

Western Cape Gambling and Racing Board



**Western Cape
Gambling and Racing Board**

**Annual Report
2017/18**

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Part A: GENERAL INFORMATION

1. GENERAL INFORMATION

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EXTERNAL AUDITORS: Auditor-General of South Africa

BANKERS: Nedbank

BOARD SECRETARY: Heinrich Brink

2. LIST OF ABBREVIATIONS/ACRONYMS

ABBREVIATION/ACRONYM	DESCRIPTION
ADFIN / Adfin	Administration and Finance
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BBBEE	Broad Based Black Economic Empowerment
Board	Western Cape Gambling and Racing Board
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPF	Community Policing Forums
CPI	Consumer Price Index
CSI	Corporate Social Investment
Constitution	The National Constitution of the Republic of South Africa, 1996
EE	Employment Equity
ERM	Enterprise Risk Management
EWP	Employee Wellness Programme
EXCO	Executive Committee
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act, 2001
GRAF	Gambling Regulators Africa Forum
GRAP	Generally Recognised Accounting Practice
GRC	Gambling Review Commission
HCC	Human Capital Committee
HOD	Head of Department
HR	Human Resources
HRBF	Horse Racing and Betting Forum
HRC	Horse Racing Committee
IAGA	International Association of Gaming Advisors
IAGR	International Association of Gaming Regulators
ICT	Information and Communication Technology
IT	Information Technology
IYM	In Year Monitoring
LSA	Long Service Award
LPM	Limited Pay-out Machines
MEC	Member of the Provincial Executive Council
Minister	Western Cape Minister for Finance
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework

ABBREVIATION/ACRONYM	DESCRIPTION
NCEMS	National Central Electronic Monitoring System
NGB	National Gambling Board
NPC	Not for Profit Company
NTR	National Treasury Regulations
OD	Organisational Development
OHASA	Occupational Health and Safety Act, 1993
PAIA	Promotion of Access to Information Act, 2000
PAJA	Promotion of Administrative Justice Act, 2000
PDO	Predetermined Objective
PFMA	Public Finance Management Act, 1999
PGWC	Provincial Government of the Western Cape
PI	Performance Indicator
POPI	Protection of Personal Information Act, 2013
PRMA	Post-Retirement Medical Aid
PT	Provincial Treasury
PTR	Provincial Treasury Regulations
SAPS	South African Police Services
SARGF	South African Responsible Gambling Foundation
SCA	Supreme Court of Appeal
SC	Senior Counsel
SCM	Supply Chain Management
SCOF	Standing Committee on Finance
SCOPA	Standing Committee on Public Accounts
SOPI	Strategic Objective Performance Indicator
Act	Western Cape Gambling and Racing Act, 1996
TR	Treasury Regulations
Type B LPM	Sites with 6 to 20 LPMs
Type C LPM	Sites with 21 to 40 LPMs
WCBD4	Western Cape Bid Document 4
WCED	Western Cape Education Department
Western Cape	The Province of the Western Cape

3. FOREWORD BY THE CHAIRPERSON

Mr D Lakay

Introduction

It gives me pleasure to present the Western Cape Gambling and Racing Board's Annual Report for the 2017/18 financial year.

The Western Cape Gambling and Racing Board is a Public Finance Management Act schedule 3C provincial public entity mandated to regulate gambling and betting in the Western Cape Province.

The Board has always and still is, honouring its mandate and achieved the majority of its targets. This included having processed 8 354 licence applications, conducting 1 227 assessments at licence holders, deliberated on 12 disputes and assisted punters with 14 self-exclusions.

The Board initiated several responsible gambling engagements with licence holders on their responsible gambling initiatives, practises, preventative measures and assistance to punters who either identified themselves or were identified by the industry as potential problem gamblers.

The Board also visited seven entities assisted by the gambling industry under their banner of their Corporate Social Investment initiatives. The purpose and effective outcome of these visits was to see first-hand the effect of the CSI contributions and to engage recipients to ensure that the funds were utilised effectively and was making an impact in the community. The Board is pleased to advise that the seven entities visited by the Board members proved to be effective and that the funds provided under the CSI Banner were put to good use.

Board Members

The Board is authorised to have seven Board Members. During the year under review, the extended term of office of Mr T Arendse, who was Chairperson at that time, expired. My term of office also expired and was extended for three months and upon expiry, for a further nine months.

On 13 March 2018, Dr P Voges, the Deputy Chairperson of the Board, tendered his resignation.

This resulted in the Board only having five Board Members, which is the required number for a quorum.

Consequently, despite set meeting dates and commitments, certain meetings had to be rescheduled to accommodate non-availability of Board Members.

At the time of writing this report, the Board had one vacancy.

Subsequent to the expiry of Mr T Arendse's term of office, I was appointed as Chairperson of the Board.

The Board tenders its sincere gratitude and thanks to Mr T Arendse and Dr P Voges for their invaluable contribution to the Board and their dedicated service in assisting the Board in achieving its mandate.

Board Awareness Programmes

The Board continues to build on its previous relationship building exercises and enjoys partnerships with SAPS, SARGF, WCED and have consolidated relationships with Western Cape Government Media and Law Enforcement Agencies.

