer
KZN Gaming and Betting Board
31st July 2024

6. Statement of Responsibility and Confirmation of Accuracy for the Annual Report



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

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

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 F) have been prepared in accordance with the PFMA Compliance standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information. The Accounting Authority is responsible for establishing and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2024.

Yours faithfully

Chief Executive Officer

Ms. P. Baloyi

31st July 2024

Chairperson of the Board

Ms. M.P. Myeni

31st July 2024

7. Strategic Overview

7.1 VISION

The epitome of excellence in the regulation and transformation of gaming and betting industries

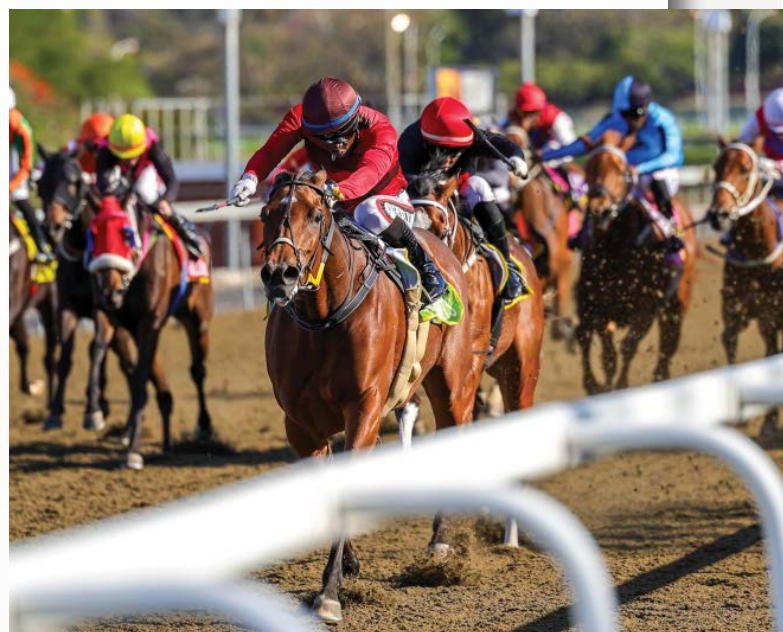
7.2 MISSION

To ensure effective regulation and transformation of Gaming and Betting Industries of KwaZulu-Natal through:

- Strict compliance, enforcement of license conditions, and applicable legislation.
- Being a socially responsible industry and protecting the interest of the public by licensing qualified entities and individuals

7.3 VALUES

- Ubuntu and Integrity
- Professionalism and passion
- Exponential, innovative, and visionary leadership
- Fairness and impartiality and Ethical conduct
- Service excellence, commitment, transparency, and accountability





VALUE PROPOSITION OF KZNGBB TO CLIENTS, SHAREHOLDERS AND PUBLIC

The Value Proposition is a statement of the benefits that KZNGBB will deliver to the public, key customers, the industry, and other stakeholders on behalf of whom it provides service delivery. These benefits are listed below.

Contribution of Gambling sector towards shared economic and social development

- Jobs created
- Increased number of black participants benefiting from the industry and its value-chain
- Quantum of industry investment
- Corporate Social Investment
- Promotion of increased tourism and hospitality
- Grass roots level impact
- Impact on those directly affected by the industry
- SMME and local participation

Enforcement and monitoring of relevant legislation

- Compliant industry
- Adherence to the rule of law and reduced illegal activities
- Socially responsible industry
- Public perception and awareness (responsive and aware citizenry that holds the industry to account)

Financial sustainability and revenue maximisation

- Increased revenue collection
- Revenue maximisation
- Reduced operational costs
- Adherence to financial governance related legislation and best practices
- Digitalisation and online gaming and liquor trading and other platforms
- Improvement in the quality of services
- Differential scale of fees
- Revised fee schedule (including inflationary adjustment, tax income)
- Sustained and increasing revenues
- Percentage growth in revenues versus budget
- Increased commercialised revenue streams
- Self-funding

Educate and promote responsible gambling.

- Enhanced positive reputation of the industry.
- Structured collaboration with multiple stakeholders
- Increased access to rehabilitation programs
- Industry awareness of economic development opportunities
- Safer communities (health, GBV and other incidental areas)
- Licensee engagement, monitoring, and support.

8. LEGISLATIVE AND OTHER MANDATES

- KwaZulu-Natal Gaming and Betting Act (Act No. 8 of 2010) The Board's core mandate is set out in Section 6 of the KwaZulu-Natal Gaming and Betting Act, 08 of 2010 as amended.
- Ensure that all gambling authorised under the Act is conducted in a manner which promotes the integrity of the gambling industry and does not cause harm to the public interest.
- Ensure that all gaming authorised under 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 e said Act, a regulatory authority as defined in section 1 of that Act.

The aforesaid statutory objects of KZNGBB consolidate the objectives outlined in Section 6 of the KZN Gaming and Betting Act No. 8 of 2010 (Gaming and Betting Act) as tabulated below:

KZN Gaming and Betting Act No. 8 of 2010

- To provide for the regulation of gaming, horse racing and betting in the Province of KwaZulu-Natal
- To provide for restrictions on gaming and betting
- To provide for the establishment of a provincial Gaming and Betting Board
- To provide for the licensing of persons conducting casinos and bingo games
- To provide for the licensing of gaming machine operators, racecourse operators, totalisators, and bookmakers
- To provide for the registration of certain persons
- To provide for the imposition of fees, taxes, levies and penalties on the various gambling activities
- To provide for the appointment and authorisation of inspectors and their powers and duties
- To provide for the establishment of a Horse Racing and Betting Transformation Fund, and
- To provide for matters connected therewith

Provincial Legislative Prescripts

Provincial legislative prescripts that affect the statutory mandate of KZNGBB are tabulated hereunder insofar as these regulate gaming and betting a licensing. The following table summarises the provincial legislative mandate column and a corresponding purpose and explanation column as these columns pertain to gaming and betting licensing:

Provincial Legislative Mandates	Purpose and Explanation
Gaming and Betting	
KwaZulu-Natal Gaming and Betting Act (Act No. 8 of 2010)	<ul style="list-style-type: none"> Governs the regulation of the gaming industry and the regulator's operations. Protect the interests of the public by ensuring the integrity of legalised gambling through strict enforcement of applicable legislation. Protect the licensing of qualified entities and individuals. Fulfil the objectives of the provincial government to deliver a significant source of revenue, enhance tourism, develop, transform the gaming, and horse racing industry. Promote broad socio-economic and employment opportunities
KZN Gaming and Betting Amendment Act (Act No. 4 of 2017)	
KZN Gaming and Betting Regulations, 2012	
KZN Gaming and Betting Board: Gaming Rules, 2013	
KwaZulu-Natal Gaming and Betting Tax Act (Act No. 9 of 2010)	<ul style="list-style-type: none"> Provides for the payment of taxes by persons licenced in terms of the Act and matters connected therewith

NATIONAL LEGISLATIVE MANDATES

The national legislative mandates of KZNGBB are tabulated below insofar as these relate to gambling and betting licensing.

National Legislation and other mandates	Purpose and Explanation
Gaming and Betting	
National Gambling Act (Act No. 7 of 2004, as amended)	<ul style="list-style-type: none"> Provide 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. Provides for the creation of additional norms and standards applicable throughout the Republic
National Gambling Regulations	

NATIONAL POLICY FRAMEWORK

The national policies and standards detailed below are published by the national sphere of government. These represent a selection that has a direct impact on KZNGBB's operations:

Legislative and other mandates	Explanation
National Development Plan 2030	<ul style="list-style-type: none"> A Policy document of the South African Government drafted by the National Planning Commission in August 2012, and aims to eliminate poverty and reduce inequality by 2030
National Treasury's Framework for Strategic Plans and Annual Performance Plans	<ul style="list-style-type: none"> Sets out a framework to align strategic and annual performance planning with the emphasis on the outcomes-oriented monitoring and evaluation approach led by the Presidency. Institutions must focus on the achievement of outcomes-oriented planning and report the results in a simple and clear manner
National Treasury: 2021 MTEF Technical Guidelines for Provinces	<ul style="list-style-type: none"> Guidelines for the preparation of expenditure estimates for the 2022 Medium Term Expenditure Framework (MTEF)
National Treasury: 2021 Budget Formats Guide for the preparation of the Estimates of Provincial Revenue and Expenditure (EPRE)	<ul style="list-style-type: none"> Forms the basis for communicating a Provincial Government budget to a wide range of stakeholders. Provides valuable insight into the priority areas of Government, focuses on resource allocation, and attempts to capture the main outputs these funds are buying
National Treasury: Guidelines For Implementation of the Revised Framework for Strategic Plans and Annual Performance Plans	<ul style="list-style-type: none"> Provides guidance on what should be in Annual Performance Plans and Strategic Plans, as required by National Treasury
Medium-Term Strategic Framework 2019–2024	<ul style="list-style-type: none"> The planned manifestation of an implementation of the NDP Vision 2030, and the implementation of the electoral mandate of the Sixth Administration of government
KwaZulu-Natal Provincial Planning Commission: 2035 KZN Provincial Growth and Development Strategy and Plan	<ul style="list-style-type: none"> Is aligned within the current provincial, national and global policy frameworks, namely the six Provincial Priorities, the Twelve National Outcomes, the New Growth Path, the National Planning Commission's Diagnostic Report and National Development Plan and the Millennium Development Goals (MDGs)
South Africa's Economic Transformation: A Strategy for Broad-Based Black Economic Empowerment	<ul style="list-style-type: none"> Stipulates details pertaining to B-BBEE Strategy with the aim of facilitating growth, development, and stability in the South African Economy Emphasises the importance of a partnership approach to achieving BEE and as such the document specifically addresses the question of sector charters and partnerships

Legislative and other mandates	Explanation
B-BBEE Amended Codes of Good Practice	<ul style="list-style-type: none"> Primary purpose of the BBEE Codes is to address the legacy of apartheid and promote the economic participation of Black People in the South African economy. It incorporates seven elements: ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development
Gaming and Betting	
National Gambling Policy, 2016	<ul style="list-style-type: none"> Outlines the policy position that intends to review the gambling landscape in South Africa
National Standards for Gaming Equipment	<ul style="list-style-type: none"> All gambling machines and devices must comply with these standards to protect the public

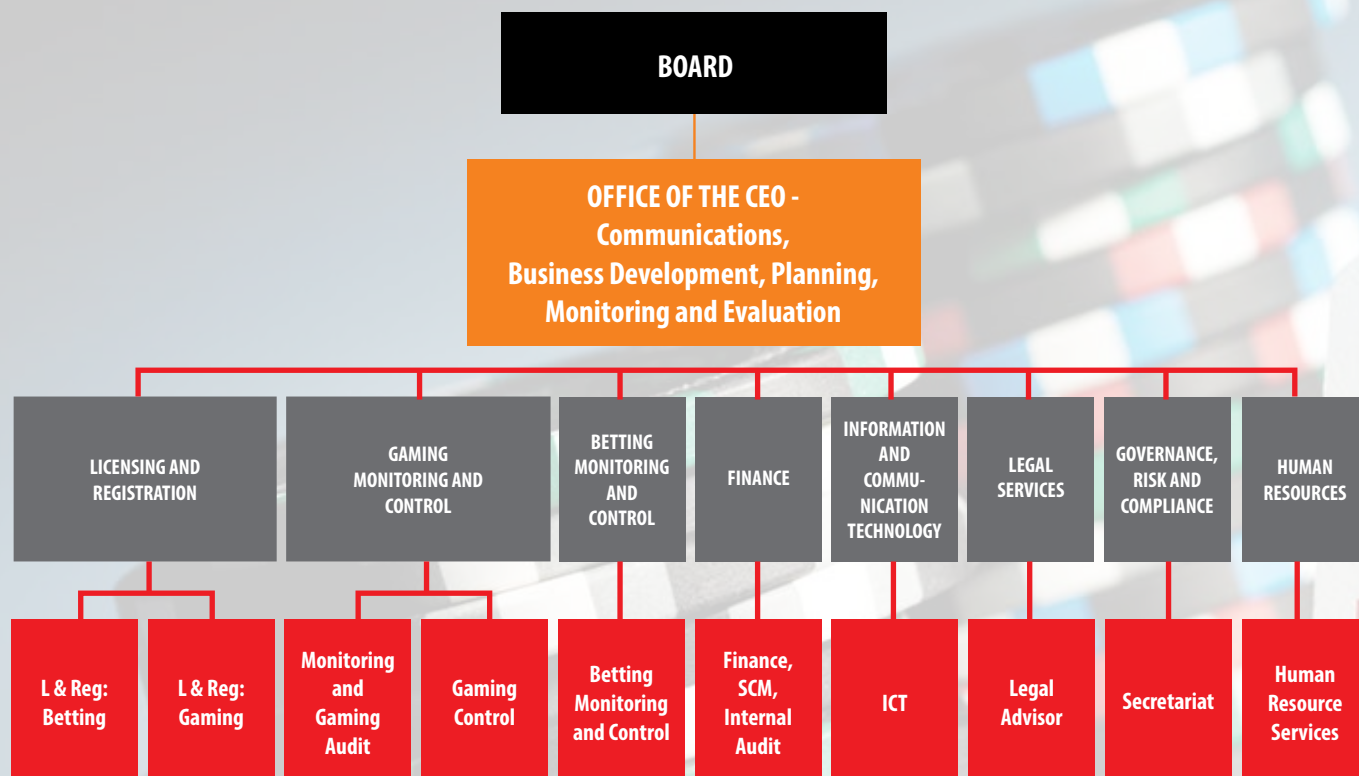
FINANCIAL AND SOCIO-ECONOMIC LEGISLATIVE MANDATES

The legislative mandates covering financial and socio-economic matters, as well as other generic legislation that also have an impact on the operations of KZNGBB are listed below:

Financial and Socio-Economic Legislative Mandates	Purpose and Explanation
Financial Legislative Mandates	
Public Finance Management Act (Act No. 1 of 1999, as amended)	<ul style="list-style-type: none"> Retained status as a Schedule 3C Public Entity Outlines fiduciary responsibilities of Board members of the KZNGBB Ensures a system of financial management is in place Ensures transparency, accountability and sound management of the revenue, expenditure, assets and liabilities Ensures the elimination of waste and corruption in the use of public assets
National Treasury Regulations: For Departments, Constitutional Institutions and Public Entities Issued in terms of the Public Finance Management Act (Act No. 1 of 1999, as amended)	
Financial Intelligence Centre Act (Act No. 38 of 2001)	<ul style="list-style-type: none"> Reveals the movement of monies derived from unlawful activities, thereby curbing money laundering and other criminal activities
Prevention and Combating of Corrupt Activities Act (Act No. 12 of 2004)	<ul style="list-style-type: none"> Provides for the prevention and combating of corruption activities as these relate to the provincial priority of eradicating corruption
National treasury Supply Chain Management: A Guide For Accounting Officers/ Authorities	<ul style="list-style-type: none"> Provides guidelines on Supply Chain Management This Guide sets out the philosophy behind the adoption of an integrated Supply Chain Management (SCM) function across government and will assist stakeholders to understand the responsibilities this implies
National Treasury: Guideline on Budget Submissions for Large Strategic Infrastructure Proposals	<ul style="list-style-type: none"> Supports the execution of national priority projects and programmes by establishing specialised structures, procedures and criteria for committing fiscal resources to public infrastructure spending

Financial and Socio-Economic Legislative Mandates	Purpose and Explanation
National Treasury: Guidelines for Costing and Budgeting for Compensation of Employees	<ul style="list-style-type: none"> • Stipulates the set compensation ceilings during the 2021 MTEF. • Makes provision for Human Resource Budget Plans to indicate the manner in which public entities will manage their workforce within the allocated compensation budget ceiling
Socio-Economic Legislative Mandates	
Broad-Based Black Economic Empowerment Act (No 53 of 2003), as amended	<ul style="list-style-type: none"> • Provides the framework for the promotion of black economic empowerment and matters connected therewith • Provides for the empowerment of black owned companies to enter into the mainstream economy. • Ensure that black owned companies have access to opportunities in the mainstream economy in an effort to transform the economy and reduce inequality, and • Ensure that the necessary support is provided to black enterprises plus targeted groups (women, youth and people living with disabilities) to enable them to successfully compete for opportunities in the economy
Disaster Management Act (Act No. 57 of 2002)	<ul style="list-style-type: none"> • Provides for: <ul style="list-style-type: none"> • An integrated and co-ordinated disaster management policy that focuses • On preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters and post-disaster recovery • The establishment of national, provincial and municipal disaster management centres • Disaster management volunteers, and • Matters incidental thereto
Promotion of Access to Information Act (Act No. 2 of 2000)	<ul style="list-style-type: none"> • 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
Promotion of Administrative Justice Act (Act No. 3 of 2000)	<ul style="list-style-type: none"> • Any act or decision of the Board that contravenes the principles of procedurally fair administrative actions are subject to judicial review
Occupational Health and Safety Act (Act No. 85 of 1993)	<ul style="list-style-type: none"> • Make provision for the regulation of Occupational Health and safety, basic conditions of employment, employment equity and labour relations. • KZNGBB ensures, through their compliance and monitoring function, that licensees, amongst others, are compliant with regulatory and legislative requirements relevant to employment equity
Employment Equity Act (Act No. 55 of 1998)	
Labour Relations Act (Act No. 66 of 1995)	
Basic Conditions of Employment Act (Act No. 75 of 1997)	

9. Organisational Environment



10. KwaZulu-Natal Gaming and Betting Board Members



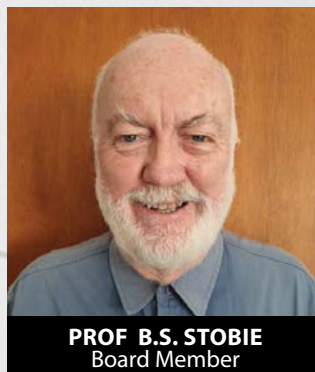
MS M.P. MYENI
Chairperson



MRS C. KHANYILE
Board Member



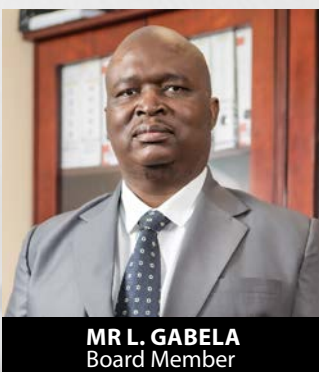
MRS N. MAHARAJ
Board Member



PROF B.S. STOBIE
Board Member



MS F. MKHIZE
Board Member



MR L. GABELA
Board Member



MR T.B. HLONGWA CA(SA)
Board Member



ADV M. ZIKILALA
Board Member



**MR NDANDULENI
MUTHEIWANA**
(Section 8 representative
EDTEA)



In 2019, the MEC for Economic Development, Tourism, and Environmental Affairs recognized the necessity for the KZNGBB to undergo a review of its existing structure to ensure proper alignment with the delivery of its Constitutional Mandate. The organizational structure received approval from the MEC for Economic Development, Tourism, and Environmental Affairs in the same year.

Currently, KZNGBB has a staff complement of 100 with 73 budgeted positions, of which 62 were filled at year end. The organization plans to fill various positions in the coming months, pending approval by the Premier to address critical vacant roles. As of March 31 2024, the Senior Management team had a gender distribution of 40% women and 60% men. The organization reported a vacancy rate of 17.7% and a staff turnover of 12.90%.

In analysing organizational capacity and capability, it is imperative to support the priorities of the 6th Administration. Against the backdrop of the performance review of the previous five years, efforts are directed towards ensuring that the KwaZulu-Natal Gaming and Betting Board possesses the necessary capacity to drive delivery, uphold policy coherence, and maintain good corporate governance.

RATIONALISATION OF PROVINCIAL PUBLIC ENTITIES

As part of austerity measures and to achieve alignment and efficiencies, the erstwhile President of the Republic issued an instruction to provinces to rationalise state-owned entities with a view to, in the main, reduce government expenditure. The Provincial Government of KwaZulu-Natal heeded the call by commissioning a comprehensive exercise of amalgamation of entities. The process to rationalise all public entities in KwaZulu-Natal commenced during 2015, with the appointment of a Rationalisation of Public Entities Task Team (ROPETT) as a Sub-committee of the Provincial Executive Council, to drive the project.

The provincial government has reviewed the rationalization process against its objectives being the:

- a) streamlining of the EDTEA public entities.
- b) delivery of services in the most cost-effective manner.
- c) elimination of duplications between public entities and the Department; and
- d) creating and maintaining efficiencies within the EDTEA portfolio.

LESSONS FROM SOUTH AFRICAN INTEGRATED ENTITIES

In a move endorsed by the KwaZulu-Natal Provincial Government, the amalgamation of the KZNGBB and KZNLA has been approved, creating a unified entity known as the KZN Economic Regulatory Authority. Operationalization of the KZNERA is anticipated by April 1, 2024.

KZNERA has been benchmarked largely against the Mpumalanga Economic Regulator because the operational processes and outcomes for these entities are very similar for both the Gambling and Liquor industries.

Currently the only provinces in South Africa that have combined the functions of Gambling and Liquor regulation are new Mpumalanga Economic Regulator and the Free State Gambling, Liquor and Tourism Authority.

