



# Wes-Kaapse Provinsiale Parlement Western Cape Provincial Parliament IPalamente yePhondo IeNtshona Koloni

## **REPORT OF THE STANDING COMMITTEE ON FINANCE, ECONOMIC OPPORTUNITIES AND TOURISM ON THE ANNUAL REPORTS OF THE PROVINCIAL TREASURY AND THE WESTERN CAPE GAMBLING AND RACING BOARD FOR THE YEAR ENDED 31 MARCH 2020, DATED 3 FEBRUARY 2021**

### **1. Introduction**

The Annual Report programme for the 2019/20 financial year was advertised in newspapers, inviting stakeholders and members of the public to attend and participate in the virtual meeting and discussions.

Members of the Standing Committee on Finance, Economic Opportunities and Tourism (the Committee) deliberated on Part A: General Information, Part B: Performance Information and Part D: Human Resource Management of the Annual Reports of the Provincial Treasury and its Entity, the Western Cape Gambling and Racing Board, on 10 December 2020.

Members of the public were also given an opportunity to pose questions and make oral submissions. The Committee did not receive any input from the public for this Annual Report deliberation.

### **2. Overview**

The Committee considered the Annual Reports of the Provincial Treasury and its Entity; Western Cape Gambling and Racing Board (the Board).

Before proceeding to the consideration of the Annual Reports, the Minister, the Head of Department, the respective Chief Executive Officer and Chairperson of the Board were given an opportunity to make opening remarks.

In the year under review, the Provincial Treasury received its seventh consecutive unqualified audit with no findings, and achieved 98% of its targets. This was particularly important as it came during a period of leadership transition in respect of the arrival of the new Head of Department, Mr D Savage. The Department also received the Silver Award for the “Best Ethics Department” in the Provincial Service Excellence Awards.

The Board achieved the majority of its targets with 12 being fully achieved and four being partially achieved. The Board also received an unqualified audit with findings.

### **3. Deliberations on the 2019/20 Annual Reports**

#### **3.1 Provincial Treasury: Findings/Concerns**

- 3.1.1 A question was raised in respect of whether the Western Cape Gambling and Racing Board (the Board) was better suited to report to the Department of Economic Development and Tourism, given that gambling is considered an economic activity and because the Provincial Treasury's focus was on revenue collection, management of budget and fiscal policy etc. The Provincial Treasury indicated that the transfer of the Board to another department was not currently being considered. There was a trade-off between the social harms stemming from the economic activities associated with gambling and the fact that gambling was a specialised area of regulation. There was a policy review taking place in respect of certain matters and regulations, and this matter of the possible transfer of the Board to another department could be raised during this review.
- 3.1.2 In terms of Provincial Treasury's Programme 2: Sustainable Resource Management, nearly all the targets for the sub-programmes have been achieved. However, in terms of budget performance for Programme 2, there is a striking increase in underspending of the budget for this programme compared to the previous financial year. The Provincial Treasury noted that the underspending in Programme 2 affected its spending performance slightly, but it has not affected its outcomes in terms of the non-financial targets for the 2019/20 financial year.
- 3.1.3 The Provincial Treasury informed the Committee that public sector supply chain matters were very complicated and there were significant supply requirements that were daunting, particularly for small suppliers. The Provincial Treasury's commitment was to work with each and every supplier and guide them through the supply chain system. The Provincial Treasury added that the Supplier Database Walk-in Centre did not only look at problem areas, it also looked at support provided to suppliers, as not all suppliers were tech-savvy. The Committee noted that the manner in which this data was recorded in the 2019/20 Annual Report was concerning as the Committee could not discern between the support given and the problems encountered.
- 3.1.4 The Committee was aware that the Provincial Treasury had assisted Kannaland Municipality (the Municipality) with financial and administration matters. The Committee previously met with the Municipality and Innovasure on their proposed energy project. The Committee also, recently, became aware that the Municipality's Council met at 15h00 on 10 December 2020 to discuss the Innovasure Project as an Unsolicited Bid - Public Private Partnership (PPP). The document, to be discussed by the Council, included the report of the Municipal Manager and informed the Council of the Project's progress to date, the options available to progress with the project, and requested the Council to resolve on the Innovasure matter. The document detailed events that unfolded in 2019 with Innovasure and the National Treasury. The document also indicated that the Municipality had received communique from the National Treasury on 19 August 2020, stating that the PPP should be delayed until the National Treasury's concerns are addressed. However, the Municipality disagreed with the National Treasury and indicated that they did not need permission from National Treasury to continue with the project, according to the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA), and that they did not have to continue the project as a PPP. According to the 2019/20 Annual Report of the Provincial Treasury, R4, 821 million was given to the Municipality by the