During the year under review, the Board orchestrated and "carried out" interventions at schools in the Western Cape. Partners were SAPS, WCED, and SARGF. These interventions proved to be very successful and welcomed by the WCED and school governing bodies and teachers.

Illegal gambling

The Board investigated 49 cases of illegal gambling and for the year under review of which 18 were positive cases resulting the arrest of the alleged guilty persons, and the confiscation of devices. There were 31 investigations which had negative results and going forward there will be a different approach adopted by the Board which will effectively reduce the number investigations where the results is likely to be negative.

The Regulatory Compliance Department has engaged various policing units and has constituted partnerships with them resulting in greater synergies and results.



Legislative Amendments

The Board submitted its annual tariff increases in regulatory fees in line with CPI index, which was effected 1 April 2018.

Challenges

The Board's challenges are motivated by its constraints. They include:

Vacancies on its Board, which places pressure on its effectiveness to honour its scheduled meetings and consequently its mandate and affecting licence holders as scheduled events, are postponed.

Accommodation, which hampers the Board's ability to enhance its effectiveness and efficiencies through limiting resource expansion, staff morale and optimum spatial usage.

Broad Based Black Economic Empowerment

The Board continues to engage the industry on BBBEE achievements and monitors the set targets for the various sectors of the industry.

Medium Term Goals

The Board embarked on research into the use of "player cards" to assist with responsible gambling. The Board has completed the initial phase of information gathering and structuring and will continue in the new financial year with developing the process for comment and review.

The Board has been requested to do further research on becoming financially self-sufficient and not relying on the Western Cape Government for financial support.

General

I hereby acknowledge the assistance and tender the Board's sincere gratitude for the Minister for Finance, Dr IH Meyer's guidance and support, the Members of SCOF and SCOPA for their oversight guidance, the Provincial Treasury officials for their kind assistance, my fellow Board Members and members of the Audit Committee for their support and professional manner of conducting business and the staff of the Board for the diligent execution of their duties who together have contributed immensely to the success achieved by the Western Cape Gambling and Racing Board.

I am pleased to announce that the Board has delivered on its mandate while at the same time, making considerable savings on its approved budget.



Mr D Lakay
Chairperson of the Board
Western Cape Gambling and Racing Board
31 August 2018

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Mr P Abrahams

I hereby present an overview of the Western Cape Gambling and Racing Board's performance for the financial year ended 31 March 2018.

The Board had an approved revenue budget of R58 103 701 of which R41 696 701 was own generated revenue and the balance of R16 407 000 being funded by a grant from the Western Cape Government.

The year under review resulted in the budgeted revenue from exchange transactions being reduced by R7 132 925. This loss of income arose due to expiry of the Route Operator fees, which fees were intended to be payable in perpetuity, for as long as the operator licences subsists. This is however being addressed through a legislative amendment.

This loss of revenue resulted in the Board requesting an additional grant from the Western Cape Government of R3 300 000.

The revenue and expenditure budget were adjusted accordingly to R54 270 749.

During the year under review and based on the adjusted revenue budget, the Board collected R1 459 243 more revenue than budgeted for. This was mainly due to new licence applications and the concomitant revenue attached to the process.

Accordingly, the Board earned own revenue of R36 022 992 being 87.69% of the previous year's own revenue collection. The grant from the Western Cape Provincial Government increased by 98.90% to R19 707 000. The Board is most grateful to the Western Cape Government for assistance in this regard.

The Western Cape Provincial Treasury has published its 19th Amendment Bill, which inter- alia seeks to address the expiration of the Route Operator Fees and if successful, will result in the reimplementing of the Route Operator Fee. This will assist in increasing the Board's own generated revenue.

The Board's operating expenditure increased by 13.83% to R51 239 893 and its capital expenditure by 166.90% to R1 042 175 in comparison to that of 2016/17.

This increase in expenditure is mainly attributable to the Board's employee benefits being aligned to that of the Western Cape Province where both its long service awards and its post-retirement medical aid benefits were equated to that offered by its counterparts at the Western Cape Provincial Administration. This resulted in increased actuarially based provisions of R3 185 000.

Actual operating expenditure was less than budget by R1 534 656, brought about by a concerted effort to reduce costs due to the loss of the Operator fee and the uncertainty surrounding further grants.

The net effect of revenue, actual operating transactions and the provisions for future employee benefits resulted in the Board producing a surplus of R48 569 for the 2017/18 financial year.

Capital expenditure included the purchase of two vehicles for use by Board staff in the performance of their duties. It is expected that the use of these vehicles will generate more cost savings by reducing private vehicle costs incurred while travelling.

The spending trends have remained the same over the last years with the cost of employment being 81.99% of operating expenditure.

This percentage increased due to the newly implemented policy of providing for post-retirement employee benefits.

Despite the zero net asset value, the Board is considered a going concern as the current assets exceeds the current liabilities and a fair amount of its liabilities are accounting liabilities which provisions may become payable only in the longer term. The cash flow projections and support of PT, if needed, indicates the going concern is the right basis. It must be noted that any surplus cash generated is payable to the fiscal fund which contributes to the Board reflecting a nil net asset value. For the year under review, the refund payable is R3 536 732.