MPUMALANGA ECONOMIC REGULATOR

The Mpumalanga Economic Regulator (MER) focuses on ensuring the integrity of the gambling and liquor industries through efficient regulation within the Mpumalanga Province. Its objectives are to regulate the gambling and liquor industries in the province in terms of legislation. Functionally, this means *inter alia* to: ensure the suitability of all persons wishing to participate in the Gambling and Liquor industries within Mpumalanga; ensure effective and efficient regulation in terms of legislation, ensure that the MER operates in accordance with national, provincial and international gambling and liquor policies and

standards, conduct research to advise Government on the industry socio-economic impact, perform the functions in accordance with acceptable corporate governance practices, promote responsible gambling, liquor trade and consumption through public awareness campaigns, promote transformation and sustainability of the gambling and liquor industries, and provide assurance that complete and accurate levies are paid as prescribed.

The Annual Report for 2023/24 shows that MER have achieved good performance, with tax revenue collection of R600 million showing growth of 70% from the previous financial year.

FREE STATE GAMBLING, LIQUOR AND TOURISM AUTHORITY

The Free State Gambling and Liquor Authority (FSGLTA) presents more grounds for optimism about KZNER's future as a merged entity. FSGLTA was established by merging the Free State Gambling and Racing Board and the Free State Liquor Authority, later adding the Free State Tourism Authority. The mission is to promote legally compliant, responsible, sustainable and transformed gaming and liquor industries through effective licensing, regulating and reporting on the activities of the Gaming and Liquor industries, and to market and promote the Free State province as a tourist destination of choice.

The strategic objectives are to ensure the effective and efficient marketing of tourism, promotion of tourism and development of sustainable tourism within the province, an effective tourism marketing and promotion strategy, marketing initiatives adequately covering provincial geographic spread and seasonality, effective utilisation of media platforms, and hosting of events to promote the Free State province as a tourist destination of choice.

The Annual Report 2023/24 shows that FSGLTA is deemed an effective contributor to the provincial fiscus through its revenue collection achievements to the tune of over R67 million in total revenue, showing substantial growth after the effects of the COVID-19 pandemic.

10. Value We Created

KZNGBB VALUE ADDED STATEMENT					
Value Added (R'000)					
Item	2019/20	2020/21	2021/22	2022/23	2023/24
Total Revenue	76 741	80 993	78 262	80 040	83 901
Revenue(Taxes)	723 770	473 977	672 280	771 654	733 718
Total	800 511	554 970	750 542	851 694	817 619
Value Allocated					
To employees	57 209	62 777	62 405	64 745	59 296
To suppliers	31 596	22 187	23 057	22 331	25 069
To beneficiaries (taxes)	45 080	52 908	67 450	63 283	51 108
To beneficiaries (transformation fund)	0	0	0	1 048	323
Total	133 885	137 872	152 912	151 407	135 796
Total Value Created	666 626	417 098	597 630	700 287	681 823

KZNGBB SUPPORTS EQUINE SECTOR

The KZN Gaming and Betting Board together with the gaming and betting industry have provided support to the traditional horseracing festival with contributions towards winning stakes as well as horse feed. The Transformation Fund which is administered by the KZNGBB is also a vehicle that has been used to bring about change in the Traditional Equine Sector. Joint contributions from KZNGBB, Transformation Fund and the gaming and betting industry has amounted to R1 437 220.





Gaming Regulators Africa Forum Hosted by KZNGBB

Job Creation

The KZNGBB's regulatory and economic development activities facilitated the creation of 1465 jobs in 2023/24 Financial Year. Over the Medium Term Strategic Framework (MTSF) period a total of 5856 direct jobs have been facilitated. This contribution highlights KZNGBB's role in promoting economic growth and providing employment opportunities within the province.

Eradication of Illegal Gambling

Raids on 93 premises led to the confiscation of 109 illegal machines and R104 521 cash declared to SAPS.

Economic Capital

We collect revenue (taxes) for the province which contributes about 20 percent of the total own revenue for the Provincial Government. Tax Distribution in terms of the Tax Act resulted in R733.718 million being generated for the Provincial Revenue Fund.

SOCIAL AND RELATIONSHIP CAPITAL

By supporting responsible gambling practises and channelling a portion of our profits towards social initiatives, we actively contribute to social welfare programmes, educations and public health campaigns, enhancing the government's effort to uplift marginalized communities. We depend on licensees to create jobs, corporate social investment, SMME and Enterprise Development contribute to Tourism spatial and infrastructural development and to support the rural economy. The CSI contribution for the period under review was **R21 608 738,33**

Intellectual Capital

We are one of nine Provincial Gambling Regulators and carry the provinces constitutional mandate in respect of regulating the industry.



Gaming Regulators Africa Forum Hosted by KZNGBB

Part B

Performance Information



1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report. Refer to pages 87 to 91 of the Report of the Auditors Report, published as Part F: Financial Information.

This situational analysis delivers a strategic update on the current state of the gaming and betting industries in KwaZulu-Natal (KZN), South Africa. By incorporating pertinent statistical and demographic data, it provides a comprehensive overview of the sector's status, essential for informed decision-making and strategic planning.

The purpose of conducting a situational analysis for the gaming and betting industries in KZN is vital for understanding the sector's current dynamics. This analysis serves as a strategic foundation for decision-making, strategy formulation, and identifying both opportunities and challenges. It enables stakeholders to navigate the industry's complexities with a data-driven approach, ensuring alignment with broader economic and social objectives.

The gaming and betting industries in KZN are experiencing robust growth, fuelled by technological advancements, evolving consumer preferences, and supportive regulatory frameworks. The burgeoning online gambling sector presents new opportunities, enhancing accessibility and expanding market reach. However, this growth also brings challenges, including the need to enforce responsible gambling practices and mitigate potential social impacts.

It is crucial to continuously monitor and adapt to changing consumer behaviours to maintain the sector's sustainable development. Addressing these considerations will ensure a balanced approach, fostering innovation while protecting consumer interests and upholding regulatory standards

2. SITUATIONAL ANALYSIS

2.1 HIGH LEVEL PROBLEM STATEMENT GUIDING KZNGBB POLICIES AND PROGRAMME OF ACTIONS

The paradigm shift emphasized by KZNGBB highlights the importance of moving beyond traditional compliance towards an approach that prioritizes tangible outcomes. This shift aims to instil a management culture that moves away from merely focusing on achieving clean audits and instead embraces a results-based planning approach. KZNGBB seeks to create a more impactful operational environment, by ensuring that interventions align closely with desired outcomes and meaningfully contribute to achieving the strategic mandate.



Problem State- ment	Mandate of KZNGBB	KZNGBB Outcomes (core)	Assumptions/Vi- sion of Success	Impact
Triple challenges of High level of: <ul style="list-style-type: none">• Unemployment,• Poverty, and• Race and gender Inequality	To regulate and transform the Gambling industries in the province of KwaZulu-Natal.	1. Inclusive, equita- ble and transfor- mative industry that catalysed investment, job creation and tour- ism development	<ul style="list-style-type: none">• Job/employment opportunities created within the Gambling indus- tries.• Improved income and economic participation/ opportunities for vulnerable groups• Black Industrialist and SMME are participating in the mainstream econ- omy of Gambling industries.• Improved KZNGBB Governance and compliance level with applicable legislations• The economics of Gambling and Liquor Industries are transformed and regulated.• Rural Horse Racing and micromanu- facturing (tradi- tional beer) are developed and incorporated with- in local economic development activities.• KZNGBB is finan- cial sustainable and capable with 30% dependences on government grants.• KZNGBB has efficient and effec- tive process and system to meet customer and stakeholder needs.• Gambling industry is socially respon- sible and protect the interest of the public.	A regulated, trans- formed, and socially responsible Industry that contributes to creation of econom- ic opportunities, job, and protection of public interest.
		2. A compliant and socially responsi- ble industry that protects the inter- ests of the public		
Industry related challenges: <ul style="list-style-type: none">• The lack of eco- nomic transforma- tion, the contin- uous economic exclusion, skewed ownership pat- terns within Gam- bling industries• Illegal and irre- sponsible gam- bling		3. Grow revenue for Provincial Gov- ernment and the Entity		
		4. Optimized Institu- tion with efficient and effective processes and systems		

2.2 GLOBAL ECONOMIC DEVELOPMENT AND OUTLOOK.

Global tourism is reported to be on track to return to pre-pandemic levels by the end of 2023. An estimated 700 million tourists travelled internationally between January and July 2023. Discouragingly, international travel and tourism has dipped in the number of regions in the second quarter 2023, except for the Middle East region. The Middle East tourism increased by (38%), with popular destinations including Qatar, the United Arab Emirates, and Saudi Arabia exceeding 2019 peak levels in inbound tourism spending. In the month of June 2023, the largest decrease was recorded in Asia and Pacific (-32%), followed by America (-13%), Europe (-11%), and Africa (-6%). The decrease can be largely attributed to the current global economic slowdown, including high inflation, rising oil prices, higher transport costs, and high accommodation prices. The number of travellers visiting Europe decreased despite significant recovery in the airline industry, with total traffic reaching 94.2% of pre-pandemic levels. Travelers that visited Europe were mainly from the United States due to favourable exchange rates (Europe Travel Commission, 2023).

2.3 INTERNATIONAL GAMBLING CONTEXT

The global gaming and betting industry is experiencing robust growth, driven by technological advancements, shifting consumer preferences, and widespread internet access. Key international trends include:

- **Online and Mobile Gaming:** The surge in online and mobile gaming, powered by smartphones and high-speed internet, is transforming the industry. Augmented reality (AR) and virtual reality (VR) technologies are enhancing user experiences.

The gaming and betting industry, both globally and within South Africa, including KZN, is undergoing dynamic changes fuelled by technological advancements and evolving market demands. The sector's economic contribution is substantial, with ongoing efforts to promote responsible gambling and protect public interests. KZN's commitment to transformation and innovation positions it as a key player in the national and international gaming landscape. Continuous adaptation and strategic initiatives will be essential to sustain growth and address emerging challenges in this vibrant industry.

Globally, the gaming and betting industry is a significant economic driver, generating substantial revenue, creating jobs, and contributing to government tax revenues. The sector's adaptability and innovation have ensured continued growth, even amid economic uncertainties.

Internationally, there is an increasing focus on responsible gambling, consumer protection, and robust regulatory frameworks. These efforts ensure fair play, mitigate social impacts, and safeguard public interests.

2.3 DOMESTIC ECONOMIC DEVELOPMENT AND OUTLOOK

2.3.1 SOUTH AFRICAN GAMING AND BETTING CONTEXT:

This section provides an overview of national gambling statistics, categorized by gambling mode and province, based on data submitted by all Provincial Licensing Authorities (PLAs) during the reporting periods specified.

In South Africa, the gaming and betting industry plays a vital role in the economy. Key aspects include:

- **Revenue Generation:** The industry significantly contributes to the national GDP through taxes, licensing fees, and job creation.
- **Online Betting Growth:** The shift towards online betting mirrors global trends, driven by improved digital infrastructure and changing consumer behaviour.
- **Regulatory Framework:** South Africa's stringent regulations promote responsible gambling and protect consumers, while efforts to curb illegal gambling are ongoing.

At the end of 2023/24, the South African gambling industry saw a turnover of R815.1 billion, marking a 45.6% increase from the previous financial year. Gross Gambling Revenue (GGR) reached R47.2 billion, reflecting a 36.9% rise compared to the previous year.

Analysis of Gross Gambling Revenue (GGR) by gambling mode revealed that the betting sector generated 50.3% of the industry's GGR, amounting to R23.7 billion. Casinos contributed significantly with R17.3 billion, representing 36.8% of the GGR. The Limited Payout Machine (LPM) sector was the third largest, generating R4.2 billion (9.0%), while the bingo sector accounted for 3.9% of the revenues at R1.8 billion.

Growth in Gross Gambling Revenue (GGR) varied across gambling modes, with betting experiencing the highest increase at 53.5% compared to the previous financial year. The casino sector grew by 26.1%, the Limited Payout Machine (LPM) sector by 14.4%, and the bingo sector by 22.3%. Despite these gains, only the betting, LPM, and bingo sectors have surpassed their pre-COVID GGR levels, while casino GGR has yet to reach its pre-pandemic peak of R18.4 billion.

At the national level, the betting sector remains the largest mode of gambling. However, provincial analysis shows that casinos dominate in Gauteng, KwaZulu-Natal (KZN), the Eastern Cape, Northwest, Northern Cape, and Free State. For instance, in Gauteng, casinos generated 61.7% of Gross Gambling Revenue (GGR) during FY2022/23. Conversely, the betting sector leads in the Western Cape (70.4%), Mpumalanga (88.6%), and Limpopo (69.4%).

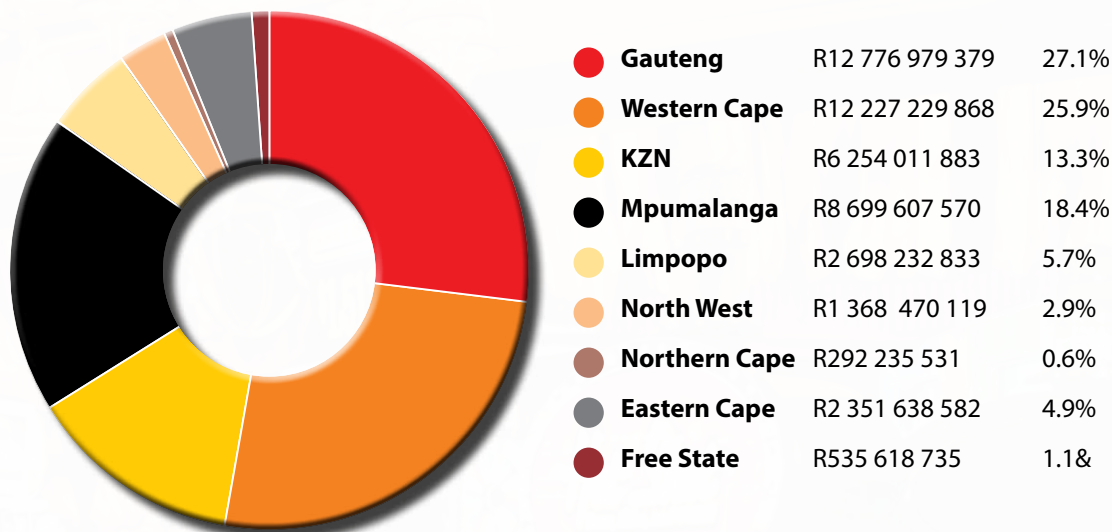
In the casino sector, Gauteng province generated the largest share of Gross Gambling Revenue (GGR) at 45.4%. In the betting industry, the Western Cape accounted for 36.2% and Mpumalanga for 32.5% of the highest GGR. The Limited Payout Machine (LPM) sector saw the Western Cape and KZN leading with 23.8% and 22.2%, respectively. For bingo, Gauteng and the Eastern Cape were the top performers, generating 29.7% and 28.2% of the revenues.

R815.1 billion was wagered, a 45.6% increase from the previous year's R559.9 billion. The betting sector accounted for 52.9% of the turnover. Mpumalanga led with R228.5 billion (28.0%), followed by the Western Cape with R194.8 billion (23.9%).

2.3.1 GROSS GAMBLING REVENUE PER GAMBLING MODE AND PROVINCE.

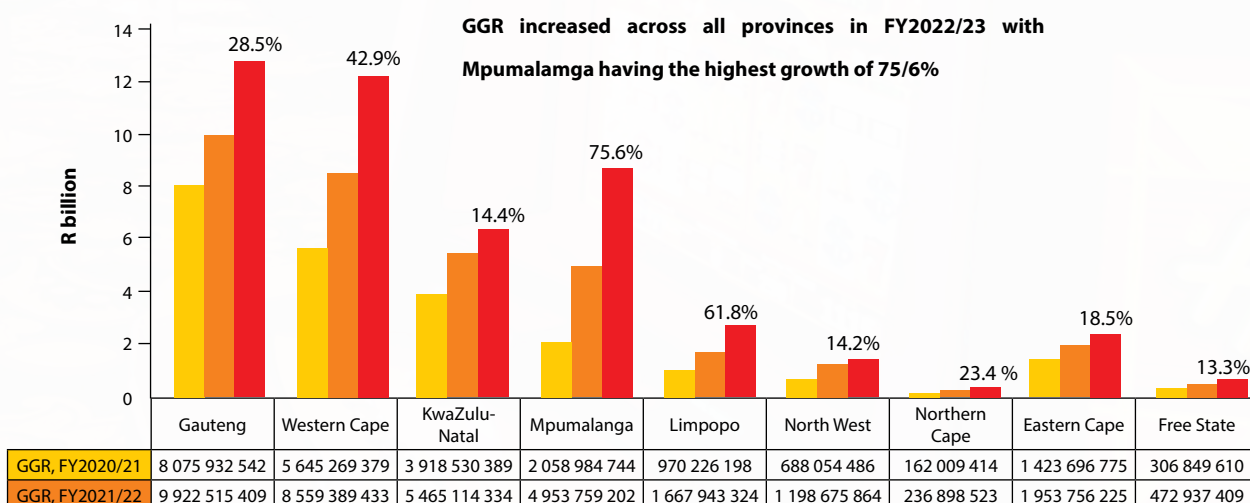
In FY2022/23, the gambling industry generated R47.2 billion in Gross Gambling Revenue (GGR), a 37% increase from the previous year's R34.4 billion. The betting industry contributed the most, accounting for 50.3% of the total GGR. Gauteng and the Western Cape led in provincial GGR, generating 27.1% and 25.9%, respectively.

GGR per province, all modes, FY2022/23



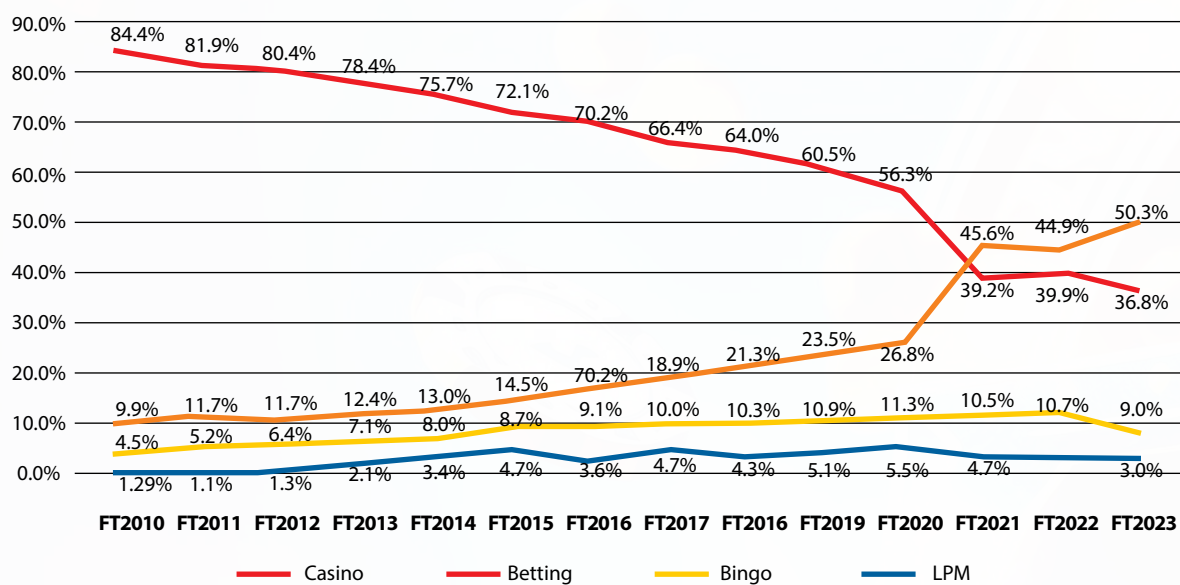
In FY2022/23, overall Gross Gambling Revenue (GGR) increased by 36.9% compared to the previous financial year. The betting sector experienced the highest growth rate at 53.3%, followed by the casino sector at 26.1%. Additionally, the bingo and Limited Payout Machine (LPM) sectors grew by 21.6% and 14.4%, respectively.

Growth rate of GGR per province (FY2020/21 - FY2022/23)



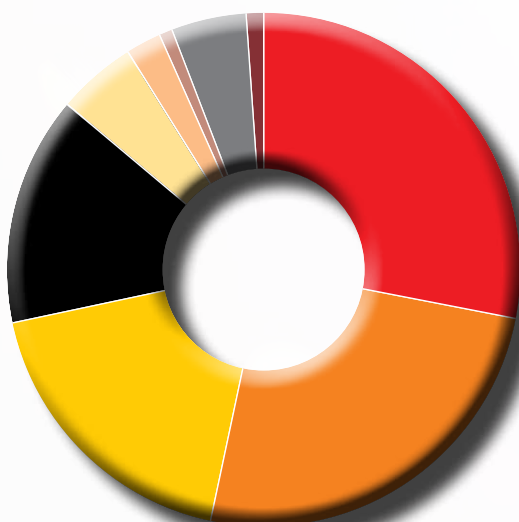
As of March 31, 2023, Gross Gambling Revenue (GGR) across all gambling modes totalled R47,168,024,499. Betting had the highest market share at 50.3%, followed by casinos at 36.8%, LPMs at 9.0%, and bingo at 3.9%. Over the period from FY2009/10 to FY2022/23, the market shares of casino GGR declined from 84.4% to 36.8%, while revenues from other modes (betting, LPMs, and bingo) increased. In FY2020/21, the betting sector surpassed the casino sector, with market shares of 44.9% and 39.9% respectively. This trend continued into FY2022/23, with the betting sector's market share increasing to 50.3%.