Provincial Treasury, as part of the Western Cape Municipal Financial Recover Services Grant, for financial governance and financial sustainability. There was a concern about whether the Municipality would be able to manage its administrative and financial duties, in addition to this project, given that the Municipality was still under administration. Minister Maynier and the Provincial Treasury agreed that this project was a concern as the Municipality was under a provincial financial recovery plan. The Provincial and National Treasuries have cautioned the Municipality against moving forward with this project. The Provincial Treasury has raised concerns about whether the project would compromise the financial recovery plan of the Municipality. The Provincial Treasury was aware of the Council meeting taking place and the officials would be taking action during the course of the day, ensuring that the Council is fully apprised of the legal views as well as Provincial Treasury and National Treasury's views on the project. The Provincial Treasury would like to assist the Municipality to find the right model to proceed with its energy security intentions. It also came to the Committee's attention, during this meeting, that the Minister of Local Government, Mr A Bredell, had just issued the Municipality with a letter of demand to cessate in respect of this project.

- 3.1.5 Laingsburg Municipality in the Central Karoo had approximately R300 for service delivery expenses in its bank account about two to three months ago. Beaufort West and Knysna were also problematic areas that needed assistance from Provincial Treasury to put proper policies in place, to root out corruption and achieve a clean audit. The Provincial Treasury offers bespoke support to municipalities, and has worked with Laingsburg Municipality on its cash flow challenges. The Provincial Treasury has written to the Laingsburg, Beaufort West and Knysna Municipalities to offer its assistance so that the municipalities may improve their financial performances and audit processes. The Provincial Treasury has asked that these municipalities provide it with all their audit steering committee meeting dates. The Provincial Treasury was committed to supporting these municipalities, especially the Chief Financial Officers (CFOs), in vetting the responses provided to the Auditor-General, and anywhere else that the Provincial Treasury can assist with. The Provincial Treasury keeps in contact with the CFOs on a weekly basis. This service is also offered to all the municipalities in the Province.

### 3.2 **Western Cape Gambling and Racing Board: Findings/Concerns**

- 3.2.1 There was a concern regarding the policy rationale to locate the Western Cape Gambling and Racing Board (the Board) under Provincial Treasury and not under the Department of Economic Development and Tourism. Concerns were raised by the Board that its responsibilities may be more suited to fall under the work of the Department of Economic Development and Tourism than under the Provincial Treasury. This matter was also raised during the deliberations on the Provincial Treasury's 2019/20 Annual Report Deliberations (see point 3.1.1)
- 3.2.2 The Board fully achieved 14 of its targets and partially achieved four of its targets. The reason for the partial achievement were related to the COVID-19 National Disaster Regulations, and the industry and the Board's early response to the lockdown. With the announcement of the National Disaster Regulations and the lockdown, the Board suspended audits, which requires physical contact and the casinos closed their premises in order to process all logistical activities prior to the lockdown.

- 3.2.3 There was a concern about how the Committee could make the process of nominations of candidates to the Board more efficient in order to negate the quorum challenges that the Board had experienced in recent years. The Board had made submissions on the Western Cape Nineteenth Gambling and Racing Amendment Bill [B 1-2020], requesting that the quorate rule should state that the quorum should be a majority representation of members and that the Executive Council should be able to extend board members' terms for a period up to three years instead of one year.
- 3.2.4 Practice has shown that illegal online gambling has continued unabated and the ban on online gambling has not been enforced effectively. There seemed to be confusion between online gambling, which was illegal in South Africa, and betting online offered by bookmakers, which was legal i.e. casino-type gambling offered online, such as roulette, was offered by illegal operators. The Board has started to address this confusion by distributing information/communication about the types of gambling that are illegal and those that are not. However, the Board has also been advocating for law and policymakers to legalise and regulate online gambling, which would force these operators to contribute to the fiscus and invest in Corporate Social Investment.