The Board has performed its mandate and achieved its targets despite the saving in operational expenditure of R1 534 656.

The Board has always conducted its affairs in the most cost-effective manner possible under the prevailing circumstances and continues in this trend. All procurement was performed in an efficient manner and complied with the prescripts applicable to SCM processes.

The Board has increased its incidence of training for its employees with many training sessions discounted per delegate for an increased number of delegates or training at no additional financial cost.



The Board has collected R617 016 987 in taxes, levies and penalties from the industry of which R21 231 522 was paid to the totalisator, R132 424 was paid to the Responsible Gambling Foundation and R595 653 041 was paid to the Western Cape Provincial Government Fiscus.

The major challenge of the Board is adequate and safe accommodation for its employees. Provision has been made to accommodate the Board in alternative accommodation and at the time of writing, the Department of Transport and Public Works were in the process of seeking alternative accommodation for the Board. It is expected that on successful completion of this process, this challenge will be resolved.

The Board is striving to be financially self-sufficient. With the full range of legalised gambling offerings not having been rolled-out to the industry, the financial self-sufficiency remains a challenge. The Board is engaging Western Cape Provincial Treasury and seeking a solution to this challenge.

The findings raised by the Auditor-General in his 2016/17 review has been satisfactorily addressed and so attested to by the Auditor-General in his 2017/18 financial review.

It is with gratitude that the Board acknowledges the contribution of the Minister, Dr IH Meyer for his leadership and encouragement, the Standing Committee on Finance and the Standing Committee for Public Accounts for their oversight and inputs to enhance the Board's activities and infrastructure, the Board Members for their oversight and leadership in ensuring that the Board is able to achieve its mandate, the Audit Committee for its oversight and advice on ensuring proper governance and technically sound accounting practices, the WC Provincial Treasury Officials for their input and guidance and the Board employees for their dedicated service and contribution in making 2017/18 a successful year.



Mr P Abrahams
Chief Executive Officer
Western Cape Gambling and Racing Board
31 August 2018

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL FINANCIAL REPORT

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General. The annual report is complete, accurate and is free from any omissions. The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury. The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the Board.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made on this information. The accounting authority is responsible for establishing, and implementing a system of internal control that 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 Board for the financial year ended 31 March 2018.

Yours faithfully



Mr P Abrahams
Chief Executive Officer
Western Cape Gambling and Racing Board
31 August 2018



Mr D Lakay
Chairperson of the Board
Western Cape Gambling and Racing Board
31 August 2018

6. STRATEGIC OVERVIEW

6.1. Vision

The vision of the Western Cape Gambling and Racing Board is “to be the leading gambling and racing regulatory authority in Africa”.

6.2. Mission

The main purpose of the Western Cape Gambling and Racing Board is to control and regulate gambling and racing within the Province of the Western Cape, in a manner that will:

- provide a stable, just, consistent and effective regulatory environment;
- inspire public confidence and trust, in an environment free from corruption and unlawful gambling and racing activities; and
- contribute to the economy of the Western Cape in a socially responsible manner.

6.3. Values

In the execution of their collective functions, the Board places the highest value on:

- *Integrity*
The quality of possessing and steadfastly adhering to a moral or ethical code and high professional standards.
- *Honesty*
The quality, condition, or characteristic of being fair, truthful, and morally upright in conduct and adherence to the facts presented.
- *Incorruptibility*
Incapable of being morally corrupted, especially incapable of being bribed or motivated by selfish-or base interests.
- *Transparency*
The principle that the Board will conduct its business in an accessible, clear and visible manner and that its activities are open to examination by its stakeholders.
- *Responsibility*
Having the authority to make decisions and following through on the expectation to make those decisions and take necessary action.
- *Accountability*
The principle that the organisation is obligated to demonstrate and take responsibility for its actions, decisions and policies and that it is answerable to the public at large.
- *Human Resource Development*
Encouraging and assisting the Board's employees to acquire new skills and/or to advance the skills, knowledge, and viewpoints by providing learning and training facilities and avenues where such new ideas can be applied.
- *Mutual respect*
Encouraging a culture of mutual respect by treating every person with dignity and equal worth.

7. LEGISLATIVE MANDATES

The following national and provincial legislative enactments find application on the Board's operations:

Basic Conditions of Employment Act, 1997 (Act 75 of 1997) as amended

This Act outlines the basic conditions of employment for staff of the Western Cape Gambling and Racing Board.

Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003) and Codes as amended

This Act constitutes the legislative framework for the promotion of black economic empowerment; empowers the Minister of Trade and Industry to issue codes of good practice and to provide for matters connected therewith. The Board enforces the legislative and policy objectives on Broad-Based Black Economic Empowerment through the imposition of licence conditions on licence holders and complies with the prescripts that is binding on the Board as a public entity.

Employment Equity Act, 1998 (Act 55 of 1998) as amended

This Act constitutes the legal framework for the elimination of unfair discrimination in the workplace and prescribes the processes and procedures that the Board must implement to achieve a diverse and competent workforce that is broadly representative of the demographics of the Western Cape.