Trend in Share of Total GGR, Comparison All Modes (FY2009/10 - FY2022/23)



In FY2022/23, taxes and levies from the gambling industry reached R4.0 billion, marking a 28.2% increase from the previous year's R3.2 billion. The casino and betting sectors contributed nearly equal shares, with casinos accounting for 43.0% and betting for 40.6% of the total. Gauteng province led in generating taxes and levies, contributing 28.1% of the total.

GGR per province, all modes, FY2022/23

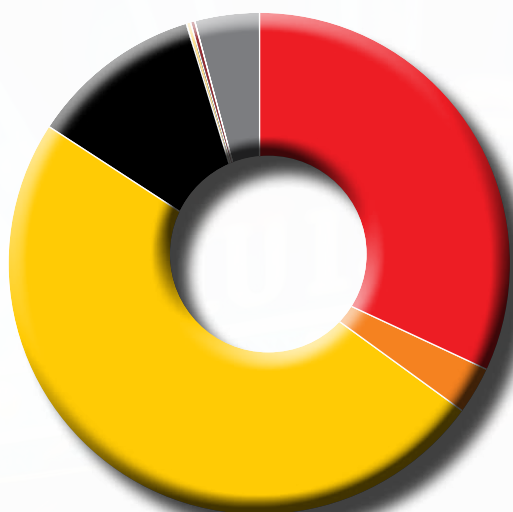


● Gauteng	R1 134 937 380	28.1%
● Western Cape	R1 028 058 500	25.5%
● KZN	R737 742 344	18.3%
● Mpumalanga	R587 388 571	4.9%
● Limpopo	R196 116 391	4.9%
● North West	R96 673 739	2.4%
● Northern Cape	R23 378 837	0.6%
● Eastern Cape	R188 844 511	4.7%
● Free State	R45 295 897	1.1%

Total taxes/levies: R4 038 436 170

In FY2022/23, the total value of money wagered in the betting on horse racing and sport sector amounted to R431 billion, constituting 52.9% of turnover across all gambling modes. This reflects a substantial 75.6% increase compared to the previous year. Before the COVID-19 pandemic, the industry had generated R75.7 billion, indicating a significant surge since the onset of the pandemic. In terms of provincial contributions, Mpumalanga led with 49.3% of the money wagered, followed by the Western Cape (32.0%) and Limpopo (11.0%).

GGR per province, all modes, FY2022/23

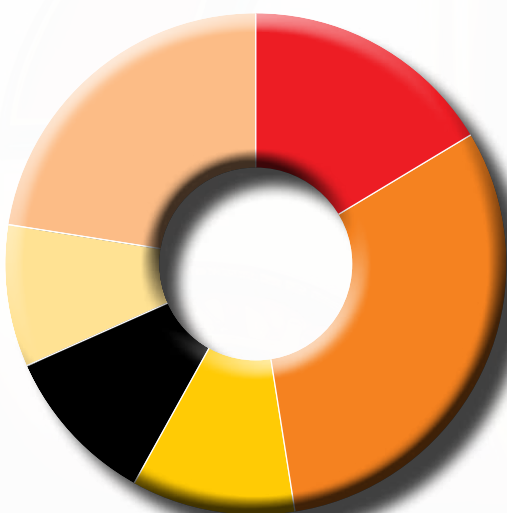


Gauteng	R138 122 686 577	32.0%
Western Cape	R12 798 377 107	3.0%
KZN	R212 685 044 853	49.3%
Mpumalanga	R47 441 653 925	11.0%
Limpopo	R1 186 646 748	0.3%
North West	R996 914 335	0.2%
Northern Cape	R371 375 272	0.1%
Eastern Cape	R681 137 133	0.2%
Free State	R16 710 085 422	3.9%

Total R430 994 371

Bingo is available in six out of South Africa's nine provinces: Gauteng, Mpumalanga, Limpopo, North West, Eastern Cape, and KwaZulu-Natal. As of March 31, 2023, 66 out of 69 licensed bingo halls were operational. Gauteng led with 11 operational halls, followed by the Eastern Cape with 15, KwaZulu-Natal with 21, North West and Mpumalanga with 6 each, and Limpopo with 7. Gauteng also had the highest number of licensed operational bingo seats, totalling 2,466 (28%) out of the national total of 8,917 seats.

Number of operational bingo outlets per province, FY2022/23 as at 31 March 2023



Gauteng	16.4%	11
KZN	31.3%	21
Mpumalanga	10.4%	7
Limpopo	10.4%	7
North West	9.0%	6
Eastern Cape	22.4%	15

Total: 67

2.4 KZN GAMBLING INDUSTRY PERFORMANCE

The gaming and betting industry in KZN is thriving, contributing significantly to provincial revenue, and supporting social development programs. Operators in KZN are leveraging technological innovations to enhance user experiences and operational efficiency, with a focus on online platforms and mobile applications. The sector is a major contributor to the provincial economy, creating jobs and supporting local businesses through various procurement practices. KZN is committed to transformation, with programs aimed at promoting inclusivity and economic empowerment for historically disadvantaged individuals, such as the Black Industrialist Program and the Transformation Fund. The provincial government prioritizes responsible gambling and has implemented measures to protect consumers. Efforts include awareness campaigns and collaborations with law enforcement to combat illegal gambling.

Priority Outcome 1: Inclusive, equitable and transformative industry that catalysed investment, job creation and tourism development.

With high unemployment (South Africa's unemployment rate increased to 32.1 percent in the 3rd quarter of 2023 from 32.6 percent the previous quarter, according to Trading Economics), continued focus to contributions to the development of sustainable employment in the gambling industries is necessary to alleviate poverty and improve the province's quality of life.

To further reduce unemployment in South Africa, current gaming businesses will be encouraged to boost SMME development, job creation, and skill development in the communities where licensed operators are located, particularly given the country's persistently high unemployment rate. Through licensee contributions to employment, small and medium-sized business development, and socioeconomic development, KZNGBB aims to ensure that the industry's licensing criteria prioritize transformational imperatives and encourage participation in programs that foster the industry's and communities' sustainable economic access.

Jobs opportunities facilitated within gaming and betting Industries.

KZNGBB's regulatory and economic development activities facilitated the creation of 1 465 jobs in the 2023/24 financial year. Over the Medium-Term Strategic Framework (MTSF) period, a total of 5,856 direct jobs have been facilitated. This contribution highlights KZNGBB's role in promoting economic growth and providing employment opportunities within the province.

Black Companies linked to economic opportunities within gaming and betting.

9 Black Industrialist Projects were supported and linked to economic opportunities within gaming and betting value chain. 5 SMME's supported and linked to economic opportunities through Transformation fund.

75 applications for licences by Black SMME's were processed to link them to economic opportunities within the gambling industry. The process of issuing the RFA that will increase the number of racecourse operator licences from 2 to 18 has moved past public comments stage and is now being reviewed by the Licensing Committee for purposes of issuing the final notice of award of the rights to apply for the racecourse operator licences. The successful bidders have not submitted the applications yet.

Procurement spent towards SMME's owned by vulnerable groups.

R 680 million procurements spent by the Gaming and Betting Industry towards companies/SMME's owned by vulnerable groups between 1 April 2023 -31 March 2024. R1.9 billion procurements spent by the industry towards companies/SMME's owned by vulnerable groups between 2019 to -31 March 2024.

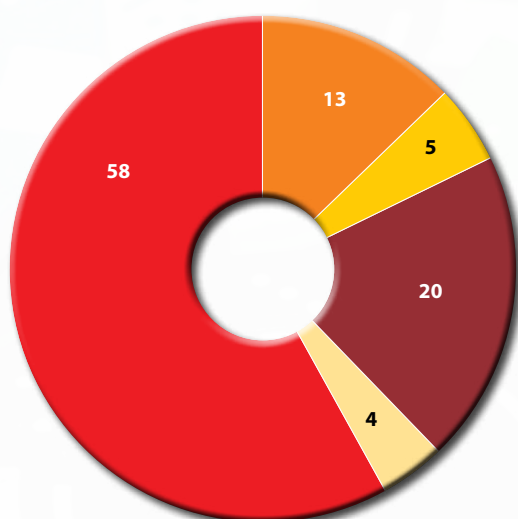
Beneficiaries.

- The procurement spent of the industry was at 41% township/rural suppliers while 59% is from Urban areas in 2023.
- Beneficiaries are 32% women, 46% Youth, 5% person with disability, 18 % being military veterans and 5% being senior citizen.

Industry Transformation (ownership diversity in betting industry)

According to the BBB-EE Act, the betting industry comprises thirteen (13) qualifying businesses and currently stands at a transformation rate of 84.62%. Among the two (2) untransformed white-owned Qualifying Small Enterprises (QSE) or large bookmaking businesses, one experienced a reduction in black ownership due to the delisting of its major shareholder. In response, they have reached an agreement for an 18% acquisition by two black women, a proposal that will soon be presented to the Board for consideration.

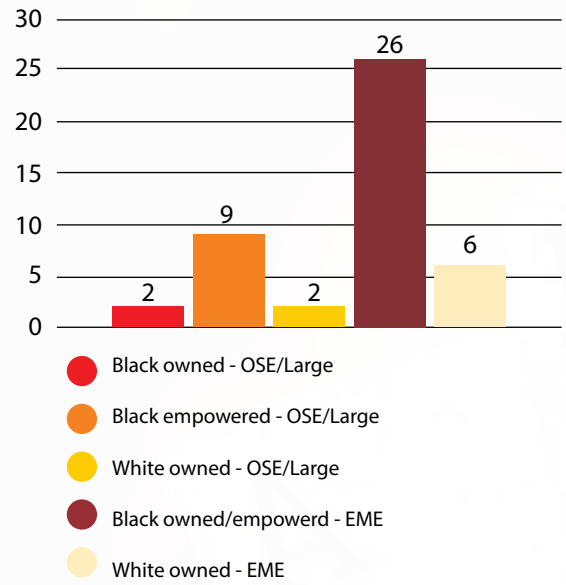
Transformation of the Betting Industry - March 2024



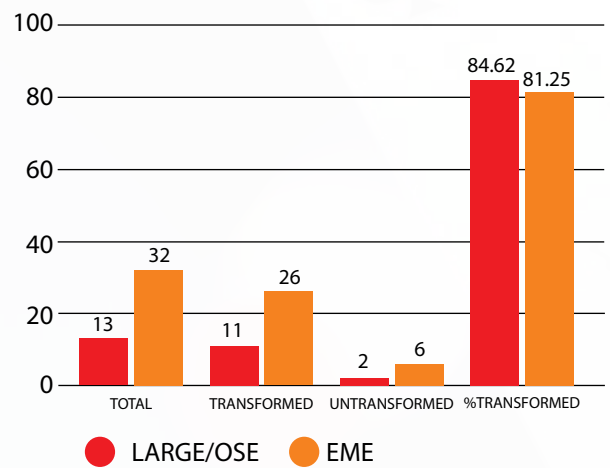
- Black owned - OSE/Large
- Black empowered - OSE/Large
- White owned - OSE/Large
- Black owned/empowerd - EME
- White owned - EME



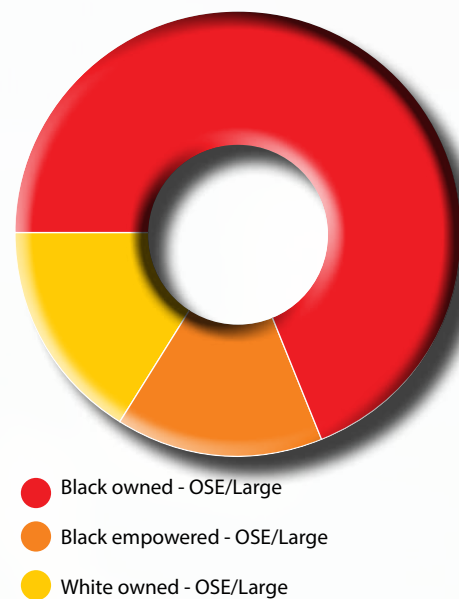
Transformation of Betting Industry - March 2024



BBEE Status of the Betting Industry



Qualifying Betting Businesses - March 2024



Transformation in Gaming Industry

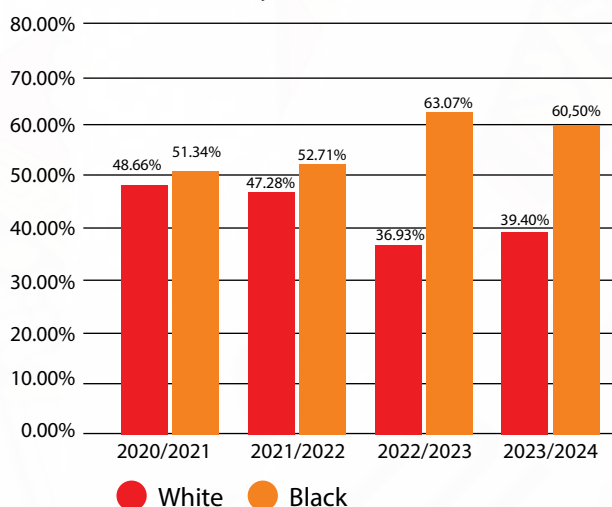
As of 31 March 2024, the following can be highlighted, The Casino Industry reflects a percentage 60.50 black ownership and 39.40 % white ownership. This shows a significant increase in black ownership of 9.07% (51.43% in 2020/21 FY).

The Bingo Industry reflects a percentage 54.51% black ownership and 45.49% white ownership. This shows a significant increase in black ownership of 4.5% (50.01% in 2020/21 FY).

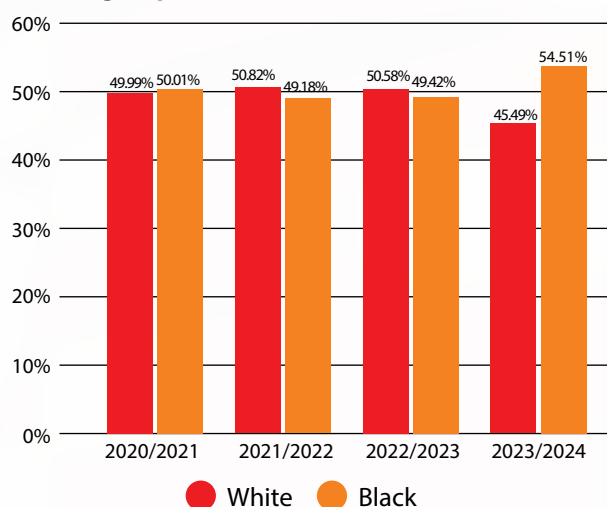
The LPM Industry reflects a percentage 65.78% black ownership and 34.22% white ownership. This shows a slight increase in black ownership of 1.01% (64.77% in 2020/21 FY).

The Route operators reflects a percentage 58.02% black ownership and 41.99% white ownership. This shows a significant increase in black ownership of 3.53% (54.49% in 2020/21 FY).

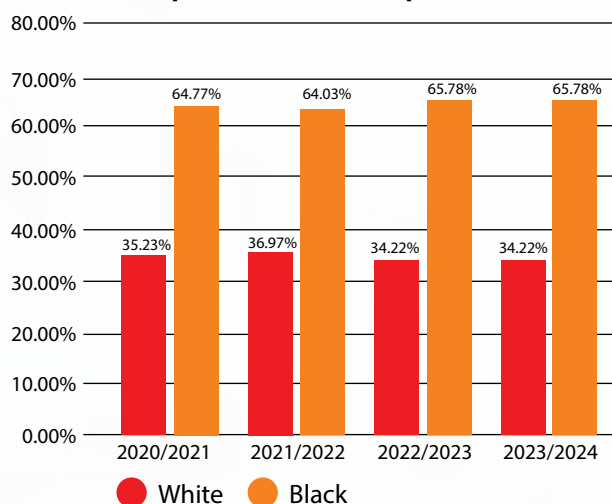
Casino Industry - Owned Transformation



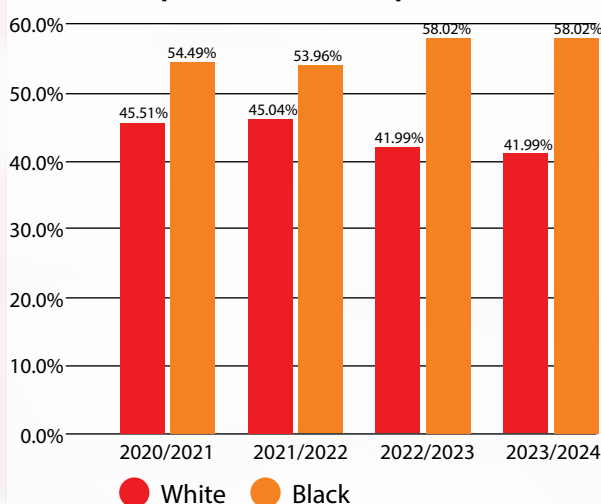
Bingo Operators - Owned Transformation



LPM Site Operators - Ownership Transformation



Route Operators - Ownership Transformation



Priority Outcome 2: A compliant and socially responsible industry that protects the interests of the public.

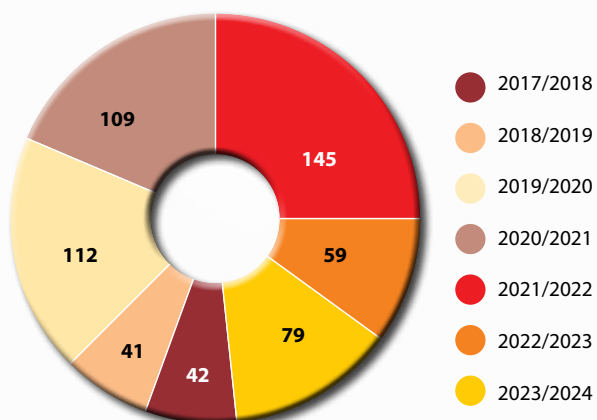
Illegal Gambling Raids

The SAPS Provincial Priority Committee, aimed at addressing illegal gambling, was established to unite all justice clusters in coordinating efforts against illicit gambling. The KZNGBB holds a standing membership in this committee. Progress in combatting illegal gambling machines has been notable, though its efficacy is yet to be fully realized concerning illegal internet café sites. The Provincial VISPOL office has confirmed the sites provided by the Board and is enlisting the Provincial Detective services for further investigation.

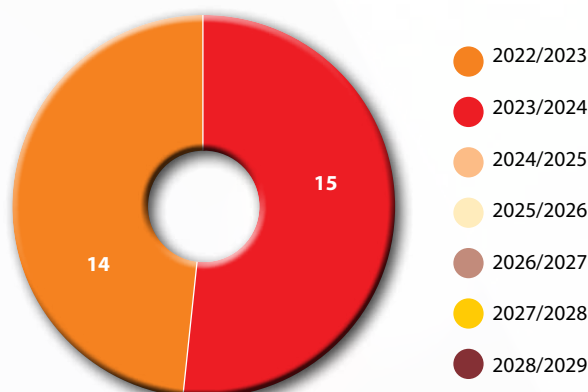
The Board has received numerous requests from SAPS Stations seeking assistance in conducting raids on premises suspected of housing illegal gambling machines. This has resulted in a higher success rate for raids during the current 2023/24 financial year. Considering the adverse impact of these machines on the most vulnerable, leading to underage gambling, it may be prudent for the Board to allocate its limited resources towards engaging rural police stations in identifying and eliminating these machines.

Collaborative raids with the SAPS have been executed on seventy-nine (79) premises suspected of engaging in illegal gambling activities across diverse districts in KZN. While the SAPS typically prefer conducting raids with our support, 14 premises have been raided independently in our absence. Owing to resource constraints, the Board is actively involved in training and motivating the police to carry out these raids autonomously when necessary.