#### **4. Resolutions/Actions**

4.1 The Committee RESOLVED to, at a future date:

- 4.1.1 Visit the Kannaland Municipality to receive an update on the proposed Kannaland-Innovasure Energy Project and a briefing on the legal and factual concerns in respect of this project, by all relevant role players, including the Provincial Treasury, National Treasury, the Department of Local Government, Kannaland Municipality and Innovasure;
- 4.1.2 Invite the Provincial Treasury, National Treasury and the Auditor-General of South Africa to brief the Committee on how they will assist businesses and entrepreneurs, in terms of procurement, to submit relevant documentation, digitally, so that they do not have to submit hardcopies to departments;
- 4.1.3 Invite the Provincial Treasury to brief the Committee on the proposed dispute mechanism on wasteful and irregular expenditure as proposed by the Provincial Treasury; and
- 4.1.4 Invite the Western Cape Gambling and Racing Board to brief the Committee on the various sectors in the gambling industry and the compliance requirements for each of those sectors. Thereafter, the Committee will determine whether to undertake an oversight visit in respect of the industry and decide which sectors they would like to oversee.

4.2 The Committee REQUESTED that the Provincial Treasury, submits, by 24 February 2021:

- 4.2.1 The submission the Provincial Treasury made, with the Western Cape Government, on the Draft Public Procurement Bill, 2020;
- 4.2.2 A copy of the "Overview of Provincial and Municipal Infrastructure, 2020" booklet; and
- 4.2.3 The Kannaland Municipality's Council documents on the Innovasure Energy Project and all other relevant documents and communicate, including the letter of demand to cessate, from the relevant departments involved in this project, that were submitted to Kannaland Municipality on this matter.

4.3 The Committee FURTHER REQUESTED that the Provincial Treasury, submits to the Committee:

- 4.3.1 On a quarterly basis, the reports on the challenges experienced by the Laingsburg, Beaufort West and Knysna Municipalities, and the manner in which these challenges were addressed by the Provincial Treasury; and
- 4.3.2 The Service Delivery and Budget Implementation Plan reviews/evaluations, as and when they are published.

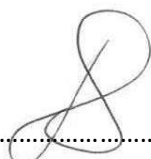
4.4 The Committee FURTHER REQUESTED that the Minister provide the Committee with a report, by 24 February 2021, on whether the Western Cape Gambling and Racing Board would be better suited to report to the Provincial Treasury or the Department of Economic Development and Tourism, given the different mandates of both departments.

4.5 The Committee RECOMMENDED that the Minister and Provincial Treasury consider, for the next financial year's Annual Report, separating the statistics for the number of queries for the Walk-in Centre in terms of the general support provided for persons and small businesses, and the problems/challenges encountered.

4.6 The Committee FURTHER RECOMMENDED that the Minister and Provincial Treasury consider ways in which to reduce the number of queries at the Walk-in Centre without compromising the assistance/support provided to persons and small businesses dealing with red tape challenges, and without compromising the support given to local government and other departments.

## 5. Conclusion

The Chairperson thanked the Minister, Provincial Treasury and the Board for their preparation and responses to questions raised by the Committee members, and for their hard work and dedication during a difficult year. The Chairperson further congratulated the Provincial Treasury for its seventh consecutive clean audit and for achieving the Silver Award for "Best Ethics Department" at the Provincial Service Excellence Awards.



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**ADV D BAARTMAN, MPP**

**CHAIRPERSON: STANDING COMMITTEE ON FINANCE, ECONOMIC OPPORTUNITIES AND TOURISM**

**DATE: 3 February 2021**