Financial Intelligence Centre Act, 2001 (Act 38 of 2001), as amended (“FIC Act”)

The FIC Act established the Financial Intelligence Centre and Money Laundering Advisory Council to combat money laundering and financing of terrorist and related activities. The Board is, pursuant to this Act a supervisory body and its licence holders are accountable institutions. The FIC Act accords a number of statutory duties, functions and powers on the Board in exercising its oversight and supervisory oversight over the gambling industry.

Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)

This Act establishes a framework for the national government, provincial governments and local governments to promote and facilitate intergovernmental relations; to provide for mechanisms and procedures to facilitate the settlement of intergovernmental disputes; and to provide for matters connected therewith.

Labour Relations Act, 1995 (Act 66 of 1995) as amended (“LRA”)

The LRA regulates and guides the Board, as employer, to give effect to the rights, duties and structures created in terms of that Act and in so doing ensure labour harmony and the democratisation of the work place.

National Gambling Act, 2004 (Act 7 of 2004) and Regulations

This Act sets out the competencies of the national and provincial gambling Boards with respect to the regulation and control of gambling and racing in South Africa. This Act, together with the Western Cape Gambling and Racing Act, 1996 and the respective Regulations passed thereunder, constitutes the statutory mandate of the Board as Regulator. This Act further provides for uniform norms and standards with respect to gambling and racing throughout the Republic.

Occupational Health and Safety Act, 1993 (Act 85 of 1993) as amended

This Act provides for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery; the protection of persons against health and safety hazards arising out of or in connection with the workplace; and to provide for matters connected therewith.

Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) and Regulations

This Act constitutes the framework within which the Board must give effect to the Constitutional imperative of implementing preferential procurement policy and system that is fair, equitable, transparent and cost-effective.

Promotion of Access to Information Act, 2000 (Act 2 of 2000) (“PAIA”)

PAIA prescribes the statutory process according to which applications or requests for access to information are considered and processed and gives effect to the constitutional right of access to information. It is applicable to both private entities or organisations and public bodies.

Promotion of Administrative Justice Act, 2000 (Act 3 of 2000) (“PAJA”)

PAJA was enacted pursuant to section 33 of the Constitution of the Republic of South Africa, to give effect to the right to administrative action that is lawful, reasonable and procedurally fair and the right to request written reasons for administrative action taken. As a public body the Board is bound to give effect to the principles of procedurally fair administrative action as prescribed by this Act.

Protection of Personal Information Act, 2013 (Act 4 of 2013) (“POPI”) as amended

POPI's objectives are inter alia to promote the protection of personal information processed by public and private bodies; to introduce certain conditions so as to establish minimum requirements for the processing of personal information and to provide for the establishment of an Information Regulator to exercise certain powers and to perform certain duties and functions in terms of this Act. Certain provisions of POPI took effect on 11 April 2014, however the remainder of its provisions will come into operation on a date to be proclaimed by the President in the Government Gazette.

Public Finance Management, 1999 (Act 1 of 1999) (“PFMA”) as amended

The Board is a Schedule 3C Provincial Public Entity and bound by the financial and budget management prescripts of this Act. The PFMA's primary objective is to ensure that all revenue, expenditure, assets and liabilities of government institutions and departments are managed efficiently and effectively; provides for the responsibilities of persons entrusted with financial management in government and to provide for matters connected therewith.

Skills Development Act, 1998 (Act 97 of 1998)

This Act provides an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African work force; to integrate those strategies within the National Qualifications Framework contemplated in the South African Qualification Authority Act, 1995; to provide for learnerships that lead to recognised occupational qualifications; to provide for the financing of skills development by means of a levy-grant scheme and a National Skills Fund; to provide for and regulate employment services; and to provide for matters connected therewith.

Skills Development Levy Act, 1999 (Act 9 of 1999)

This Act provides for the imposition of a skills development levy; and for matters connected therewith.