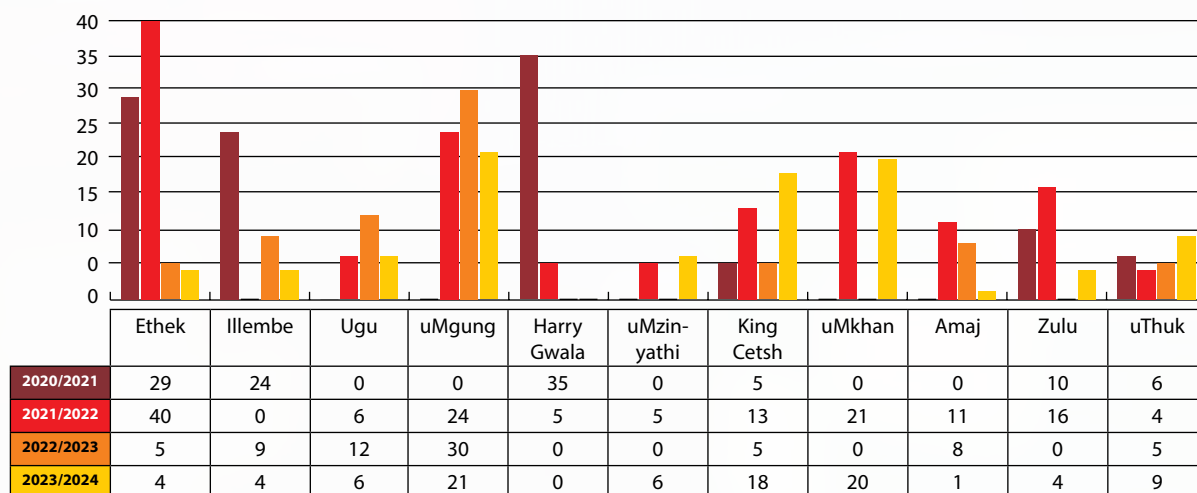
Premises Raided by SAPS



Premises Raided by SAPS only

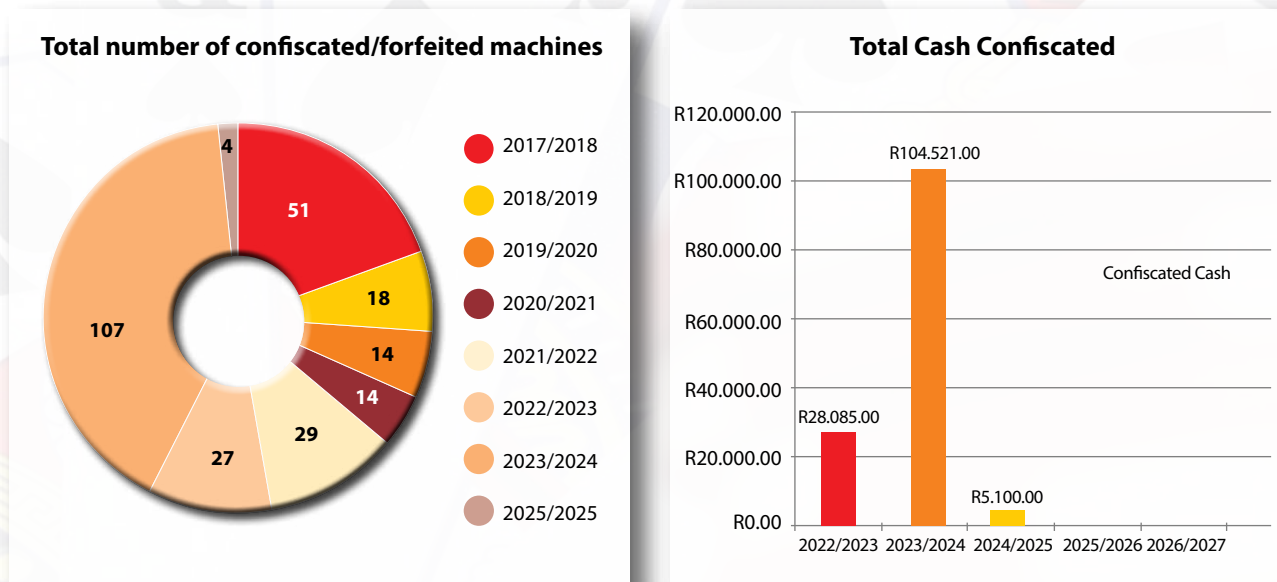


Premises Raided per District



Confiscated Machines

Confiscated Machines in the aftermath of the raids conducted in this fiscal year, the SAPS confiscated 107 illegal gambling machines, leading to the arrest, and charging of premises owners/managers. An amount of R 104,521.00 extracted from these machines has been documented in the SAP13 register. The unit is actively monitoring the districts predominantly affected, aiding in the identification of areas for inclusion in the Board's awareness program.



Awareness Campaigns on illegal gambling.

Owing to resource constraints, the organization has not conducted any awareness campaigns in the 2023/24 financial year. Nevertheless, a total of 29 awareness campaigns on illegal and responsible gambling have been carried out since the year 2020.

RESPONSIBLE GAMBLING AND SOCIAL IMPACT:

Responsible Gambling Programs: Recognizing the potential risks associated with gambling, KZNGBB and industry stakeholders have implemented various responsible gambling programs. These initiatives focus on promoting awareness, providing support services for problem gamblers, and ensuring that operators adhere to responsible gambling practices.

Social and Economic Impact:

The gaming and betting industries contribute to KZN's economy through job creation, tourism, and tax revenue. However, it is essential to consider the potential negative social consequences, such as gambling addiction and financial hardships. Stakeholders are working collaboratively to mitigate these risks and maximize the positive socio-economic impact.

For the period ended 31 March 2024, R21 608 Million was spent by the gaming and betting industry towards CSI. The CSI spend allowed for a benefaction of 10 726 people within the following categories:

- Health and Welfare
- Community Upliftment
- Education
- Sports and Recreation
- Arts and Culture:

Priority Outcome 3: Grow revenue for Provincial Government and the Entity

Revenue generation for the provincial Government and the entity.

KZNGBB, successfully collected R736 million in taxes for the Government fiscus demonstrating our commitment to contributing to the public treasury. This is equivalent to R3.6 billion collected over the MTSF.

The entity also achieved a notable 6% (R733 million) growth in revenue, underscoring the effectiveness of our strategies and management practices

Priority Outcome 4: Optimized Institution with efficient and effective processes and systems

The KZNGBB is a public entity (Schedule 3c) established by statute to oversee the KwaZulu-Natal Gambling Industry in the public interest. The KwaZulu-Natal Provincial Government has endorsed the amalgamation of KwaZulu-Natal Gambling and Betting Board and Liquor Authorities into a single entity called KwaZulu-Natal Economic Regulatory Authority (KZNERA).

2.5 INSTITUTIONAL PROGRAMME 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 PROGRAMME OF ACTION FOR 2020-2024 POLITICAL TERM:

1. Job Creation
2. Economic Development and Transformation
3. Industrialisation and localisation
4. Tourism and Rural Economic Development (Rural Horse Racing and micro-manufacturing)
5. Revenue Generation for Provincial government and entity
6. Minimize negative effects of Gambling and Liquor Industries.
7. Governance and Service Delivery
8. Regulation of Gambling Industries.
9. Protect the interest of the public
10. Community development
11. Cost Reduction

IMPACT AND OUTCOME STATEMENTS

IMPACT		OUTCOME	CONTRIBUTING PROGRAMMES
A regulated, transformed, and socially responsible Industry that contributes to job opportunities and protection of public interest	1	Inclusive, equitable and transformative industry that catalysed investment, job creation and tourism development.	Programme 2, 3 and 4
	2	A compliant and socially responsible industry that protect the interests of the public	Programme 2, 3 and 4
	3	Grow revenue for Provincial Government and the Entity	Programme 2, 3 and 4
	4	Optimized Institution with efficient and effective processes and systems	Programme 1

Chief Executive Statement: Performance Summary of KZNGBB for the 2023/24 Financial Year

The KwaZulu-Natal Gaming and Betting Board (KZNGBB) has a dual mandate: acting as a regulator for the gaming and betting industry and serving as an economic developer. In the 2023/24 financial year, KZNGBB achieved a performance score of 97%, slightly above the 94% achieved in the previous year.

I am pleased to present the KwaZulu-Natal Gaming and Betting Board's performance for the 2023/24 financial year, marked by significant achievements and progress. We successfully collected R736 million in taxes for the Government fiscus demonstrating our commitment to contributing to the public treasury. Our entity also achieved a notable 6% growth in revenue, underscoring the effectiveness of our strategies and management practices.

Job creation remains a key focus, with 1,359 direct jobs facilitated within the gaming and betting sector. We conducted raids on 87 premises, resulting in the confiscation of 32 illegal machines and R130,000 declared to SAPS. In alignment with the Government Transformation Agenda, the industry spent approximately R780 million on procurement, benefiting 120 SMMEs. Of this, 39% and 42% were allocated to SMMEs owned by women and youth, respectively.

Social responsibility remains central to our industry. The entity reached over 120 thousand people through responsible gambling awareness campaigns across the province. With our partnership, we have facilitated R31 million towards community initiatives, benefiting 2,320 households through our Food Security Programme, completing school refurbishments, and providing water infrastructure to 3,896 households. We also supported Gender-Based Violence and Femicide (GBVF) initiatives.

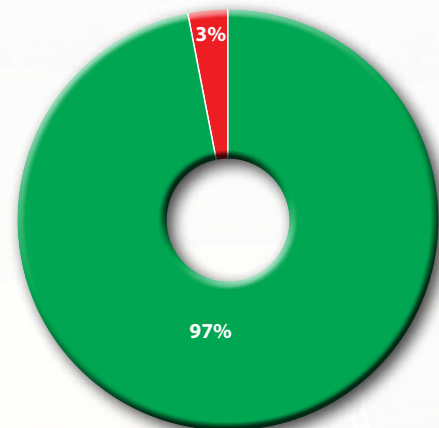
I am delighted to announce that KZNGBB has achieved a clean audit outcome for the third consecutive year, highlighting our commitment to good governance and sound financial management.



These achievements reflect our team's hard work and dedication. We remain focused on promoting a responsible and sustainable gaming and betting industry in KwaZulu-Natal, ensuring continued growth and positive community impact.

In the fiscal year spanning 2023 to 2024, the Annual Performance Plan outlined a comprehensive set of 31 indicators, distributed across four quarters. By the conclusion of the reporting period on 31st March 2024, commendable progress was made as 30 indicators, accounting for 97% of the planned targets, were successfully attained. One target (3%) was not achieved, signalling an area for potential improvement in the next financial year.

Organisational Performance as of 31 March 2024



● Target Achieved ● Target not Achieved

2.7 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 develop and 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 2023/24 Medium Term Targets

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
			Planned target 2023/24	Actual Achievement 2023/2024		
1	Number of Strategic Management Plans submitted to EDTEA & OTP in compliance with Strategic Planning Framework	1	Approved Annual Performance Plan document for the 2024-2025 submitted to EDTEA as per Statutory requirements	Approved Annual Performance Plan document for the 2024-2025 submitted to EDTEA as per Statutory requirements	N/A	Annual Target Achieved
2	Number of Quarterly Performance Reports submitted to EDTEA	4	4	4	N/A	Annual Target Achieved
3	Approved Annual Reports submitted to EDTEA as per statutory requirements	2021/22 Annual Report Approved and submitted within statutory requirements.	1 Annual Report Approved	1 2022-2023 Annual Report Approved	N/A	Annual Target Achieved
4	Number of strategic monitoring conducted on priority projects	4	4	4	N/A	Annual Target Achieved

SUB-PROGRAMME 1.2 – GOVERNANCE RISK AND COMPLIANCE

Sub-Programme	Purpose
Governance, Risk and Compliance	To develop and 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 in risk management and compliance.

Pre-Determined Objectives for 2023/24 Medium Term Targets

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
			Planned target 2023/24	Actual Achievement 2023/2024		
5	Percentage of organisational compliance with the regulatory prescripts	60%	70%	70%	N/A	Target Achieved

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
			Planned target 2023/24	Actual Achievement 2023/2024		
6	Risk management maturity assessment level achieved	Maturity level 3	Maturity level 3	Maturity level 3	N/A	Target Achieved
7	Achieve level 4 on Board functionality and effectiveness	New Indicator	Maintain level 4 functionality and effectiveness of the Board.	Level 4	N/A	Target Achieved

SUB-PROGRAMME 1.3 LEGAL SERVICES

Sub-Programme	Purpose
LEGAL SERVICES	To provide in-house legal resources for the Board and management and to ensure that the Board's regulation of the gambling industry in the province complies with and conforms to legislation and regulatory requirements.

Pre-Determined Objectives for 2023/24 Medium Term Targets

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
			Planned target 2023/24	Actual Achievement 2023/2024		
8	Percentage implementation of litigation management strategy	New	60%	60%	N/A	Target Achieved
9	Number of legal interventions implemented to support priority project	New	3	3	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 2023/24 Medium Term Targets

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
			Planned target 2023/24	Actual Achievement 2023/2024		
10	% implementation of Human Resource Management and Development Strategy	50%	60%	60%	N/A	Target Achieved

SUB-PROGRAMME 1.5: COMMUNICATIONS

Pre-Determined Objectives for 2023/24 Medium Term Targets

Sub-Programme	Purpose
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).

Pre-Determined Objectives for 2023/24 Medium Term Targets

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
			Planned target 2023/24	Actual Achievement 2023/2024		
11	Number of industry awareness and marketing programmes conducted	6	10	10	N/A	Target Achieved
12	Number of Socio-Economic Development Initiatives Implemented	8	11	11	N/A	Target Achieved

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
		Planned target 2023/24	Actual Achievement 2023/2024		
13 Number of interventions implemented to advance annual communication plan	10	12	12	N/A	Target Achieved

SUB-PROGRAMME 1.6: FINANCE

Sub-Programme	Purpose
FINANCE	To support the entity through the provision of financial administration, asset management and procurement services

Pre-Determined Objectives for 2023/24 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
		Planned target 2023/24	Actual Achievement 2023/2024		
14 AG opinion on AFS/ internal audit findings/ AG findings (plans to address issues)	Unqualified with no matters of emphases	Unqualified with no matters of emphases	Unqualified with no matters of emphases in 2022/23 financial year.	N/A	Target Achieved
15 % of valid invoice paid within 30 workings days	95%	95%	95%	N/A	Target Achieved
16 % of targeted procurement spent towards women	New Indicator	40%	40%	N/A	Target Achieved

SUB PROGRAMME 1.7: INFORMATION AND COMMUNICATION TECHNOLOGY

Sub-Programme	Purpose
Information and Communication Technology Services	To provide information communication technology (ICT) and knowledge management services to the entity

Pre-Determined Objectives for 2023/24 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
		Planned target 2023/24	Actual Achievement 2023/2024		
17 % of ICT Governance strategy implemented	80%	90%	90%	N/A	Target Achieved
18 Percentage of ICT service delivery standards met	Level 3	Maintain level 3 on ICT Governance	Maintain level 3 on ICT Governance	N/A	Target Achieved

2.8 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, and the creation of economic opportunities within the Gambling Industries.

Pre-Determined Objectives for 2023/24 Medium Term Targets

Performance Indicator	Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
		Planned target 2023/24	Actual Achievement 2023/2024		
19 % of Black industrialist and SMMEs supported and linked to economic opportunities	40%	80%	80%	N/A	Target Achieved
20 Number of Black industries supported through Transformation fund	3	5	5	N/A	Target Achieved

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
			Planned target 2023/24	Actual Achievement 2023/2024		
21	Number of Jobs facilitated within Black industrialist programme and SMME development initiatives	42	50	62	12	9 Projects were supported through Black Industrialist Programmes.

2.9 PROGRAMME 3: OPERATIONS

The purpose of this programme is to provide strategic direction in the implementation and management of operations department. The Operations Programme is comprised of the following three sub-programmes:

Sub-Programme	Purpose
3.1 Office of the COO	To manage strategic direction of the operational units, monitor the implementation of programme to drive the Board's mandate
3.2. License and Registration	To facilitate new entry and ownership diversity through processing of applications to ensure racial and gender inclusive and socially responsible industry.
3.3. Monitoring and Compliance	To ensure regulatory compliance with legislative prescripts.

Sub-Programme: OFFICE OF THE COO

Pre-Determined Objectives for 2023/24 Medium Term Targets

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
			Planned target 2023/24	Actual Achievement 2023/2024		
22	% Implementation of Transformation Strategy	40%	60%	75%	15%	There are a total of 8 high-level interventions: • 6 interventions have been implemented. • 2 interventions are currently delayed due to lack of actions by the National Minister

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
			Planned target 2023/24	Actual Achievement 2023/2024		
23	% Implementation of KZNGBB strategic projects	30%	60%	85%	25%	There are a total of 20 interventions: • 17 interventions are currently being implemented. • 2 interventions are facing delays. • 1 project has not yet commenced or is not yet due to start.

2.10 PROGRAMME 4: LICENSING AND REGISTRATION

Sub-Programme	Purpose
Licensing and Registration	To facilitate new entry and ownership diversity through processing of applications to ensure racial and gender inclusive and socially responsible industry.

Pre-Determined Objectives for 2023/24 Medium Term Targets

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
			Planned target 2023/24	Actual Achievement 2023/2024		
24	Percentage of applicants for SMMEs and black industrialist certified to operate businesses within the gambling industry and its value chain	80%	80%	88%	8	Annual Target achieved: 65 Applications Processed within 90 working days x100/ 74 Applications received and processed

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
			Planned target 2023/24	Actual Achievement 2023/2024		
25	Percentage of applicants for racecourse operator licences probed for suitability and committed to transformation targets	New	80%	0%	80%	Target not achieved: In February 2024, the Board initiated a request for applications for traditional/umtelebhelo racecourse operator licenses. They received and adjudicated upon 19 bids for the rights to apply for these licenses. The process, which aims to increase the number of racecourse operator licenses from 2 to 18, has progressed beyond the public comments stage and is currently under review by the Licensing Committee to issue the final notice of award for the rights to apply for the licenses. However, the successful bidders have not yet submitted their applications.
26	Number of Jobs Opportunities facilitated	750	800	1297	497	Licenses were issued with more job commitments.

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
			Planned target 2023/24	Actual Achievement 2023/2024		
27	Percentage growth in revenue generated for the Entity	4%	6%	6%	N/A	Target achieved

2.11 PROGRAMME 5: 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 2023/24 Medium Term Targets

Performance Indicator		Baseline	Actual Performance Against Target		Deviation from Planned Target	Comment on actual performance
			Planned target 2023/24	Actual Achievement 2023/2024		
28	Number of premises suspected of being used for the conducting of illegal gambling raided	55	80	85	5	More raids were conducted in partnership with SAPS.
29	% of licenses complying with license conditions	65%	80%	86%	6%	One additional licensee was included in the compliance inspection exercise during the year.
30	Number of new jobs facilitated through processed application	35	70	106	+36	The industry has recovered hence more jobs were facilitated through enforcement of license conditions
31	% growth in revenue generated for the entity	4%	6%	6%	N/A	Target achieved

TABLE1: LINKING PERFORMANCE WITH BUDGET

Programme	2023/24			2022/23		
	Budget	Actual Expenditure	(Over)/Under	Budget	Actual Expenditure	(Over)/Under
Administration	78 342	56 112	22 230	48 463	50 159	-1 696
Business Development	2 627	2 610	17	2 610	2 717	-107
Licensing & Registration	12 000	11 325	675	12 426	12 251	175
Monitoring & Compliance	20 401	19 653	748	22 785	21 949	836
Total	113 370	89 700	23 670	86 284	87 076	-792
Actual expenditure as above		89 700			87 076	
Less: purchase of fixed assets		-3 797			-75	
Add: disbursements made by the Transformation Fund		323			1 048	
Total expenditure per statement of financial performance	0	86 226	0	0	88 049	

TABLE 2: REVENUE TABLE

Sources of revenue	2023/24			2022/23		
	Estimate	Actual	(Over)/Under	Estimate	Actual	(Over)/Under
Licensing & reg. fees	22 379	22 537	-158	23 113	23 220	-107
Transfers received - department	52 676	52 676	0	50 552	50 552	0
Transfers received - other	37	98	-61	50	123	-73
Reserves utilised (rollovers and retention)	30 069	30 069	0	6 693	6 909	-216
Interest received	8 114	8 125	-11	5 746	5 754	-8
Sundry income	94	415	-321	130	338	-208
Total	113 369	113 920	-551	86 284	86 896	-612
Reconciliation with statement of financial performance						
Actual collection as above		113 920			86 896	
Less: amounts already included in reserves		-30 069			-6 909	
Add: interest accruing to the Transformation Fund		50			53	
Total revenue per statement of financial performance	0	83 901	0	0	80 040	

The entity is partly funded by the EDTEA (63%) and by revenue generated from internal sources. During the year under review, revenue collection from fees decreased to R22.5 million, this was slightly ahead of the adjusted budget of R22.3 million. The original projection of R31 million was revised down due to the delays in the revision of the fee schedule. Interest received amounted to R8.1 million for the year and increased significantly from the previous year (R5.8 million) due to higher interest rates. This higher collection offset the reduction in fee revenue. The entity received the full allocation of the grant from the EDTEA of R52.7 million in the current year, an increase when compared to R50.6 million received in the prior year. The entity utilises reserves to fund its operations, during the year R30 million was made available to support operations and R6.9 million in the prior year. Sundry income included unplanned for amounts from insurers and sponsorships.

Part C

Governance



1. INTRODUCTION

- 1.1 The Board provides strategic direction and ethical leadership to the KwaZulu-Natal Gaming and Betting Board (the Entity).
- 1.2 The Board of Directors is the accounting authority of the Entity.
- 1.3 The Board is committed to the highest standards of business integrity, ethical values and governance. It recognises its responsibility to conduct its affairs with prudence, transparency, accountability, honesty, fairness and in a socially responsible manner, in compliance with legislation, regulation and voluntary codes to ensure the sustainability of the business.
- 1.4 Governance structures and processes are regularly reviewed to align them with legislative and regulatory changes and to reflect best practice.
- 1.5 In addition to the KwaZulu-Natal Gaming and Betting Board legislation, the corporate governance principles embodied in the Public Finance Management Act (PFMA) apply to the entity and are complied with. In addition, the Board has committed to comply with the principles for good governance embodied in the Protocol for Corporate Governance in the Public Sector (2003) as amended as well as principles of the King IV Code of Good Practice for Corporate Governance.
- 1.6 The 31st of March 2024 marked the end of the fifth year in office for some Members of the Board and the second year for others.

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 pertaining to the performance of the entity, transformation and projects which are tabled.
- 2.2 The Standing Committee on Public Accounts (SCOPA) reviews the annual financial statements and the audit reports of the external auditors.
- 2.3 The Portfolio Committee exercises oversight over the service delivery performance and reviews the non-financial information that is contained in the annual reports of the entity. The Portfolio Committee is concerned with service delivery and the enhancement of economic growth.

3. EXECUTIVE AUTHORITY

(DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS)

- 3.1 The PFMA governs and gives oversight authority to the Executive Authority over the Board.
- 3.2 The Executive Authority also has power to appoint and dismiss the Board. When appointing the Board, the Executive Authority ensures that there is an appropriate mix of Members with the necessary skills to guide the entity.
- 3.3 The Board presents a report every quarter to the Executive Authority which details financial performance, revenue generation, expenditure, service delivery information, transformation, and other non-financial information, all required in terms of Regulation 3 to the KZN Gaming and Betting Act, as amended.