The Constitution of the Republic of South Africa, Act 108 of 1996

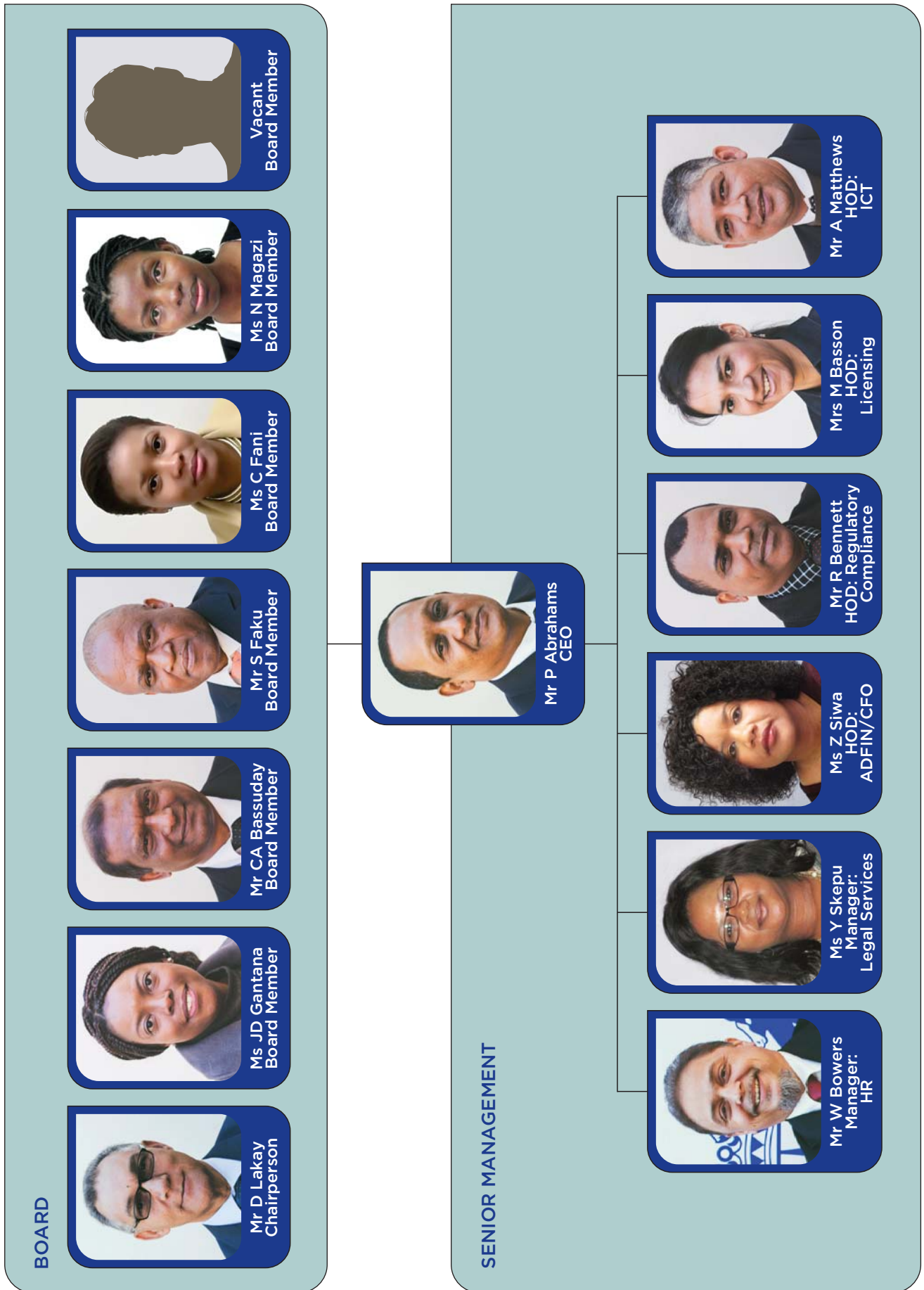
This is the Supreme law of the country and outlines inter alia South Africa's system of government, the role and responsibilities of the different spheres of government, the basic human rights of all citizens and creates a number of Constitutional institutions.

Western Cape Gambling and Racing Act, 1996 (Act 4 of 1996) as amended and Regulations

This is the primary legislation governing the Board's regulatory functions and powers. It sets out inter alia the establishment and operations of the Board, the type of licenses that the Board is empowered to consider as well as the Board's sources of funding. It further provides for the imposition of statutory taxes and fees payable by licence holders, as well as administrative penalties for non-compliance.

8. ORGANISATIONAL STRUCTURE

As at 31 August 2018





Part B: PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa 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 pre-determined objectives is included in the report to management, with findings being reported under the Pre-determined Objectives heading in the Report on other legal and regulatory requirements section of the Auditor's Report.

Refer to page 54 of this Report for the Auditor's Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1. Service Delivery Environment

As at 31 March 2018, the legal gambling and racing industry in the Western Cape comprised of:

- 5 licensed casinos;
- 2 licensed LPM operators;
- 44 licensed bookmakers;
- 1 licensed totalisator;
- 622 licensed premises; (413 LPM premises, 56 totalisator premises and 153 bookmaker premises);
- 6 940 licensed gambling devices; and
- 7 195 employee licences

and spans the full geographical area of the Western Cape Province.

In terms of Section 31 of the Act, applications for Totalisator Operator, Limited Gambling Machine Operator, Casino Operator and Bingo Operator licences can only be submitted pursuant to an Invitation or Request For Application ("RFA") issued by the Board and advertised in the relevant media. However, a RFA is not required for applications for bookmaker, bookmaker premises, totalisator premises and limited gambling machine premises. Such applications, while considered by the Board on a regular basis, are always subject to rigorous probity investigations taking into account various matters, inter-alia:

- socio-economic,
- geographic location,
- general suitability,
- proximity of existing licensed premises and
- public objections and comments.

With the proposed amendments relating to the options that casino operator licence holders may relocate, the Board is mindful of the impact that it could have on the organisation should the legislation be approved and a relocation application is received. There are a number of critical factors that must be considered when such an application is reviewed so that the possible downtime of the casino is kept to an absolute minimum.

The Board has conducting research into the expansion of the industry and offering new gambling opportunities. Gambling offers entertainment to patrons but is also an effective economic driver to empower persons and communities. The LPM market in the Western Cape continues to grow and although this province only has the third largest number of LPMs rolled-out, it still produces the best revenues on a year-on-year basis. The Western Cape is one of the few provinces, which has not yet rolled out Type B and C LPM sites, which operate in excess of the 5 LPMs. The Board is however looking into the roll-out of Type B and C LPM sites. This process is still ongoing, as the Board must take into account a number of considerations in reaching a final decision.

While there appears to be no definite growth in revenues with respect to horseracing, there is a steady increase in revenues applicable to sports betting.

Such increase is also as a result of the various offerings by the licensed bookmakers on the different sporting events. It has therefore become increasingly important that the Board has a complete understanding of what is offered to the public which includes but not limited to, the rules and mechanics of such offerings. Where relevant the Board insists that certain signage must be displayed to the public including the fact that rules are available upon request.

Patron disputes and complaints referred to the Board are fully investigated and reported on, and it appears that should there be a greater awareness of how games are played and betting rules, there may just be a decline in such matters referred to the Board.

The Board continues to make great strides with the eradication of illegal gambling in the Province. There has been two successful convictions with respect to interactive gambling, albeit that both were plea agreements and in both instances the computers and cash were forfeited to the State.

The Board is constantly subjected to enquiries on achieving parity with other provinces relative to gambling offerings. The Western Cape industry players critique the fact that the Board does not license junkets, bingo and Type B LPM and Type C LPM for play in the Western Cape Province, which is rolled out in other provinces. They argue that this limit the economic opportunities in the province and by implication their business offerings.

The licensed operators are constantly seeking new methods for gambling offerings and regularly calls on the Board to consider diversity in their gambling offerings and contingencies on which the public could place bets on.

In terms of the Constitution, all persons have the right to access a Court of law and PAJA affords any person aggrieved by a decision of the Board the right to apply to have same reviewed in the High Court. The Board manages the ever-present risk of litigation through consultation to provide parties the opportunity to attempt settlement or resolution prior to resorting to legal remedies.

During the year under review, the Board was cited in four litigious matters, of which two were challenged or opposed by the Board. These two matters concerns firstly a declaratory application filed by a Casino Operator licensed by the Board, that seeks an order confirming its interpretation of the tax provisions to the effect that freeplay offered by the Casino do not generate revenue and is therefore not tax deductible. The second is a review application by a different Casino Operator licensed by the Board jointly with the one Route Operator challenged the Board's decision to impose BBBEE-related conditions on the industry. These matters are still in progress and we await the outcome of the Court's ruling in due course. In others, the Board is cited amongst other respondents.

The Board makes provision for an electronic online filing of gambling tax returns for the bookmakers and totalisator and have created operational efficiencies for both the industry and the Board. This electronic filing system enhances the Board's capability of reconciling and auditing tax returns for this sector.

The Board continues with its steadfast approach in applying its policies and procedures and will not compromise on enforcing compliance. The licence holders are fairly compliant with the legislative provisions and regulatory requirements. Where matters of non-compliance have been detected during compliance audits, the licence holder will immediately implement measures to prevent a re-occurrence.

In instances where non-compliance has been identified, the approach of the Board is not, as matter of cause, to impose financial penalties without considering all factors. License holders are afforded an opportunity to submit reasons for non-compliance to ensure compliance. There are various factors that the Board takes into account, inter-alia:

- Nature of the offence;
- Seriousness of the offence;
- Impact or possible impact of contravention;
- Whether such breach is the first or subsequent offence;
- The remedial steps taken by the licence holder to prevent the re-occurrence, and
- The degree of co-operation the licence holder displayed.

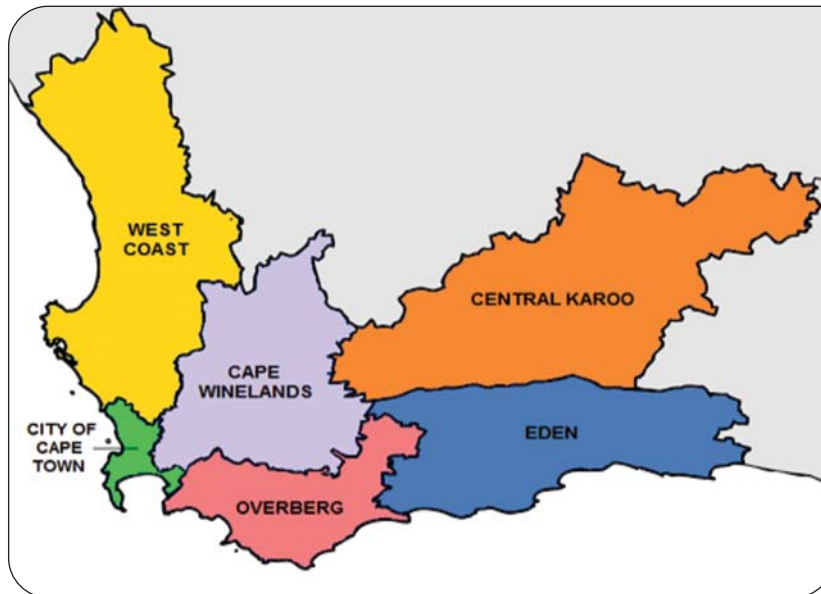
The Board, in order to create public awareness of the Board's functions and the negative effects of problem gambling have entered into partnerships with various public organisations (Western Cape Provincial Library, South African National Library, National Prosecuting Authority, Government Information and Communication System, Western Cape Education Department, Department of Social Development and SAPS) to foster combined efforts in ensuring awareness of the Board's duties and functions.