4. THE BOARD

4.1 BOARD COMPOSITION:

- 4.1.1 The Board is a unitary structure which should have nine non-executive members and the CEO as an executive Board Member.
- 4.1.2 The MEC Responsible is empowered by Section 8 of the Act to appoint a representative from the Department to attend meetings and liaise with the Board. This role has been performed by Mr N.S. Mutheiwana (Representative) and Mr Z. Mtongana during the financial year.
- 4.1.3 Details of the Board Members are as follows:

Name	Designation	Date Appointed	Area of Expertise	Committee Membership
Mrs M.P. Myeni	Chairperson	11 April 2018	Communications, ICT	1. Social, Ethics and Transformation Committee
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 Committee (Chairperson) 2. Finance Committee 3. Audit and Risk Committee
Ms N. Maharaj	Member	04 August 2021 Resigned 25 July 2023	Legal	1. Licensing Committee 2. Disputes and Disciplinary Committee (Chairperson)
Ms F. Mkhize	Member	04 August 2021		1. Human Resources and Remuneration Committee (Chairperson) 2. Social Ethics and Transformation Committee 3. Licensing Committee 4. Transformation Adjudication Committee
Ms N.C. Khanyile	Member	04 August 2021	Audit, Risk	1. Audit and Risk Committee (former Chairperson) 2. Licensing Committee
Mr M. Zikalala	Member	04 August 2021	Legal	1. Licensing Committee 2. Social Ethics and Transformation Committee (Chairperson) 3. Disputes and Disciplinary Committee 4. Transformation Adjudication Committee
Mr T. B. Hlongwa CA (SA)	Member	01 March 2024	Legal Audit Finance	1. Audit and Risk Committee (Chairperson) 2. Finance Committee
Ms P.N. Baloyi	Chief Executive Officer	May 2012	Governance, Legal and Compliance	1. EXCO 2. MANCO 3. Delegations 4. IT Steering Committee 5. Attends all 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 Chairperson 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 for 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 will be discussed.
- 4.1.4 The Board Members provide effective leadership that is based on an ethical foundation, which is characterised by acting responsibly, accountably, honestly, with integrity and transparency. This sets the tone from the top, to promote an ethical culture within the Entity.
- 4.1.5 The Board meets at least eight times a year and additional meetings can be convened to consider specific business issues which may arise between scheduled meetings. A number of special Board meeting and a number of workshops were required during the year.

4.2 INDEPENDENCE OF BOARD MEMBERS

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

4.3 BOARD CHARTER

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

4.4 BOARD COMMITTEES

- 4.4.1 The Board has delegated specific functions to Committees, established in terms of Section 18 of the Act, to assist the Board in meeting its oversight responsibilities. All Board Committees are chaired by a Board Member.
- 4.4.2 The Board does not abdicate its responsibilities to the Committees, the ultimate responsibility still rests with the Board.
- 4.4.3 All Committees have documented terms of reference which are reviewed annually, and the Head of Governance, Risk and Compliance confirms that the Committees have functioned in accordance with these written terms of reference during the financial year.

4.5 BOARD AND COMMITTEE MEETING ATTENDANCE

	Number of meetings held	Mrs MP Myeni	Prof BS Stobie	Mr LS Gabela	Ms N.C. Khanyile	Ms F. Mkhize	Ms N. Maharaj	Mr M. Zikalala	Mr T.B. Hlongwa CA (SA)
Board	10	10	10	10	9	10	4	10	2
Board Strategy	2	2	2	2	2	2	0	2	0
Audit and Risk Committee	5	-	5	5	5	-	-	-	-
Dispute Hearings	3	-	-	3	-	-	-	3	-
SET Committee	4	3	-	-	-	4	-	4	-
Finance Committee	4	-	4	4	2	-	1	-	-
Human Resources Committee		-	6	6	-	7	-	-	-
Licensing Committee		-	-	6	6	3	6	-	-
Public Hearings		-	-	2	2	-	-	1	-
Transformation Fund Adjudication Committee		-	-	-		3	-	3	-
Rationalisation Workstreams									
Joint Board: Meetings		-	1	1	-	-	-	-	-
Joint Board Strategy		2	2	2	2	2	2	2	2
Stakeholder Engagement		-	1	5	-	-	-	-	-
Total									

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 as well as the Social Ethics and Transformation 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 monitor the progress of the entity and business units in managing 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. These potential risks are updated annually to ensure all relevant issues are considered.
- 5.5 Each risk on the register is assigned an impact and probability rating. The impact assigned to a risk is assessed and takes account of the financial, compliance, reputation and people effects on the entity. The probability of a risk materialising is also measured. The impact and probability ratings are then used to determine the inherent risk rating and its significance to the entity.
- 5.6 Detailed risk mitigation plans are developed for each risk, which then determines the level of residual risk. Residual risk ratings are then assigned to each risk.
- 5.7 Quarterly reports are furnished to the Audit and Risk Committee and to Board on the implementation of the risk mitigation plans.

6. THE AUDIT AND RISK COMMITTEE

6.1 ROLE

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

6.2 FUNCTIONS

The Committee's functions cover reporting, combined assurance, internal audit, financial management, performance management, risk management and external audit and are outlined in detail in the Audit and Risk Committee report on pages 68 to 69 of the audited financial statements.

6.3 COMPOSITION

The Committee is comprised of two Board Members, one of whom is appointed as the Chairperson and one Member who is not a Board Member and is appointed by the MEC Responsible. The Chairperson of the Committee was Mr L. Gabela until 30 January 2023 and thereafter Ms N.C. Khanyile assumed the position.

The Responsible MEC further appointed Mr Khaya Mthethwa of EDTEA, as a Section 8 Representative to sit on the Audit and Risk Committee.

7. ACCOUNTABILITY AND COMPLIANCE

7.1 INTERNAL AUDIT

The internal audit function provides information to facilitate the establishment and maintenance of an effective system of internal control 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. During the year the Internal Audit Function was carried out by Morar Inc, and the lead Internal Auditor was Mr Mahendra Naicker who sadly passed away during March 2024. Details of the internal audit function are contained in the Audit and Risk Committee Report on pages 68 to 69 of the audited financial statements.

7.2 INTERNAL CONTROL

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

7.3 EXTERNAL AUDIT

The Board members ultimately accept responsibility 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

Legislative and regulatory compliance is monitored by the Head, Governance, Risk and Compliance.

She is responsible for providing advice to the operational business units, creating awareness and developing an understanding of relevant legislation and regulation.

Compliance with the Financial Intelligence Centre Act 38 of 2001 (as amended), the Broad based Black Economic Empowerment Act, 53 of 2003 as amended and the Protection of Personal Information Act, 4 of 2013, has received focused attention during the financial year as has compliance the PFMA and Treasury Regulations.

Five requests for information were received by the KZNGBB in terms of the promotion of Access to Information Act during the period. Where the entity was in possession of the requested information and it was information that could be disclosed, this was provided.

The entity has no instances of major non-compliance with legislation during the period and no fines were incurred.

9. FRAUD AND CORRUPTION

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.

The KZN Gaming and Betting Act and Code of Conduct also sets stringent standards relating to the acceptance of gifts from third parties and declarations of potential conflicts of interest.

A fraud prevention policy and Fraud Response Plan ensures the entity's firm stance against fraud and details its intention to prosecute 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 gain been a priority for the GRC Unit. Ethics awareness sessions were held and the improvement of an ethics culture was also a focal area for the Unit with the implementation of an Ethics Improvement Plan of action.

No instances of fraud or corruption were reported to the Head: GRC during the year for investigation.

Staff 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.

Awareness of this facility has been enhanced and staff members are encouraged to report incidents before significant losses are incurred.

10. MINIMISING CONFLICTS OF INTEREST AND CODE OF CONDUCT

The KZN Gaming and Betting Act, the PFMA, the Board Charter and the Code of Conduct have robust clauses requiring declarations of interest to be lodged by Board Members with the responsible MEC via the office of the Section 8 representative and for declarations to be made at each meeting where the potential for conflict arises.

Employees of the entity annually submit their declarations of interest and must also furnish such declarations at each meeting attended.

On appointment Members and employees are rigorously probed to ensure that they have the appropriate qualifications and are upstanding fit and proper persons to be associated with the entity. Appointment is only confirmed once these processes have been undertaken.

11. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The CEO has appointed an internal Occupational Health and Safety Committee which is Chaired by the Chief Legal Advisor. The Committee meets to consider any health and safety issues which may be presented to it and to ensure that the entity is compliant with the Occupational Health and Safety Act 85 of 1993.

The entity's offices re inspected annually for compliance and no material findings have been raised against the entity during the past year.

12. BOARD SECRETARY

The Board Secretary ensures that board procedures, all regulations and governance codes are observed and also provides guidance to the Board Members on governance, compliance and their fiduciary responsibilities. Members have unrestricted access to the advice and services of the Board Secretary.

The Board Secretary was appointed and assumed her duties on the 04 May 2022. The Board is satisfied that the Board Secretary has the necessary skills and expertise to fill the role.

13. SOCIAL RESPONSIBILITY

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.

Some of the KwaZulu-Natal Gaming and Betting Industry's Corporate Social Responsibility Commitments are based on license conditions and are aligned to education and infrastructure programmes incorporating community education, Health infrastructure and Social Development, Community Development, Support and Moral Regeneration Programmes, Agriculture, Conservation and Environmental Programmes and Arts, Culture, Sports and Recreation programmes. The KZNGBB ensures compliance by the licensee in terms of Corporate Social Responsibility commitments,

The Board takes this mandate seriously when granting licences or registrations 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.

In addition to ensuring that the industry is regulated meets its societal responsibilities, the Board also conducts its own awareness campaigns with the South African Responsible Gambling Foundation (SARGF), and outreach and community awareness sessions are conducted on an ongoing basis.

During the year the Board commissioned a study of the Economic Impact of Traditional Horseracing and Thoroughbred Horseracing Sectors in Kwazulu-Natal. This report will be due for publication during the first quarter of the new financial year.

The Board has its own Business Development Unit which engages previously disadvantaged individuals or small companies in an attempt to bring them into the industry under the Black Industrialist Programme to ensure opportunities are available to them and to enhance transformation on the industry. This programme is expected to create great jobs and foster significant investment in the province.

Water Infrastructure Provision Projects The KZNGBB has received three requests from tribal authorities located in the Umkhanyakude Districts. There are engagements which are currently being undertaken to facilitate the raising of funds among the industry to assist with the provision of water within these authorities. This is a medium term project as there are complex requirements that must be adhered to within the scope of work to be undertaken.

Gender Based Violence Projects. The MOU between Sibaya and the Office of the Premier has been finalised with both parties agreeing on the content of the agreement. The categories in respect of Support for the GBV interventions programme to be rolled out in the province has been developed. The implementation of the project plan in respect of the MoU will now commence in earnest. These areas include the roll-out of economic support for victims of GBV, the improvement of infrastructure for the victims of GBV as well as the construction of the Victim Friendly Facilities at the SAPS police stations in the province wherein there are no facilities which are available to victims of GBV. There was a symbolic cheque handover that was undertaken on 25 November 2022 at the Launch of 16 Days of Activism which took place in Umlazi between the Premier of KZN, Ms N. Dube-Ncube and the Chairperson of Sibaya Trust.

WINTER CUP RACE IN UTRECHT



HANDOVER OF THE VICTIM FRIENDLY FACILITY AT MPOPHOMENI SAPS NOVEMBER 2023



COASTAL HORSECARE UNIT – THE KZNGBB TRANSFORMATION FUND RECIPIENT AND BENEFICIARIES DURING THE HANDOVER OF CERTIFICATES FOR FARRIER DEVELOPMENT PROGRAMME



BRING HER UP PROGRAMME GOLF DAY 2023



SOUTH AFRICAN BOOKMAKERS ASSOCIATION GRADUATION DAY



PROVINCIAL GOVERNMENT OPERATION SUKUMA SAKHE IN KING CETSHWAYO DISTRICT



EDTEA ATTENDED KZNGBB EVENTS IN KING CETSHWAYO DISTRICT



EDTEA SKILLS REVOLUTION



EDTEA COMMUNITY BASED EVENT IN GREYTOWN



EDTEA EVENT IN LADYSMITH



AWARENESS SESSIONS AT PROVINCIAL TASK TEAM ROADBLOCKS



BENCHMARKING VISIT BY LIMPOPO GAMBLING BOARD



TRADITIONAL RACECOURSE OPERATORS INFORMATION SESSION



TRADITIONAL EQUINE INDABA



MHLELI FOUNDATION CAREER EXPO



FOOD SECURITY PROJECT



MTWALUME



PORT DUNFORD

CSI PROJECT GALAXY BINGO WATER INFRASTRUCTURE SUPPLY TO HLULHUWE VILLAGES



CSI PROJECTS SIBAY COMMUNITY TRUST BAYVIEW COMMUNITY CENTRE OPENING



FUNDANI CHILDRENS HOME



14. AUDIT & RISK COMMITTEE REPORT

DEAR STAKEHOLDERS,

I am pleased to present the Audit and Risk Committee Report for the fiscal year ending 31 March 2024. The Audit & Risk Committee of the KwaZulu-Natal Gaming and Betting Board (KZNGBB) has diligently fulfilled its responsibilities in overseeing financial reporting, internal controls, and compliance processes during this period.

Responsibilities and Activities

Throughout the year, the committee has focused on the following key areas:

Financial Reporting: The committee has reviewed the integrity of the KZNGBB's financial reports and annual financial statements and disclosures, ensuring that they accurately reflect the financial position of the entity and comply with applicable accounting standards.

Internal Controls and Risk Management: The committee has assessed the effectiveness of internal controls processes and risk management frameworks in place to safeguard the entity's assets and mitigate potential risks. Furthermore, the committee has overseen a process guided by these frameworks according to which management and internal audit performed written assessments of the effectiveness of the organization's system of internal control, risk management and governance processes, including internal financial controls. Any deficiencies in the internal control environment that were identified during the implementation of these processes were responded to and audit improvement plans updated accordingly on an ongoing basis throughout the year.

External Audit: The committee has overseen the relationship with the external auditors, including their independence, objectivity, and the scope of their audit activities. The committee is satisfied with the audit process and the quality of their audit findings and recommendations. The committee is further satisfied of the responses and co-operation provided by management to ensure the audit outcome is credible.

Compliance and Ethics: Ensuring compliance with legal and regulatory requirements, as well as promoting a culture of ethical behaviour throughout the organization, has been a priority for the committee. Management has provided ongoing information to the committee on their monitoring of the compliance and ethics frameworks.

Key Findings and Recommendations

Based on our oversight activities and discussions with management and external auditors, the committee is pleased to report the following findings:

For the third year running, the entity achieved an unqualified 'clean' audit with the consolidated financial statements considered to fairly present, in all material respects, the financial position of the KZN Gaming and Betting Board as at 31 March 2024.

This year the Auditor-General focused on the performance of the Licencing and Registration Business Unit and all indicators and targets were well defined and verifiable. No material findings were reported.

The Auditor-General did not identify any material non-compliance with selected legislative requirements or any significant deficiencies in internal control. The committee further noted the positive going concern matter in light of the merger of KZN Gaming and Betting Board and KZN Liquor Authority to form KZN Economic Regulatory Authority, as gazetted, as a matter that has no material impact on the financial statements as presented.

Future Outlook

Looking ahead, the Audit and Risk Committee remains committed to upholding the highest standards of financial integrity, transparency, and governance. We will continue to collaborate closely with management as well as internal and external auditors to enhance our oversight and ensure that the even the newly established entity operates with efficiency and accountability.

Conclusion

In conclusion, I would like to extend my appreciation to my fellow committee members for their dedication and expertise, to management as well as our internal and external auditors for their cooperation and professionalism throughout the year. We are confident that our efforts will contribute to sustaining even the newly established KZNER's long-term success and stakeholder value.

Respectfully submitted,



Ms C.N. Khanyile
Chairperson, Audit and Risk Committee
KZN Gaming and Betting Board

15 B-BBEE COMPLIANCE PERFORMANCE REPORT

Through the independent verification the company has been confirmed to be a Level 7 contributor in line with the B-BBEE Codes and further awarded by the Department of Economic Development, Tourism and Environmental Affairs with the Improved B-BBEE Compliant Award for 2022/2023 Financial year

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade and Industry.

The company applied the following criteria with regards to Code of Good Practice

(B-BBEE Certificate – Levels 1 – 8):

Criteria	Response Yes / No	Discussion <i>(include a discussion on your response and indicate what measures have been taken to comply)</i>
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Yes	B-BBEE Codes
Developing and implementing a preferential procurement policy?	Yes	SCM Policy
Determining qualification criteria for the sale of state-owned enterprises?	No	The KZNGBB has not been involved in such activities
Developing criteria for entering into partnerships with the private sector?	No	The KZNGBB has not been involved in such activities
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	The KZNGBB has not been involved in such activities

Part D

Human Resources Management



1. INTRODUCTION

The KZNGBB is dedicated to establishing itself as an employer of choice. Substantial progress has been achieved through the appointment and effective operation of a fully-fledged executive management team within the organizational structure. We firmly believe that the company's success hinges on the talent pool and strong leadership, possessing diverse skills that contribute to the strategic direction of the organization. These targeted achievements which have formed part of the approved HCM strategy are the result of functional human resource planning and aligned strategies aimed at enhancing organizational culture, as well as fostering skills development and re-skilling initiatives.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Human Resource Priorities for 2023/24

- Skills Development,
- Staff retention, motivation rewards and Benefits,
- People Management
- Implementation of Disciplinary Code of Conduct
- Management of Rationalisation process.

In 2019, the MEC for Economic Development, Tourism, and Environmental Affairs recognized the necessity for the KZNGBB to undergo a review of its existing structure to ensure proper alignment with the delivery of its Constitutional Mandate. The organizational structure received approval from the MEC for Economic Development, Tourism, and Environmental Affairs in the same year.

Currently, KZNGBB has a staff complement of 100, including 73 full-time employees. The organization plans to fill various positions in the coming months, pending approval by the Premier to address critical vacant roles. As of December 31, 2023, the Senior Management team had a gender distribution of 40% women and 60% men. The organization reported a vacancy rate of 17.7% and a staff turnover of 12.90% by the end of March 31, 2024.

In analysing organizational capacity and capability, it is imperative to support the priorities of the 6th Administration. Against the backdrop of the performance review of the previous five years, efforts are directed towards ensuring that the KwaZulu-Natal Gaming and Betting Board possesses the necessary capacity to drive delivery, uphold policy coherence, and maintain good corporate governance.

PERSONNEL COST BY PROGRAMME ACTIVITY / ACTIVITY OBJECTIVE

Programme/ Activity/ Objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R'000)
Employees	85 903	58 443	68%	70	835
Internship & Graduate programme	85 903	853	1%	15	57
Total	85 903	59 296	69%	85	698

PERSONNEL COST BY SALARY BAND

Level	Personnel Expenditure (R'000)	% of Personnel Exp. To Total Personnel Cost	No of Employees	Average personnel cost per employee (R'000)
Top Management	2 959	4,99%	1	2 959
Senior Management	10 965	18,49%	6	1 828
Professional qualified	13 488	22,75%	12	1 124
Skilled	28 537	48,13%	44	649
Semi – Skilled	1 983	3,34%	5	397
Unskilled	511	0,86%	2	256
Interns	853	1,44%	15	57
TOTAL	59 296	100,00%	85	698

PERFORMANCE REWARDS

Level	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management			0,00%
Senior Management			0,00%
Professional qualified	-		0,00%
Skilled			0,00%
Semi – Skilled			0,00%
Unskilled			0,00%
Provision for performance bonus	500	59 296	0,84%
TOTAL	500	59 296	0,84%

TRAINING COSTS

Programme/ Activity/ Objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training expenditure as a % of Personnel exp.	No. of employees trained	Average training cost per employee (R'000)
Leadership Masterclass Series	59 296	1	0,00%	1	1
Government Law Conference	59 296	10	0,02%	1	10
7th Annual Leadership Development	59 296	75	0,13%	5	15
People Development & Talent Management	59 296	19	0,03%	2	10
Strategic Conversations	59 296	12	0,02%	1	12
Total	59 296	117	0,20%	10	12

EMPLOYMENT AND VACANCIES BY BUSINESS UNITS

Programme / Activity / Objective	2022/23 No of Employees	2023/24 No of Approved Posts	2023/24 No of Employees	2023/24 No of Vacancies	% of Vacancies
Office of the CEO	3	4	3	1	25,00%
Governance, Risk & Compliance	5	6	5	1	16.67%
Legal Services	3	4	3	1	25.00%
Human Resources	7	10	6	4	40.00%
Communications	1	2	1	1	50.00%
Finance	9	12	7	5	41.67%
ICT	4	6	4	2	33.33%
Licensing & Registration	11	13	7	4	30.77%
Monitoring & Control	24	38	21	17	44.74%
Chief Operating Officer	1	2	1	1	50.00%
Business Development Unit*	2	1	2	-1	-100.00%
Total	70	98	62	36	36.73%

* Staff member seconded from Monitoring & Control to Business Development Unit

EMPLOYMENT AND VACANCIES BY SALARY BANDS

Level	2022/23 No of Employees	2023/24 No of Approved Posts	2023/24 No of Employees	2023/24 No of Vacancies	% of Vacancies
Top Management	1	1	1	0	0,00%
Senior Management	6	10	6	4	40,00%
Professional qualified	12	13	11	2	15,38%
Skilled	44	59	37	22	37,29%
Semi – Skilled	5	13	5	8	61,54%
Unskilled	2	2	2	0	0,00%
TOTAL	70	98	62	36	36,73%

EMPLOYMENT CHANGES

Level	Employment at beginning of the period	Appointments	Terminations	Employment at end of the period
Top Management	1			1
Senior Management	6			6
Professional qualified	12		1	11
Skilled	44		7	37
Semi – Skilled	5			5
Unskilled	2			2
TOTAL	70	0	8	62

REASONS FOR STAFF LEAVING

Reason	Number	% of Total No. of Staff Leaving
Death		0,00%
Resignation	4	50,00%
Dismissal	4	50,00%
Retirement		0,00%
Ill health		0,00%
Expiry of contract		0,00%
Other		0,00%
Total	8	100,00%

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of Disciplinary Action	Number
Verbal warning	16
Written warning	7
Final written warning	0
Dismissal	4
Total	27

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

With budget reprioritisation other positions became unfunded. With rationalisation it was difficult to fill positions, in case KZNERA structure had less positions and the erstwhile entities had more warm bodies.