The award of the NCEMS operator's licence to Route Monitoring (Pty) Ltd in December 2017 will bring about changes to the NCEMS. It is envisaged that this will not affect the operation of the limited pay-out machines.

The mandate and operational activities of the Board aligns itself with the following Provincial Strategic Goals and National Development Plan Outcomes:

- PSG 1 - Create opportunities for growth and jobs.
- PSG 2 - Improving education outcomes and opportunities for youth development.
- PSG 3 - Increase wellness, safety and tackle social ills.
- PSG 4 - Enable a resilient, sustainable, quality and inclusive living environment.
- PSG 5 - Embed good governance and integrated service delivery through partnerships and spatial alignment.
- National Outcome 6 (MTSF 2014-2019 and NDP 2030) - An efficient, competitive and responsive economic infrastructure network.
- National Outcome 12 (MTSF 2014-2019 and NDP 2030) - An efficient, effective and development orientated public service.

Geographical Spread of Licensed Gambling Operations



Premises	City of Cape Town	Eden	Cape Winelands	Overberg	West Coast	Central Karoo
Casinos - 5	1	1	1	1	1	0
LPM Sites - 413	276	41	38	21	36	1
Bookmakers - 153	132	7	12	0	2	0
Totalisator - 56	49	2	3	0	2	0

2.2. Organisational environment

Provincial Treasury on request from the Board during December 2016 instructed the Organisation Development Department (OD) within the Department of the Premier to assess the posts affected by the restructure of the Horseracing department when it was merged with the Licensing and Compliance Departments. OD interviewed all affected staff members and assessed their duties and responsibilities relevant to their current Job Descriptions and levels of authority. The Board is awaiting the final report.

The Board is currently applying all the recommendations, which emanated from the leadership and culture change process conducted by the Deputy Director General: Executive Support. The Office of the Board provides reports to the Minister and the Board on the implementation of the plan as approved by the Board.

The implementation plan is focused on the following recommendation emanating from the report:

- Promote cultural diversity (annual cultural events);
- Promote a balanced work-life environment;
- Open, transparent and regular dialogue and consultations;
- Continued development of the talent pipeline; and
- Capacitate and optimise the HR and IT support functions.

The limitations placed on the organisation in terms of its current accommodation were a key factor emanating from the interventions of the Deputy Director General: Executive Support and was seen as a contributing factor to poor staff morale. The Minister has approved a budget for rental accommodation for the next three to five years. The Department of Transport and Public Works is in the final stages of procuring alternative accommodation.

2.3. Key policy developments and legislative changes

The Board imposed amended licence conditions on all operator licences in terms of the revised BBBEE Codes. These conditions were embraced by certain sectors of the industry, and others elected to challenge the decision of the Board. There is currently a review application before the Western Cape High Court to challenge the said conditions on the basis that the Board is without power to impose conditions of this nature. The Board is opposing the application and the matter will be adjudicated in due course.

The Draft National Gambling Amendment Bill published during the 2016/17 financial year is still under consideration at Policy Council level. As previously reported, the proposed amendments outlined in the Bill effect substantive changes to the status of the NGB, outlaws certain bet types, provides for the automatic forfeiture of unlawful winnings and introduces a limited form of regulation over the National Horseracing Authority. The Bill further strengthens the enforcement of BBBEE in the gambling industry through the insertion of section 53A and provides specific mechanisms to address non-compliance, viz. that it will lead to corrective measures, suspension or withdrawal of a licence.

The Western Cape Gambling and Racing Fees and Cost Regulations were amended on 26 March 2018 to effect inflationary increases to the statutory application, licence and investigation fees.

The draft Nineteenth Gambling and Racing Amendment Bill was published on 28 February 2018. The Bill provides the legislative landscape for the Board to consider applications for amendments to licences. It is further envisaged that the 1999 Policy Determinations will be amended or repealed through this process.

2.4. Strategic Outcome Oriented Goal

Strategic Goal	To ensure that the Board, in pursuit of its mandate, in respect of gambling industry regulation, designs and utilises its structure, resources and processes for effective, efficient and optimal performance of its duties.
Progress	The Board regulates gambling in the Province to ensure that the industry is free from criminal element, that the maximum benefit of the licensed activities is achieved, that such activities are fair to patrons and that vulnerable persons are provided the relevant protection. In reaching these goals, the Board will maintain and enhance a credible and well-regulated industry that is highly respected both nationally and internationally.

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1. Programme 1: Board and Administration

Programme Purpose

To control and regulate gambling within the Province of the Western Cape.

Programme Description

To set the strategic direction and to provide quality support services to the Board and the stakeholders.

Strategic Objective

- To provide leadership and oversight on all functions of the Board to ensure an effective and efficient administration.
- To provide effective and efficient management of all functions of the office of the Board.
- To provide legal advisory support and research services to the Board and its Office.
- To assist the Board in ensuring that it complies with HR Best practices and maintaining an appropriately skilled workforce.
- To review all of ADFIN's policies and procedures for relevance and effectiveness and allocate the available resources to the purpose of the policies and processes during the period.