Now that matching and placement will take place it will become clear what positions are available to match the planned equity target.

Levels	MALES							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management		36	0	0		3		2
Senior Management	2		0		1		2	
Professional Qualified	7		0		1			
Skilled	12		0		2			
Semi-skilled	3		0					
Unskilled			0					
TOTAL	24	36	0	0	4	3	2	2

Levels	FEMALES							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	40		1		3		2
Senior Management							1	
Professional Qualified	2				1			
Skilled	14				7		2	
Semi-skilled	1		1					
Unskilled	2							
TOTAL	20	40	1	1	8	3	3	2

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	1	0	1
Senior Management	0		0	
Professional Qualified	0		0	
Skilled	0		0	
Semi-skilled	0		0	
Unskilled	0		0	
TOTAL	0	1	0	1

Part E

PFMA Compliance Report



1.1. IRREGULAR EXPENDITURE

a) Reconciliation of irregular expenditure

Description	2023/2024	2022/2023
	R'000	R'000
Opening balance	3 775 138	3 775 138
Adjustment to opening balance	-	-
Opening balance as restated	-	-
Add: Irregular expenditure confirmed	-	-
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	(3 749 479)	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recoverable and written off	(14 875)	-
Closing balance	0	3 775 138

There was no irregular expenditure identified in the current year. A request for condonation was submitted to the Provincial Treasury and an amount of R3 775 138 was not condoned. Of the total amount, R3.759 million was referred to the Accounting Authority for removal in accordance with paragraph 5.8 of the 2022 PFMA compliance and reporting framework. A further R14 875 was assessed as irrecoverable and was written off by the Accounting Authority. The amount on the irregular expenditure register was overstated by R824.

Reconciling notes

Description	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure that was under assessment	-	-
Irregular expenditure that relates to the prior year and identified in the current year	-	-
Irregular expenditure for the current year	-	-
Total	-	-

b) Details of irregular expenditure (under assessment, determination, and investigation)

Description	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	-	-
Total	-	-

There is no irregular expenditure under assessment, determination or investigation.

d) Details of irregular expenditure condoned

Description	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure condoned	-	-
Total	-	-

Not applicable.

f) Details of irregular expenditure removed - (not condoned)

Description	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure NOT condoned and removed	(3 759 479)	-
Total	(3 759 479)	-

Irregular expenditure relating to prior years was referred to the Accounting Authority for removal. The R3.759 million that was removed related to legal fees. The Accounting Authority followed the guidance of paragraph 5.8 of the PFMA compliance and reporting framework in the removal of irregular expenditure not condoned by the Provincial Treasury. All irregular expenditure removed related to the 2017/18 financial period.

h) Details of irregular expenditure recoverable

Description	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure recoverable	-	-
Total	-	-

Not applicable.

j) Details of current and previous year irregular expenditure written off (irrecoverable)

Description	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure written off	14 875	-
Total	14 875	-

The Accounting Authority wrote off irregular expenditure of R14 875 relating to the 2014/15 financial period as a result of duplicated travel claims for former board members. The amount was assessed as irrecoverable and therefore was written off. This amount was overstated on the irregular expenditure register by R824.

Additional disclosure relating to Inter-Institutional Arrangements

l) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

Description
N/A
Total

There were no non-compliance cases where the entity was involved in.

n) Details of irregular expenditure where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)

Description	2023/2024	2022/2023
	R'000	R'000
n/a	-	-
Total	-	-

There were no non-compliance cases where the entity was involved in.

p) Details of disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary steps taken

Not applicable.

1.2. FRUITLESS AND WASTEFUL EXPENDITURE

a) Reconciliation of fruitless and wasteful expenditure

Description	2023/2024	2022/2023
	R'000	R'000
Opening balance	-	699
Adjustment to opening balance	-	-
Opening balance as restated	-	-
Add: Fruitless and wasteful expenditure confirmed	-	-
Less: Fruitless and wasteful expenditure recoverable	-	-
Less: Fruitless and wasteful expenditure not recoverable and written off	-	(699)
Closing balance	-	-

Fruitless and wasteful expenditure contained in the opening balance for 2022/23 was as a result of interest incurred for the late payment of a Telkom Invoice. Disciplinary measures in the form of letter of warning was issued to employees and the amount was written off. No fruitless and wasteful expenditure was incurred in the 2023/24 financial year.

Reconciling notes

Description	2023/2024	2022/2023
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment	-	-
Fruitless and wasteful expenditure that relates to the prior year and identified in the current year	-	-
Fruitless and wasteful expenditure for the current year	-	-
Total	-	-

b) Details of fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2023/2024	2022/2023
	R'000	R'000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	-	-
Total	-	-

Not applicable.

d) Details of fruitless and wasteful expenditure recoverable

Description	2023/2024	2022/2023
	R'000	R'000
Fruitless and wasteful expenditure recoverable	-	-
Total	-	-

Not applicable.

f) Details of fruitless and wasteful expenditure not recoverable and written off

Description	2023/2024	2022/2023
	R'000	R'000
Fruitless and wasteful expenditure written off	-	(699)
Total	-	(699)

Fruitless and wasteful expenditure of R699 was written off in the 2022/23 financial year.

h) Details of disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken
Prior year: Letter of warning was issued to employees for the incurrence of the fruitless and wasteful expenditure relating to the Telkom Invoice.
Current year: Not applicable

1.3. ADDITIONAL DISCLOSURE RELATING TO MATERIAL LOSSES IN TERMS OF PFMA SECTION 55(2)(B)(I) &(III))

a) Details of material losses through criminal conduct

Material losses through criminal conduct	2023/2024	2022/2023
	R'000	R'000
Theft	-	-
Other material losses	-	-
Less: Recoverable	-	-
Less: Not recoverable and written off	-	-
Total	-	-

Not applicable.

b) Details of other material losses

Nature of other material losses	2023/2024	2022/2023
	R'000	R'000
n/a	-	-
Total	-	-

Not applicable.

d) Other material losses recoverable

Nature of losses	2023/2024	2022/2023
	R'000	R'000
n/a	-	-
Total	-	-

Not applicable

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of invoices	Consolidated Value
		R'000
Valid invoices received	474	23 641 329.88
Invoices paid within 30 days or agreed period	420	19 574 879.64
Invoices paid after 30 days or agreed period	37	3 971 434.23
Invoices older than 30 days or agreed period (<i>unpaid and without dispute</i>)	0	0
Invoices older than 30 days or agreed period (<i>unpaid and in dispute</i>)	0	0

94.81% of invoices were paid within 30 days. The invoices that were paid after 30 days were due to disputes on the invoices raised with the service providers. Of the 474 invoices received, 15 were not yet due as at the 31st of March 2024 and amounted to R57 017.01.

3. SUPPLY CHAIN MANAGEMENT

3.1. Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Various	Various	Less than three quotes	Various	1 190 289.15
Various	Various	Impractical to follow SCM process	Various	791 179.07
Various	Various	Exceptional case	Various	534 769.32
Various	Various	Non-responsive market	Various	83 118.55
Various	Various	Sole service provider	Various	652 332.76
Total				3 251 688.85

3.2. Contract variations and expansions

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Lease of office – PMB	Kibe Property (Pty) Ltd	Expansion	C-0077	18 767 099.00	0	24 052 771.49
Lease of office – DBN	Delta Property Fund Limited	Expansion	C-0094	4 418 572.50	2 018 113.20	2 234 959.46
Total				23 185 671.50	2 018 113.20	26 287 730.95

Part F

Financial Statements

Annual Financial Statements for the Year Ended 31 March 2024



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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
EDTEA	Economic Development, Tourism & Environmental Affairs
KZNGBB	KwaZulu-Natal Gaming & Betting Board
KZNLA	KwaZulu-Natal Liquor Authority

General Information

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
Parent department	Department of EDTEA
Ultimate controlling body	KwaZulu-Natal Provincial Legislature
Bankers	Absa Bank
Auditors	Auditor-General South Africa
Board secretary	Ms N Ntombela Appointed 03 May 2022 Refer to Accounting Authority report for changes

Accounting Authority's Responsibilities and Approval

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

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

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

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating 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 2025 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the entity's external auditors and their report is presented on page 87.

The consolidated annual financial statements set out on pages 95 to 141, which have been prepared on the going concern basis, were approved by the accounting authority on 31 May 2024 and were signed on its behalf by:



Ms MP Mye ni
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 95 to 141 which comprise the consolidated statement of financial position as at 31 March 2024, the consolidated 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 financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the KZN Gaming and Betting Board Group as at 31 March 2024, and their financial performance and cash flows for the year then ended in accordance with the standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated financial statements section of my report.
4. I am independent of the public entity 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.

Emphasis of matter

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

Going concern and merger of the entity

7. As disclosed in note 27: Going concern, in terms of section 6(3)(a) of the KwaZulu-Natal Economic Regulatory Authority Act, all assets, liabilities, rights and obligations vested in, and all administrative, financial and other records kept by the KwaZulu-Natal Gaming and Betting Board and the KwaZulu-Natal Liquor Authority, will vest in the new entity. The KwaZulu-Natal Gaming and Betting Board will merge its operations with the KwaZulu-Natal Liquor Authority. The KwaZulu-Natal Economic Regulatory Authority Act to give effect to the merger was approved and gazetted after the financial year end. The passing of the Act has no material impacts on the financial statements as presented. 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.

Report of the Auditor-General to the Provincial Legislature on the KwaZulu-Natal Gaming and Betting Board Group (continued)

Responsibilities of the accounting authority for the consolidated financial statements.

8. The board, which constitutes the accounting authority is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the 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 financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the consolidated financial statements, the accounting authority is responsible for assessing the public 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 financial statements

10. My objectives are to obtain reasonable assurance about whether the consolidated 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 financial statements.
11. A further description of my responsibilities for the audit of the consolidated financial statements is included in the annexure to this auditor's report. This description, which is located at page 92, forms part of our auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programme presented in the annual performance report. The Accounting authority is responsible for the preparation of the annual performance report.
13. I selected the following material performance indicators related to Programme: Licensing and Registration presented in the annual performance report for the year ended 31 March 2024. I selected those indicators that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.
 - Percentage of applicants for SMMEs and Black industrialist certified to operate businesses within the gambling industry
 - Percentage of applicants for racecourse operator licences probed for suitability and committed to transformation targets
 - Percentage growth in own revenue generated for the Entity
 - Number of new Jobs Opportunities facilitated

Report of the Auditor-General to the Provincial Legislature on the KwaZulu-Natal Gaming and Betting Board Group (continued)

14. I evaluated the reported performance information for the selected programme against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.
15. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
 - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there are adequate supporting evidence for the achievements reported and for the reasons provided for any over or underachievement of targets.
16. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.
17. I did not identify any material findings on the reported performance information of Monitoring and compliance.

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under-achievements and measures taken to improve performance.
20. The table that follows provides information on the achievement of planned target and lists the key indicator that was not achieved as reported in the annual performance report. The reasons for any underachievement of targets and measures taken to improve performance are included in the annual performance report

Report of the Auditor-General to the Provincial Legislature on the KwaZulu-Natal Gaming and Betting Board Group (continued)

Licensing and registration

Targets achieved:75% Budget spent: 100		
Key indicators not achieved	Planned target	Reported achievement
Percentage of applicants for racecourse operator licences probed for suitability and committed to transformation targets	80%	0%

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

- 21. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity’s compliance with legislation.
- 22. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
- 23. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor’s report.
- 24. I did not identify any material non-compliance with the selected legislative requirements.

OTHER INFORMATION IN THE ANNUAL REPORT

- 25. 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 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.
- 26. 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.
- 27. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements and the selected programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

Report of the Auditor-General to the Provincial Legislature on the KwaZulu-Natal Gaming and Betting Board Group (continued)

INTERNAL CONTROL DEFICIENCIES

28. I considered internal control relevant to my audit of the consolidated financial statements, annual performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
29. I did not identify any significant deficiencies in internal control.

Auditor-General

Pietermaritzburg

31 July 2024



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the Auditor General's Report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-General's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the 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
 - conclude on the appropriateness of the 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 entity 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 a 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 group to express an opinion on the consolidated 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.

Annexure to the Auditor General's Report (continued)

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.

Compliance with legislation – selected legislative requirements

5. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b);
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 8.2.1; 8.2.2 Regulation 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; 16A 8.3; 16A 8.4; 16A9.1(b)(ii); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2(a)(ii) Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Regulation 31.1.2(c); Regulation 33.1.1; 33.1.3
Public service regulation	Public service regulation 13(c);18; 18 (1) and (2);
PRECCA	Section 29; 34(1)
CIDB Act	Section 18(1)
CIDB Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
PFMA SCM Instruction no. 09 of 2022/2023	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6

Annexure to the Auditor General's Report (continued)

Legislation	Sections or regulations
National Treasury Instruction No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4(c); 4.4(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
NT SCM Instruction 4A of 2016/17	Paragraph 6
NT SCM Instruction Note 03 2019/20	Paragraph 5.5.1 (vi); 5.5.1 (x)
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; Paragraph 3.4(a); 3.4(b) Paragraph 3.9 Paragraph 6.1; 6.2; 6.7
NT SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.2; 3.2.4(a); 3.2.4(b); 3.3.1; Paragraph 4.1
PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1) Paragraph 4(2) Paragraph 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2 Paragraph 4.3.2; 4.3.3
Competition Act	Section 4(1)(b)(ii)
NT instruction note 4 of 2015/16	Paragraph 3.4
NT instruction 3 of 2019/20 - Annexure A	Section 5.5.1 (iv) and (x)
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.1 ; 5.3
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph 2
Practice note 7 of 2009/10	Paragraph 4.1.2
Practice note 11 of 2008/9	Paragraph 3.1 Paragraph 3.1 (b)
NT instruction note 1 of 2021/22	Paragraph 4.1
Public Service Act	Section 30 (1)

Accounting Authority's Report

The members submit their report for the year ended 31 March 2024.

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 "broadbased black economic empowerment", as contained in the BroadBased 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 "broadbased black economic empowerment", as contained in the BroadBased 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. The operating results includes the operating results of the Transformation Fund for the period ended.

Net deficit of the entity was R 2 324 810 (2023: deficit R 8 009 507). The deficit is the result of the entity paying for its office lease rentals from surpluses that it was authorised to retain for said purposes. In addition, the depreciation charge each year contributes to the loss reflected by the entity. Furthermore, the Transformation Fund disbursed further grants to beneficiaries during the year.

In line with the announcement by the President to rationalise public entities, the Provincial Executive Council resolved to rationalise the operations of the entity and the KwaZulu-Natal Liquor Authority. The KwaZulu-Natal Economic Regulatory Authority Act, to give effect to the merger of the operations, was passed by the Legislature and gazetted after year end. The operations of the entity will be absorbed into the new entity from the effective date.

Accounting Authority's Report

3. GOING CONCERN

We draw attention to the fact that at 31 March 2024, the entity had an accumulated surplus of R 32 276 254 and that the entity's total assets exceed its liabilities by R 32 276 254.

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 terms of section 3(a) of the KwaZulu-Natal Economic Regulatory Authority Act, all assets, liabilities, rights and obligations vested in, and all administrative, financial and other records kept by, the KwaZulu-Natal Gaming and Betting Board and the KwaZulu-Natal Liquor Authority, vest in 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

As mentioned earlier in the report, the entity will merge its operations with the KwaZulu-Natal Liquor Authority. The KwaZulu-Natal Economic Regulatory Authority Act to give effect to the merger was approved and gazetted after the financial year end. The passing of the Act has no material impacts on the financial statements as presented.

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 current year, one member resigned from the Board and an additional member was appointed (prior year: two members resigned).

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	Resigned 29 November 2022
Ms MP Myeni	South African	
Adv KP Thango	South African	Resigned 11 January 2023
Mr LS Gabela	South African	
Prof. BS Stobie	South African	Resigned 25 July 2023
Mrs N Maharaj	South African	
Mrs CN Mhlongo	South African	
Mrs SF Mkhize	South African	
Mr MGM Zikalala	South African	Appointed 01 March 2024
Mr TB Hlongwa	South African	

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

Accounting Authority's Report

8. BOARD SECRETARY

The secretary of the entity is Ms N Ntombela of:

Business address (Head Office Pietermaritzburg)

KZNGBB House
Redlands Office Estate
1 George MacFarlane Drive
Pietermaritzburg
3201

Postal address

Private Bag X9102
Pietermaritzburg
3200

Ms N Ntombela was appointed as Board Secretary on 03 May 2022.

Mrs PJ Stretch acted as Board Secretary from 01 August 2021 until 02 May 2022.

9. AUDITORS

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

The consolidated annual financial statements set out on pages 95 to 141, which have been prepared on the going concern basis, were approved by the accounting authority on 31 May 2024 and were signed on its behalf by:



Ms MP Myeni
Chairperson

Statement of Financial Position as at 31 March 2024

	Note(s)	2024 R	2023 R
Assets			
Current Assets			
Receivables from exchange transactions	2	2 451 788	2 603 607
Cash and cash equivalents	3	67 608 324	71 822 561
		70 060 112	74 426 168
Non-Current Assets			
Property, plant and equipment	4	4 392 389	1 999 154
Intangible assets	5	-	108 733
		4 392 389	2 107 887
Total Assets		74 452 501	76 534 055
Liabilities			
Current Liabilities			
Operating lease liability	6	341 866	177 340
Payables from exchange transactions	7	41 203 984	39 773 517
Taxes and transfers payable (non-exchange)	8	123 717	235 300
Provisions	9	500 000	1 690 000
Tourvest lodge card	3	6 680	56 834
		42 176 247	41 932 991
Total Liabilities		42 176 247	41 932 991
Net Assets		32 276 254	34 601 064
Accumulated surplus	10	32 276 254	34 601 064
Total Net Assets		32 276 254	34 601 064

Statement of Financial Performance

	Note(s)	2024 R	2024 R
Revenue			
Revenue from exchange transactions			
Rendering of services	11	22 536 809	23 219 729
Interest received	13	8 175 915	5 807 781
Sundry income	11	414 553	337 808
Total revenue from exchange transactions		31 127 277	29 365 318
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	12	52 774 016	50 674 713
Total revenue	11	83 901 293	80 040 031
Expenditure			
Employee related costs	14	59 295 726	64 744 824
Depreciation and amortisation	15	1 448 019	1 856 560
Lease rentals on operating lease	16	5 525 638	4 940 943
Bad debts written off	2	35 454	105 322
Loss on disposal of assets	4	54 403	288 792
General Expenses	17	19 543 823	15 062 805
Repairs and maintenance	18	-	2 478
Disbursements to beneficiaries	19	323 040	1 047 814
Total expenditure		86 226 103	88 049 538
Deficit for the year		(2 324 810)	(8 009 507)

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	42 610 571	42 610 571
Balance at 01 April 2022	42 610 571	42 610 571
Changes in net assets		
Surplus for the year	(8 009 507)	(8 009 507)
Total changes	(8 009 507)	(8 009 507)
Balance at 01 April 2023	34 601 064	34 601 064
Changes in net assets		
Surplus for the year	(2 324 810)	(2 324 810)
Total changes	(2 324 810)	(2 324 810)
Balance at 31 March 2024	32 276 254	32 276 254

Cash Flow Statement

	Note(s)	2024 R	2023 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		23 209 602	23 734 725
Grants		52 774 016	50 674 713
Interest received		8 109 200	5 516 871
Sundry Income		414 553	337 808
		<u>84 507 371</u>	<u>80 264 117</u>
Payments			
Employee costs		(60 485 726)	(63 054 824)
Suppliers		(24 398 804)	(21 138 672)
		<u>(84 884 530)</u>	<u>(84 193 496)</u>
Net cash flows from operating activities	22	(377 159)	(3 929 379)
Cash flows from investing activities			
Purchase of equipment	4	(3 796 328)	(75 348)
Insurance proceeds from loss of equipment	4	9 404	29 904
Net cash flows from investing activities		(3 786 924)	(45 444)
Net increase/(decrease) in cash and cash equivalents		(4 164 083)	(3 974 823)
Cash and cash equivalents at the beginning of the year		71 765 727	75 740 550
Cash and cash equivalents at the end of the year	3	67 601 644	71 765 727

The accounting policies on pages 102 to 114 and the notes on pages 115 to 141 form an integral part of the consolidated annual financial statements.

Significant Accounting Policies

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated annual financial statements are set out below.

1.1 Basis of preparation

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.

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.

1.2 Going concern assumption

These consolidated annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Government grants

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

1.4 Materiality

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

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

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.5 Significant judgements and sources of estimation uncertainty

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

Provision for doubtful debts

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

Contingencies

Contingencies in the current year required estimated and judgements, refer to note 29

Significant Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

1.6 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.

1.7 Property, plant and equipment

Property, plant and equipment are tangible noncurrent assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment 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.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment 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 nonexchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a nonmonetary asset or monetary assets, or a combination of monetary and nonmonetary 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 property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment 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 property, plant and equipment, 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 property, plant and equipment, 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 property, plant and equipment 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 property, plant and equipment.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Significant Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

1.7 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straightline basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straightline	6 to 12 years
Motor vehicles	Straightline	4 years
Office equipment	Straightline	5 to 10 years
Computer equipment	Straightline	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 property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

Items of property, plant and equipment 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 property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment 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 property, plant and equipment in the notes to the financial statements (see note 18).

Significant Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

1.8 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 nonexchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

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

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

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

Significant Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

1.8 Intangible assets (continued)

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

Item	Depreciation method	Average useful life
Computer software, internally generated	Straightline	3 years
Computer software, other	Straightline	3 to 6 years
Intangible assets under development	Straightline	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).

1.9 Financial instruments

Initial recognition and measurement

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

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

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

Credit Risk

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

Receivables from exchange transactions

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

Significant Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

1.9 Financial instruments (continued)

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.

1.10 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.

Significant Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

1.11 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 cashgenerating assets.

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

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

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

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

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

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.

Significant Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

1.11 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.

1.12 Employee benefits

Identification

Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service.

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Significant Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

1.12 Employee benefits (continued)

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Post-employment benefits: Defined contribution plans

Recognition and measurement

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are discounted using the discount rate as specified.

1.13 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 pretax 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 29.

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.

Significant Accounting Policies (continued)

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.

1. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

1.13 Provisions and contingencies (continued)

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

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

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

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

1.14 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.

1.15 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

Significant Accounting Policies (continued)

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

1. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

1.15 Revenue (continued)

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.

1.16 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.

Measurement

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

1.17 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.

1.18 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.

Significant Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

1.19 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.

1.20 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

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

Significant Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

1.20 Related parties (continued)

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

	2024 R	2023 R
2. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Trade debtors	1 077 426	966 068
Deposits	17 575	17 575
Prepaid expenses	646 077	920 370
Sundry debtors	28 027	83 626
Accrued income (refer to note 2.1)	682 683	615 968
	2 451 788	2 603 607

Trade and other receivables impaired

As of 31 March 2024, trade and other receivables of R 41 786 (2023: R 138 920) were impaired and provided for. The amount of the provision was R 41 786 as of 31 March 2024 (2023: R 116 805).

The ageing of these balances is as follows:

Over 6 months	41 786	138 920
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Reconciliation of provision for impairment of trade and other receivables

Opening balance	116 805	11 483
Provision for impairment	35 455	105 322
Amounts written off as uncollectible	(110 474)	-
	41 786	116 805

The entity wrote off the balance of the amount owing by a licensee that entered business rescue proceedings, the entity received a percentage of the total outstanding.

Reconciliation of gross carrying amount and net carrying amount

Details	Trade debtors R	Sundry debtors R	Total R
Gross carrying value	1 077 426	69 813	1 147 239
Less: Provision for doubtful debts	-	(41 786)	(41 786)
	1 077 426	28 027	1 105 453

2.1 Accrued Income

Accrued income comprises:

Interest receivable	682 683	615 968
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Notes to the Consolidated Annual Financial Statements (continued)

	2024 R	2023 R
3. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	4 164	1 621
Bank balances	49 843 020	56 184 757
Short-term deposits	17 761 140	15 636 183
Travel lodge card	(6 680)	(56 834)
	67 601 644	71 765 727
Current assets	67 608 324	71 822 561
Current liabilities (Travel lodge card)	(6 680)	(56 834)
	67 601 644	71 765 727

	2024			2023		
	Cost / Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R	Cost / Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value
4. PROPERTY, PLANT AND EQUIPMENT						
Furniture and fixtures	622 093	(420 548)	201 545	429 368	(353 613)	75 755
Motor vehicles	65 000	(55 250)	9 750	65 000	(55 250)	9 750
Office equipment	206 961	(179 839)	27 122	250 526	(203 696)	46 830
Computer equipment	10 311 955	(6 157 983)	4 153 972	7 171 037	(5 304 218)	1 866 819
Total	11 206 009	(6 813 620)	4 392 389	7 915 931	(5 916 777)	1 999 154

Notes to the Consolidated Annual Financial Statements (continued)

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)					
Reconciliation of property, plant and equipment 2024					
Furniture and fixtures	75 755	272 014	(9 608)	(136 616)	201 545
Motor vehicles	9 750	-	-	-	9 750
Office equipment	46 830	-	(6 990)	(12 718)	27 122
Computer equipment	1 866 819	3 524 314	(47 209)	(1 189 952)	4 153 972
	1 999 154	3 796 328	(63 807)	(1 339 286)	4 392 389

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Reconciliation of property, plant and equipment 2023					
Furniture and fixtures	98 749	-	(850)	(22 144)	75 755
Motor vehicles	9 750	-	-	-	9 750
Office equipment	68 113	11 789	(1 384)	(31 688)	46 830
Computer equipment	3 535 065	63 559	(316 462)	(1 415 343)	1 866 819
	3 711 677	75 348	(318 696)	(1 469 175)	1 999 154

The entity received R9 404 (2023: R29 904) from insurers as compensation for items of computer equipment that were stolen.

Notes to the Consolidated Annual Financial Statements (continued)

	Cost / Valuation	2024 Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	2023 Accumulated amortisation and accumulated impairment	Carrying value
5. INTANGIBLE ASSETS						
Computer software, developed	6 367 731	(6 367 731)	-	6 367 731	(6 256 536)	111 195
Computer software	845 490	(845 490)	-	845 490	(847 952)	(2 462)
Total	7 213 221	(7 213 221)	-	7 213 221	(7 104 488)	108 733

	Opening balance R	Amortisation R	Total R
Reconciliation of intangible assets 2024			
Computer software, developed	111 195	(111 195)	-
Computer software	(2 462)	2 462	-
	108 733	(108 733)	-

	Opening balance R	Amortisation R	Total R
Reconciliation of intangible assets 2023			
Computer software, developed	452 590	(341 395)	111 195
Computer software	43 528	(45 990)	(2 462)
	496 118	(387 385)	108 733

An adjustment of R2 462 was made to the accumulated amortisation balance for computer software in the current year. The adjustment was to correct an over provision in amortisation in the previous financial year which resulted in a negative book value. There are no future implications as a result of the change.

Notes to the Consolidated Annual Financial Statements (continued)

	2024 R	2023 R
6. OPERATING LEASE LIABILITY		
Current liabilities	341 866	177 340

The operating lease liability arises from the straightline recognition of the lease rental over the term of the lease in terms of the relevant accounting standard. In the initial years a liability is recognised when the actual lease payment is less than the straight-line amount, the liability will reverse itself in the latter years when the lease rental exceeds the straight-line lease amount.

7. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	55 607	373 007
Income in advance	29 539 161	29 049 448
Cash guarantees	3 408 967	2 878 544
Third party payments	894 212	947 110
CSI funds held for distribution	1 050 000	-
Sundry creditors	78 186	81 687
Leave pay accrual	2 631 598	3 197 746
Accrued expenses (refer to note 7.1)	3 546 253	3 245 975
	41 203 984	39 773 517

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 funds held for distribution relate to amounts received from pledges made by licensees to be used for specific projects.

Maturity Analysis of Trade and other payables

Liquidity risk

Not later than a month	31 114 463	31 344 383
Later than a month and not later than three months	2 997 956	2 352 844
Later than three months and not later than a year	7 090 565	6 076 290
	41 202 984	39 773 517

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

Notes to the Consolidated Annual Financial Statements (continued)

	2024 R	2023 R
7. PAYABLES FROM EXCHANGE TRANSACTIONS		
7.1 Accrued expenses (continued)		
Breakdown of accrued expenses		
Capital expenditure	1 298 884	371 204
Current expenditure	1 620 886	1 899 953
Compensation related	626 483	974 818
	3 546 253	3 245 975
8. TAXES AND TRANSFERS PAYABLE (NON-EXCHANGE)		
Gambling tax payable	124 255	236 042
Statutory payables	(538)	(742)
	123 717	235 300

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 notes 23 and 32.

	Opening Balance R	Additions R	Utilised during the year R	Total R

9. PROVISIONS

Reconciliation of provisions 2024

Provision for performance bonus	1 690 000	500 000	(1 690 000)	500 000
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Provision for Performance Bonus

The Accounting Authority conditionally approved the payment of performance bonuses to qualifying employees conditional on budget achievement/availability. The final outcome will be reassessed after the completion of the financial statements and the outcome will be taken to the Board for a final decision, this is expected to occur in the first half of the upcoming financial year.

Notes to the Consolidated Annual Financial Statements (continued)

	2024 R	2023 R
10. 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 Amounts surrendered to the Provincial Revenue Fund	(20 800 000)	(20 800 000)
2015 Prior year adjustments (2013)	(37 786)	(37 786)
2016 Prior year adjustments (2014)	(72 805)	(72 805)
2016 Surplus realised	4 460 584	4 460 584
2017 Prior year adjustments	1 272 546	1 272 546
2017 Surplus realised	9 192 753	9 192 753
2018 Surplus realised	23 850 950	23 850 950
2019 Prior year adjustments (2017)	(18 800)	(18 800)
2019 Prior year adjustments (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 Prior year adjustment	554 155	554 155
2022 Loss for the year	(5 665 444)	(5 665 444)
2023 Loss for the year	(8 009 507)	(8 009 507)
2024 Loss for the year	(2 324 810)	-
Rounding difference	2	2
	32 276 254	34 601 064

Notes to the Consolidated Annual Financial Statements (continued)

	2024 R	2024 R
10. ACCUMULATED SURPLUS (CONTINUED)		
10. Accumulated surplus (continued)		
Ringfenced internal funds and reserves within accumulated surplus		
Building investment		
Opening balance	7 912 534	13 105 991
Amounts spent on lease rentals	(5 265 713)	(5 193 457)
	2 646 821	7 912 534

The above funds have been ringfenced 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 13). The entity utilises the funds to pay the lease rentals for the Durban and Pietermaritzburg offices.

11. REVENUE

Rendering of services	22 536 809	23 219 729
Interest income	8 175 915	5 807 781
Sundry income	414 553	337 808
Government grants & subsidies	52 774 016	50 674 713
	83 901 293	80 040 031
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	22 536 809	23 219 729
Interest income	8 175 915	5 807 781
Sundry income	414 553	337 808
	31 127 277	29 365 318
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	52 774 016	50 674 713

Notes to the Consolidated Annual Financial Statements (continued)

	2024 R	2023 R
12. GOVERNMENT GRANTS & SUBSIDIES		
Operating grants		
Equitable share	52 676 000	50 552 000
Training levy subsidy	98 016	122 713
	52 774 016	50 674 713
13. INVESTMENT REVENUE		
Interest revenue		
Interest received entity	8 124 777	5 754 352
Interest received Transformation Fund	51 138	53 429
	8 175 915	5 807 781
14. EMPLOYEE RELATED COSTS		
Basic remuneration	51 403 073	55 000 477
Performance bonus	500 000	1 716 773
Medical aid subsidy	3 232 843	3 332 903
Unemployment insurance	146 689	162 816
Leave pay accrual	(566 148)	49 526
Long-service awards	109 000	168 000
Acting allowances	924 159	819 24
Cell phone allowance	317 172	352 814
Provident fund costs and risk benefits	2 065 387	2 049 788
Stipends for interns and contractors	838 617	1 030 991
Leave payout (on termination)	324 934	61 487
	59 295 726	64 744 824

Notes to the Consolidated Annual Financial Statements (continued)

For year ended 31 March 2024	Basic remuneration R	Allowances & Long service R	Contributions R	Performance rewards R	Total R
14. EMPLOYEE RELATED COSTS (CONTINUED)					
14. Employee related costs (continued)					
Senior Management Remuneration					
Ms. PN Baloyi Chief Executive Officer	2 474 78	50 220	288 731	108 509	2 922 246
Mr. RS Goodayle (N1) Acting Senior Manager Business Development	1 443 698	74 220	175 254	84 754	1 777 926
Mrs. PJ Stretch Head Governance Risk & Compliance	1 449 747	62 220	169 140	42 377	1 723 484
Mr. V Ramdas Chief Financial Officer	1 658 226	62 220	221 972	73 815	2 016 233
Mr. RC Bestel Senior Manager Betting Monitoring & Compliance	1 408 516	62 220	210 813	21 188	1 702 737
Mr. M Ngwenya Chief Legal Officer	1 408 516	62 220	210 813	21 188	1 702 737
Mr. T Ngubane (N2) Acting Senior Manager Licensing & Registration	1 431 601	67 420	106 144	26 594	1 631 759
Mr B Mngoma Chief Operating Officer	1 622 221	66 734	200 243	12 119	1 901 317
	12 897 311	507 474	1 583 110	390 544	15 378 439

Notes to the Consolidated Annual Financial Statements (continued)

For the year ended 31 March 2023	Basic remuneration R	Allowances & Long service R	Contributions R	Performance rewards R	Total R
14. EMPLOYEE RELATED COSTS (CONTINUED)					
14. Employee related costs (continued)					
Ms. PN Baloyi Chief Executive Officer	2 353 269	73 562	274 991	-	2 701 822
Mr. RS Goodayle (N1) Acting Senior Manager Business Development	1 372 750	91 074	166 914	-	1 630 738
Mrs. PJ Stretch Head Governance Risk & Compliance	1 378 561	89 074	161 092	-	1 628 727
Mr. V Ramdas Chief Financial Officer	1 576 557	84 074	211 409	-	1 872 040
Mr. RC Bestel Senior Manager Betting Monitoring & Control	1 338 540	79 074	200 781	-	1 618 395
Mr. M Ngwenya Chief Legal Officer	1 338 540	79 074	200 781	-	1 618 395
Mr. T Ngubane (N2) Acting Senior Manager Licensing & Registration	1 386 929	74 274	101 093	-	1 562 296
Mr B Mngoma Chief Operating Officer	1 565 187	83 588	195 648	-	1 844 423
	12 310 333	653 794	1 512 709	-	14 476 836

N1 Mr Goodayle was appointed as Acting Senior Manager Business Development w.e.f. 01 January 2020.

N2 Mr Ngubane was appointed as Acting Senior Manager Licensing & Registration w.e.f. 08 October 2018

	2024 R	2023 R
15. DEPRECIATION AND AMORTISATION		
Movable assets (refer to note 4)	1 339 286	1 469 175
	108 733	387 385
	1 448 019	1 856 560

Notes to the Consolidated Annual Financial Statements (continued)

	2024 R	2023 R
16. LEASE RENTALS ON OPERATING LEASE		
Premises		
Contractual amounts	5 430 846	4 762 477
Equipment		
Contractual amounts	94 792	178 466
	5 525 638	4 940 943
17. GENERAL EXPENSES		
Advertising	36 218	20 629
Auditors remuneration	878 505	916 871
Bank charges	50 644	63 164
Board remuneration (refer to note 20)	2 302 736	2 828 949
Cleaning	282 530	91 554
Computer expenses	731 130	594 656
Consulting and professional fees	161 696	13 324
Courier and postage	588	2 133
Conferences and seminars	59 666	-
Electricity	789 206	658 072
External meeting refreshments	59 138	52 562
Fleet	43 145	32 144
Illegal gambling operations	91 990	45 330
Insurance	572 851	541 616
Internal audit	734 740	595 866
Legal expenses deductible	5 068 894	1 094 583
Levies (statutory)	586 403	620 896
Licensing, investigation and monitoring costs	440 798	413 537
Marketing	1 529 611	1 131 449
Printing and stationery	205 864	159 702
Probity checks	-	839
Software licenses and support	1 966 566	2 345 388
Staff placement costs	6 235	-
Staff welfare		106 105
Subscriptions and membership fees	45 740	4 740
Telephone and fax	930 915	899 487
Temp employees	12 531	-
Training	117 811	383 325
Travel local	1 563 864	1 333 480
Travel overseas	90 193	112 404
	19 543 823	15 062 805

Notes to the Consolidated Annual Financial Statements (continued)

	2024 R	2023 R
18. REPAIRS AND MAINTENANCE		
Office building	-	2 478

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 17.

19. DISBURSEMENTS TO BENEFICIARIES		
Disbursements to beneficiaries	323 040	1 047 814

The Transformation Fund was established in terms of Section 137 of the KwaZulu-Natal Gaming & Betting Act, Act no 8 of 2010, as amended.

The purpose of the Fund is to promote opportunities for persons contemplated in the definition of "broadbased black economic empowerment", as contained in the BBBEE Act, to participate in the horse racing and betting industries in the capacity of any of the persons required to be licensed or registered, to increase the ownership stakes of said persons in the said industries and to develop appreciation for and knowledge of horse racing amongst all communities, particularly those comprising of said persons.

During the year under review, the fund awarded grants to successful applicants with the intention of growing the economy, creating jobs and developing skills. These awards were made in line with the approved terms of reference of the fund.

Details of beneficiaries		
South African Grooms Association	-	100 000
Blac Distinxion	-	140 000
South African Bookmakers Association	-	197 704
Traditional Horse Racing & Breeding	-	156 900
Ithotho Empowerment (Pty) Ltd	-	199 720
Traditional Horse Racing & Breeding	100 000	100 000
Coastal Horse Care Unit	-	153 490
Nguni Skin	170 000	-
Dolphin Coast Equestrian Centre	53 040	-
	323 040	1 047 814

Notes to the Consolidated Annual Financial Statements (continued)

	Members' fees R	Reimbursive expenses R	Total R
20. BOARD REMUNERATION			
Nonexecutive			
2024			
Ms MP Myeni	265 992	1 513	267 505
Mr LS Gabela	423 403	24 515	447 918
Prof. BS Stobie	346 016	-	346 016
Mrs N Maharaj	117 386	1 637	119 023
Mrs CN Mhlongo	365 126	4 148	369 274
Mrs SF Mkhize	370 070	2 901	372 971
Mr MGM Zikalala	361 867	713	362 580
Mr TB Hlongwa	17 448	-	17 448
	2 267 308	35 427	2 302 735

2023

	Members' fees R	Reimbursive expenses R	Total R
Dr SG Ngcobo	159 047	-	159 047
Ms MP Myeni	364 456	1 606	366 062
Adv KP Thango	281 908	10 496	292 404
Mr LS Gabela	422 579	25 952	448 531
Prof. BS Stobie	356 068	2 076	358 144
Mrs N Maharaj	266 063	1 668	267 731
Mrs CN Mhlongo	235 486	4 989	240 475
Mrs SF Mkhize	323 343	-	323 343
Mr MGM Zikalala	369 104	4 108	373 212
	2 778 054	50 895	2 828 949

Notes to the Consolidated Annual Financial Statements (continued)

	2024 R	2023 R
21. AUDITORS' REMUNERATION		
Fees	878 505	916 871
22. CASH USED IN OPERATIONS		
Deficit	(2 324 810)	(8 009 507)
Adjustments for:		
Depreciation and amortisation	1 448 019	1 856 560
Loss on disposal of assets	54 403	288 792
Movement in provision for doubtful debts	35 454	105 322
Movements in operating lease liability	164 526	(430 980)
Movements in provisions	(1 190 000)	1 690 000
Changes in working capital:		
Receivables from exchange transactions	116 364	(59 153)
Payables from exchange transactions	1 430 468	497 144
Taxes and transfers payable (nonexchange)	(111 583)	132 443
	(377 159)	(3 929 379)

Notes to the Consolidated Annual Financial Statements (continued)

23. 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 20

Ultimate controlling entity

KwaZulu-Natal Provincial Legislature

Executive Authority

MEC of EDTEA

Controlling Department

Department of EDTEA

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.

Controlled entities

Transformation Fund

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 14

	2024 R	2023 R
Related party transactions		
Collection of gambling taxes on behalf of the Province		
Department of EDTEA	736 018 530	773 352 178
Grants received		
Department of EDTEA	52 676 000	50 552 000
KZN Liquor Authority (balance included under trade receivables)		
Secondment of employee	954 568	954 568
Strategic planning facilitator	-	167 325
Repayments received	-	(167 325)
	954 568	954 568

Notes to the Consolidated Annual Financial Statements (continued)

23. RELATED PARTIES (CONTINUED)

Key management information

Class	Description	Number
Non-executive board members	Governance (and oversight)	7
Executive board members	Strategy implementation and Administrative head	1
Executive management	Policy Implementation	6

	2024 R	2023 R
24. TAXATION		
The entity is exempted from the payment of income tax.		
25. Employee benefit obligations		
Defined contribution plans		
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, exists 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	7 857 250	8 126 881

Notes to the Consolidated Annual Financial Statements (continued)

	At amortised cost R	Total R
26. FINANCIAL INSTRUMENTS DISCLOSURE		
Categories of financial instruments		
2024		
Financial assets		
Trade and other receivables from exchange transactions	2 451 788	2 451 788
Cash and cash equivalents	67 608 324	67 608 324
	70 060 112	70 060 112

Financial liabilities

	At amortised cost R	Total R
Trade and other payables from exchange transactions	41 203 984	41 203 984
Taxes and transfers payable (non-exchange)	123 717	123 717
Bank overdraft	6 680	6 680
	41 334 381	41 334 381

2023

Financial assets

	At amortised cost R	Total R
Trade and other receivables from exchange transactions	2 603 607	2 603 607
Cash and cash equivalents	71 822 561	71 822 561
	74 426 168	74 426 168

Financial liabilities

	At amortised cost R	Total R
Trade and other payables from exchange transactions	39 773 517	39 773 517
Taxes and transfers payable (non-exchange)	235 300	235 300
Bank overdraft	56 834	56 834
	40 065 651	40 065 651

Notes to the Consolidated Annual Financial Statements (continued)

	2024 R	2023 R
27. COMPARATIVE FIGURES		
Certain comparative figures have changed as a result of rounding. In addition, certain wording have been amended to improve the readability and understanding of the financial statements .		
28. COMMITMENTS		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	5 969 318	-
Total capital commitments		
Already contracted for but not provided for	5 969 318	-
Already contracted for but not provided for		
• Distribution to beneficiaries	279 560	100 000
Total operational commitments		
Already contracted for but not provided for	279 560	100 000
Minimum lease payments due		
- within one year	5 789 197	2 434 951
- in second to fifth year inclusive	18 812 229	-
	24 601 426	2 434 951

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.

Notes to the Consolidated Annual Financial Statements (continued)

29. CONTINGENCIES

Contingent Liabilities:

- **The Peoples Forum Against EBTs vs KZNGBB** The applicant is seeking to set aside the Board's decision to register EBT's. The Board is opposing the matter and as such could be liable for costs if an award is made against it. The matter is currently dormant, but has not been withdrawn. The Board's legal team is seeking to have this matter settled. In the absence of settlement, the legal representatives of the the Board are confident that its defence will be successful. At this stage it is not possible to reasonably quantify the costs should such an order be made against the Board. The estimated costs for counsel in the matter is R50 000.
- **Afrisun vs KZNGBB and 22 Others** the applicant brought an application in terms of PAJA seeking to set aside the Board's decision to approve applications for the renewal of Bingo licenses. The Board is opposing the matter. The matter is dormant, but has not been withdrawn. In the absence of settlement, the legal representatives of the Board are confident that its defence will be successful. However, a cost order is sought against Board if its defence is unsuccessful. At this stage it is not possible to reasonably quantify the costs should such an order be made against the Board. The estimated costs for counsel is R1 million to continue the defence of the matter.
- **Afrisun vs MEC for Finance & 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 R80.5 million in overpaid taxes. The matter is being defended by the MEC of Finance and supported by the Board. The costs of council to defend the matter will be shared by the Board and KZN Treasury. If the Board and MEC are successful then the Board's liability will be half of the costs incurred in defending the matter, which is anticipated at being R600,000. If the Board and the MEC are unsuccessful then at worst the Board and the MEC will be liable for the aforesaid R80,5 million plus Afrisun's costs.
- **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 R220 000 to defend the matter.
- **Gold Circle (Pty) Ltd vs KZNGBB and others** Gold Circle has brought an application for the distribution of punters taxes in terms of the Tax Act. The matter is currently awaiting a hearing date. The KZNGBB is opposing the claim. Gold Circle is seeking payment of the punters tax and costs against the entity. If the matter goes against the entity, then the entity will be liable for costs. At this stage it is not possible to reasonably estimate the cost order against the entity. It is estimated that the claim and costs to defend the matter would be in the region of R10 million.
- **Galaxy Bingo CBD & Others v KZNGBB & Others** The applicant is challenging the decision of the Board to award ISO licenses. The Board is opposing the application. The estimated costs for defending the matter is R250 000.
- **KZN Gaming & Entertainment & Galaxy Bingo Midlands vs KZNGBB & Others** the applicants are seeking an order declaring a bingo license has lapsed. In addition, the applicant is looking to set aside the decision of the Board to relocate a bingo license to another premises. The Board is opposing the application. The estimated costs for defending the matter is R250 000.
- **Four former employees** have taken the entity to the CCMA challenging the lawfulness of their dismissals and requesting to be reinstated. The Board is opposing the application by the former employees. In the event that the Commissioner finds against the Board and orders the employee to be reinstated, the Board will be liable for approximately R2.8 million.
- A contingent liability exists with regards to the surrender of surplus funds accumulated by the entity. In terms of the statute the entity is not allowed to retain their surpluses without the approval of the relevant Treasury. 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. There have been instances in the past when the entity was instructed by the Provincial Treasury to surrender amounts to the Revenue Fund. It is not expected that the entity will be required to surrender any further amounts at this point in time. However, should the request to retain the surplus be denied, then a contingent liability exist. At this point in time the amount to be surrendered cannot be reliably measured.

Notes to the Consolidated Annual Financial Statements (continued)

30. IRREGULAR EXPENDITURE*REFER TO RECONCILING NOTES IN THE ANNUAL REPORT

The entity did not identify any irregular expenditure in current or prior year.

31. FRUITLESS AND WASTEFUL EXPENDITURE

There was no fruitless and wasteful expenditure recognised in the current year.

32. ACCOUNTING BY PRINCIPALS AND AGENTS

The entity is a party to a principalagent 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 distributing the taxes to beneficiaries. 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 & 23 for values relating to this arrangement.

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

	2024 R	2023 R
Gambling taxes		
Opening balance	236 042	103 599
Expenses incurred on behalf of the principal	736 018 530	773 484 620
Cash paid on behalf of the principal	(14 229 817)	(61 639 342)
Amounts transferred to the principal	(721 900 500)	(711 712 835)
	124 255	236 042

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

Notes to the Consolidated Annual Financial Statements (continued)

33. 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 counterparty.

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.

34. BBBEE PERFORMANCE

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

35. NEW STANDARDS AND INTERPRETATIONS

35.1 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:

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.

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 has adopted the interpretation for the first time in the 2023/2024 01 April 2023.

The impact of the interpretation is not material.

GRAP 25 (as revised): Employee Benefits

Notes to the Consolidated Annual Financial Statements (continued)

35. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

35.1 Standards and interpretations effective and adopted in the current year (continued)

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 amendments have not yet been set. 01 April 2023.

The entity has adopted the revisions for the first time in the 2023/2024 consolidated annual financial statements.

The impact of the revisions is not material.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

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.

Notes to the Consolidated Annual Financial Statements (continued)

35. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

35.1 Standards and interpretations effective and adopted in the current year (continued)

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).

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

The entity has adopted the revisions for the first time in the 2023/2024 01 April 2023.

The impact of the revisions is not material.

GRAP 2020: Improvements to the Standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
 - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
 - Added heading “Guidance on initially measuring selfconstructed investment property at fair value”
 - Added clarification that investment property is measured at fair value at earliest of:
 - o completion of construction or development; or
 - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
- Change in use involves an assessment on whether:
 - o property meets, or ceases to meet definition of investment property and
 - o evidence exists that a change in use has occurred
- List of examples of a change in use is regarded as nonexhaustive

Notes to the Consolidated Annual Financial Statements (continued)

35. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

35.1 Standards and interpretations effective and adopted in the current year (continued)

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
 - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
 - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
 - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
 - Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
 - Primary financial statements amended to “financial statements” or “face of the financial statements”

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
 - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
 - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
 - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
 - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The entity has adopted the improvements for the first time in the 2023/2024 consolidated annual financial statements. The adoption of this improvements 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.

Notes to the Consolidated Annual Financial Statements (continued)

35. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

35.1 Standards and interpretations effective and adopted in the current year (continued)

GRAP 1 (amended): Presentation of Financial Statements (Materiality)

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.

The adoption of this amendment 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.

35.2 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 2024 or later periods:

GRAP 104 (as revised): Financial Instruments

Notes to the Consolidated Annual Financial Statements (continued)

35. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

35.2 Standards and interpretations issued, but not yet effective (continued)

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

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

The most significant changes to the Standard affect:

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

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

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

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

36. SEGMENT INFORMATION

General information

Identification of segments The KwaZulu-Natal Gaming & Betting Board regulates gambling activities through the provisions of the KwaZulu-Natal Gaming & Betting Act 08 of 2010, as amended. The entity operates from the KwaZulu-Natal province. The entity has the following units:

- Administration
- Operations

These units, individually, do not generate any economic benefits, their results are not regularly reviewed by management to make decisions and separate financial information for reporting purposes is not available for these units. The management has therefore assessed and concluded that segment reporting is not applicable.

Part G

TRANSFORMATION FUNDS

Formerly Horseracing & Betting

Transformation Fund

Annual Financial Statements for the Year Ended 31 March 2024



Index

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

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Statement of Financial Performance	153
Statement of Changes in Net Assets	154
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Abbreviations used:

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

General Information

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
Economic entity	Department of EDTEA
Auditors	Auditor-General South Africa
Board Secretary	Ms N Ntombela

Members' Responsibilities and Approval

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 fund 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 fund 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 fund and all employees are required to maintain the highest ethical standards in ensuring the fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the fund is on identifying, assessing, managing and monitoring all known forms of risk across the fund. While operating risks cannot be fully eliminated, the fund 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 fund is a going concern and that the fund has neither the intention nor the need to liquidate or curtail materially the scale of the fund.

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

The external auditors are responsible for providing reasonable assurance on the fund's annual financial statements. The annual financial statements have been examined by the fund's external auditors and their report is presented on page 146.

The annual financial statements set out on pages 150 to 165, which have been prepared on the going concern basis, were approved by the members on 31 May 2024 and were signed on its behalf by:



Ms MP Myeni
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 150 to 165 which comprise the statement of financial position as at 31 March 2024, the 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 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 2024, and their financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

BASIS FOR OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the 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 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 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 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 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 this auditor's report.

Report of the Auditor-General to the Provincial Legislature on the Transformation Fund (continued)

REPORT ON COMPLIANCE WITH LEGISLATION

1. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The board is responsible for the entity's compliance with legislation.
2. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
3. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
4. I did not identify any material non-compliance with the selected legislative requirements.

OTHER INFORMATION IN THE ANNUAL REPORT

5. The accounting is responsible for the other information included in the annual report. The other information referred to does not include the financial statements.
6. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
7. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and my knowledge obtained in the audit, or otherwise appears to be materially misstated.

INTERNAL CONTROL DEFICIENCIES

8. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
9. I did not identify any significant deficiencies in internal control.



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Pietermaritzburg

31 July 2024

Annexure to the Auditor's Report (continued)

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

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 material performance indicators and on the [type of auditee]'s compliance with selected requirements in key legislation.

FINANCIAL STATEMENTS

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 [type of auditee]'s internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the [consolidated and separate] 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 [type of auditee] [and its subsidiaries] 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 [consolidated and separate] financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the [consolidated and separate] 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 a [type of auditee] to cease operating as a going concern
- evaluate the overall presentation, structure and content of the [consolidated and separate] financial statements, including the disclosures, and determine whether the [consolidated and separate] financial statements represent the underlying transactions and events in a manner that achieves fair presentation[.]
- [obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.]

Annexure to the Auditor's Report (continued)

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

I communicate with the [party responsible] 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.

I also provide the [party responsible] with a statement that I have complied with relevant ethical requirements regarding independence and 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.

[From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the [consolidated and separate] financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.]

Members' Report

The members submit their report for the year ended 31 March 2024.

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 were 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 participate in the gambling industry.

During the year under review, the Transformation Fund Committee considered and approved applications for funding. The Fund made additional awards to beneficiaries in the current year. A total of R323 040 (2023: R1 047 814) was disbursed in support of projects seeking to transform the economy, create jobs and enhance skills. A further R279 000 has been committed towards these projects based on the achievement of milestones.

The operating results and state of affairs of the fund are fully set out in the attached annual financial statements and do not in our opinion require any further comment. Net deficit of the fund was R 271 902 (2023: deficit R 994 385).

3. GOING CONCERN

We draw attention to the fact that at 31 March 2024, the fund had an accumulated surplus of R 354 535 and that the fund's total assets exceed its liabilities by R 354 535.

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 (continued)

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	Resigned 29 November 2022
Ms MP Myeni	South African	
Adv KP Thango	South African	Resigned 11 January 2023
Mr LS Gabela	South African	
Prof BS Stobie	South African	
Mr TB Hlongwa	South African	Appointed 01 March 2024
Mr MGM Zikalala	South African	
Mrs N Maharaj	South African	Resigned 25 July 2023
Mrs CN Mhlongo	South African	
Ms SF Mkhize	South African	

6.2 Transformation Fund Adjudication Committee

The Accounting Authority appointed the Transformation Fund Adjudication Committee, whose 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. BOARD SECRETARY

The board secretary of the fund is Ms N Ntombela of:

Business address

KZNGBB House
Redlands Office Park
01 George MacFarlane Drive
Pietermaritzburg
3201

Postal address

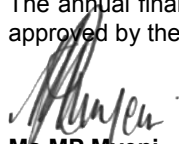
Private Bag X9102
Pietermaritzburg
3200

Ms N Ntombela was appointed as Board Secretary w.e.f. 03 May 2022. Mrs PJ Stretch acted as Board Secretary from 01 August 2021 until 02 May 2022.

8. Auditors

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

The annual financial statements set out on pages 150 to 165, which have been prepared on the going concern basis, were approved by the members on 31 May 2024 and were signed on its behalf by:



Ms MP Myeni
Chairperson

Statement of Financial Position as at 31 March 2024

	Note(s)	2024 R	2023 R
Assets			
Current Assets			
Receivables from exchange transactions	2	10 163	4 530
Cash and cash equivalents	3	1 394 372	621 907
		1 404 535	626 437
Total Assets		1 404 535	626 437
Liabilities			
Current Liabilities			
Payables from exchange transactions	4	1 050 000	-
Total Liabilities		1 050 000	-
Net Assets		354 535	626 437
Accumulated surplus		354 535	626 437
Total Net Assets		354 535	626 437

Statement of Financial Performance

	Note(s)	2024 R	2023 R
Revenue			
Revenue from exchange transactions			
Interest received - investment	5	51 138	53 429
Expenditure			
Distribution to beneficiaries	6	(323 040)	(1 047 814)
Deficit for the year		(271 902)	(994 385)

Statement of Changes in Net Assets

	Accumulated surplus / deficit R	Total net assets R
Balance at 01 April 2022	1 620 822	1 620 822
Changes in net assets		
Surplus for the year	(994 385)	(994 385)
Total changes	(994 385)	(994 385)
Balance at 01 April 2023	626 437	626 437
Changes in net assets		
Loss for the year	(271 902)	(271 902)
Total changes	(271 902)	(271 902)
Balance at 31 March 2024	354 535	354 535

Cash Flow Statement

	Note(s)	2024 R	2023 R
Cash flows from operating activities			
Receipts			
Interest income		45 505	54 871
Other receipts		1 050 000	-
		1 095 505	54 871
Payments			
Suppliers & beneficiaries		(323 040)	(1 047 814)
Net cash flows from operating activities	7	772 465	(992 943)
Net increase/(decrease) in cash and cash equivalents		772 465	(992 943)
Cash and cash equivalents at the beginning of the year		621 907	1 614 850
Cash and cash equivalents at the end of the year	3	1 394 372	621 907

The accounting policies on page 156 and the notes on pages 157 to 165 form an integral part of the annual financial statements.

Notes to Annual Financial Statements

1. SIGNIFICANT ACCOUNTING POLICES

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.

The principal accounting policies applied in the preparation of these annual financial statements are set out 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.

1.3 Funding policy

A project or initiative will be awarded funding in the form of a grant for part of or all of its financial requirements. This will be dependent on the specifications referred to in the submitted business plan and funding request. A grant is an award of funds from the government that does not need to be repaid by the receiving party. Furthermore, it does not accrue interest, however it has strict guidelines for the application process.

The receiving applicant is obligated to spend the funds in a manner specified by the Board or according to the conditions that are agreed to in the funding contract/ agreement. Funding will only be considered for business or value chain businesses that are directly linked to the promotion of the objectives as defined in terms of the definition of the "Transformation Fund".

Notes to Annual Financial Statements (continued)

	2024 R	2023 R
2. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Accrued income	10 163	4 530
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Short-term deposits	1 394 372	621 907
4. PAYABLES FROM EXCHANGE TRANSACTIONS		
CSI funds held for distribution	1 050 000	-
CSI funds held for distribution comprises of amounts received from licensees and other sister public entities for specific projects. The fund holds these amounts on behalf of these entities to be distributed to the projects as milestones are achieved		
5. REVENUE		
Interest received - investment	51 138	53 429
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received - investment	51 138	53 429

Notes to Annual Financial Statements (continued)

	2024 R	2023 R
6. GENERAL EXPENSES		
Distribution to beneficiaries	323 040	1 047 814
The fund awarded grants to successful applicants with the intention of growing the economy, creating jobs and developing skills. These awards have been made in line with the approved terms of reference of the fund.		
Details of beneficiaries		
Beneficiary		
South African Grooms Association	-	100 000
Blac Distinxion	-	140 000
South African Bookmakers Association	-	197 704
Traditional Horse Racing & Breeding	-	156 900
Ithotho Empowerment	-	199 720
Traditional Horse Racing & Breeding	100 000	100 000
Coastal Horse Care Unit	-	153 490
Nguni Skin	170 000	-
Dolphin Coast Equestrian Centre	53 040	-
	323 040	1 047 814

Notes to Annual Financial Statements (continued)

	2024 R	2023 R
7. CASH GENERATED FROM (USED IN) OPERATIONS		
Deficit	(271 902)	(994 385)
Changes in working capital:		
Receivables from exchange transactions	(5 633)	1 442
Payables from exchange transactions	1 050 000	-
	772 465	(992 943)
8. COMMITMENTS		
Authorised operational expenditure		
Already contracted for but not provided for		
• Distribution to beneficiaries	279 560	100 000
Total operational commitments		
Already contracted for but not provided for	279 560	100 000
The committed amounts relate to awards made by the committee to beneficiaries subject to certain conditions being met. Once the conditions are achieved the funds will be disbursed to the beneficiary.		

Notes to Annual Financial Statements (continued)

9. RELATED PARTIES

Relationships

Board Members	Related party transactions with Board Members is limited to the remuneration paid to members. There was no remuneration paid to members for the period under review. There was no other related party transaction to disclose. Details of members are contained in the Members Report.
Ultimate controlling entity	KwaZulu-Natal Provincial Legislature
Executive Authority	MEC of Economic Development, Tourism and Environmental Affairs
Controlling Department	KwaZulu-Natal Gaming and Betting Board ("KZNGBB")
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, therefore the Fund is a related party to these entities. The complete list of related entities can be found on the Department's website: www.kznedtea.gov.za .
Senior Management	<p>The Fund does not have any employees, however oversight of its operations is the purview of the Senior Management of the KZNGBB. There were no related party transactions with Management to disclose. Details of Senior Management of KZNGBB and their designations are listed below:</p> <p>Ms. PN Baloyi - Chief Executive Officer Mr. RS Goodayle - Acting Senior Manager: Business Development Unit Mrs. PJ Stretch - Head: Governance Risk & Compliance Mr. V Ramdas - Chief Financial Officer Mr. RC Bestel - Senior Manager: Betting Monitoring & Control Mr B Mngoma - Chief Operating Officer Mr. M Ngwenya - Chief Legal Officer Mr. T Ngubane - Acting Senior Manager: Licensing & Registration</p>

Key management information

Class	Description	Number
Non-executive board members	Governance and oversight	7
Executive board members	Strategy implementation and Administrative head	1
Executive management	Policy Implementation	6

Notes to Annual Financial Statements (continued)

10. NEW STANDARDS AND INTERPRETATIONS

10.1 Standards and interpretations issued, but not yet effective

The fund has not applied the following standards and interpretations, which have been published and are mandatory for the fund's accounting periods beginning on or after 01 April 2024 or later periods:

Guideline: Guideline on the Application of Materiality to Financial Statements

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

It covers:

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

The guideline is encouraged to be used by entities.

The fund expects to adopt the guideline for the first time in the 2024/2025 annual financial statements.

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

GRAP 104 (as revised): Financial Instruments

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

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

Notes to Annual Financial Statements (continued)

10. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

10.1 Standards and interpretations issued, but not yet effective (continued)

The most significant changes to the Standard affect:

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

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

The fund expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

It is unlikely that the standard will have a material impact on the fund's 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.

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 this interpretation is 01 April 2023.

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

Notes to Annual Financial Statements (continued)

10. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

10.1 Standards and interpretations issued, but not yet effective (continued)

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
 - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
 - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
 - Added clarification that investment property is measured at fair value at earliest of:
 - o completion of construction or development; or
 - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
 - Change in use involves an assessment on whether:
 - o property meets, or ceases to meet definition of investment property and
 - o evidence exists that a change in use has occurred
 - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
 - Land has an unlimited useful life and cannot be consumed through its use

Notes to Annual Financial Statements (continued)

10. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

10.1 Standards and interpretations issued, but not yet effective (continued)

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
 - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
 - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
 - Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
 - Primary financial statements amended to “financial statements” or “face of the financial statements”

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
 - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
 - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
 - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
 - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The fund expects to adopt the improvements for the first time in the 2023/2024 annual financial statements.

Notes to Annual Financial Statements (continued)

10. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

10.1 Standards and interpretations issued, but not yet effective (continued)

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.

A fund 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 fund expects to adopt the amendment for the first time in the 2025/2026 annual financial statements.