Programme Structure

The programme consists of seven Board Members, the Chief Executive Officer, the Legal Manager, and the Professional Assistant: Legal Services, the Chief Financial Officer, the Senior Financial Officer, the Senior Administration Officer, Human Resource Manager, Admin Assistant: HR, the Board Secretary and 10 approved support staff.

The programme is structured into the following sub-programmes:

- Sub-Programme 1.1: Board
- Sub-Programme 1.2: Executive
- Sub-Programme 1.2.1: Legal Services
- Sub-Programme 1.2.2: Human Resources
- Sub-Programme 1.3: Administration and Finance

Strategic objectives, performance indicators planned targets and actual achievements

With the aim of informing the general public of the Board's role and assistance the Board is able to offer, it has provided information pamphlets at public forums while fielding questions on what constitutes illegal gambling. The Board also continued its awareness campaigns to inform the public and public institutions of its mandate and the dangers associated with gambling addictions and illegal gambling. The campaigns included outreach to schools, presence at community information sessions and training and collaboration with the SAPS.

Sub Programme 1.1: Board

Strategic Objective

Sub Programme 1.1: Board					
Strategic Objective Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Number of meetings at which Committee resolutions and licence applications are considered.	11	11	11	-	Not applicable

Key Performance Indicators and their Targets and Actual Achievements

Sub Programme 1.1: Board							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Number of meetings to give effect to statutory mandate.	40	45	49	41	49	+8	<p>Variances between the planned target for the year and the actual achievement are mostly due to ad-hoc meetings.</p> <p>Additional eight meetings were held by the following committees on the dates stipulated:</p> <ul style="list-style-type: none"> • 11 May 2017 – Board meets with Minister on WCGRB's request. [Legislation regarding casino relocation, BER research, Junket visits, accommodation]. • 21 June 2017 – Board ad-hoc meeting on BBBEE final conditions. • 26 June Casino Com ad-hoc meeting [Legislation regarding casino relocation]. • 5 July 2017 – Board ad-hoc meeting on Freeplay issue. • 20 July Fin & IT Com ad-hoc meeting [AFS 2017/18 + AGSA management report]. • 13 Oct 2017 ad-hoc Board meeting to deal with Annual Report. • 6 Nov 2017 - Board ad-hoc meeting on APP, Budget & Risks for 2018. • 7 Dec 2017 – Board meets with Minister on WCGRB's request. [LPM roll-out, accommodation, appointment of Board members].

Strategy to overcome areas of under-performance

There are no areas of under-performance.

Changes to planned targets

There were no changes to the planned targets during the 2017/18 financial year.

Sub Programme 1.2: Executive

Strategic Objective

Sub Programme 1.2: Executive					
Strategic Objective Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Number of interventions to positively promote awareness of the Board.	4	4	4	-	Not applicable

Key Performance Indicators and their Targets and Actual Achievements

Sub Programme 1.2: Executive							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Number of awareness programmes participated in.	3	3	4	4	9	+5	Although the Board will plan for its own interventions, it cannot plan for awareness programs it is invited to attend from PGWC.
Percentage of Board resolutions given effect by CEO within 1 month.	New PI	New PI	99%	95%	100% (261 out of 261)	+5%	All Board resolutions for the year were of a nature that could be successfully completed in the set timeframe of one month. All required actions (as per the Board resolutions) were within the control of the office of the CEO.
Internal research for the financial self-sustainability of the Board.	New PI	New PI	New PI	1	1	-	Not applicable.
Number of operators monitored for compliance with CSI commitments.	New PI	New PI	New PI	4	7	+3	<p>Timing and availability of Board members resulted in three additional CSI commitment events for the year. The details of the specific three events that were attended:</p> <ul style="list-style-type: none"> • Vukani (8 December 2017) • Visit to Grand Gaming CSI Projects (5 February 2018): <ul style="list-style-type: none"> • Sisters Incorporated • The Haven Shelter (OWH Haven) <p>The Office is dependent on the availability of Board members.</p>

Strategy to overcome areas of under-performance

There are no areas of under-performance.

Changes to planned targets

There were no changes to the planned targets during the 2017/18 financial year.

Sub Programme 1.2.1: Legal Services

The purpose of this sub-programme is to be an in-house legal resource to the Board through rendering oral legal advice, conducting research, drafting submissions, drafting legal opinions and management of all litigation instituted by or against the Board, drafting proposed amendments to the Act, Regulations and keeping abreast of advancements through membership and attendance of relevant national and international fora.

Strategic Objective

Sub Programme 1.2.1: Legal Services					
Strategic Objective Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Number of legal opinions drafted.	49	48	49	+1	Legal opinions are demand driven and target set is an estimate.

Key Performance Indicators and their Targets and Actual Achievements

Sub Programme 1.2.1: Legal Services							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Research into the legal aspects of introducing a compulsory player card system in the Western Cape.	New PI	New PI	New PI	1	1	-	Not applicable.

Strategy to overcome areas of under-performance

There are no areas of under-performance.

Changes to planned targets

There were no changes to the planned targets during the 2017/18 financial year.

Sub-Programme 1.2.2: Human Resources

The Sub-programme is responsible for ensuring that the Board complies with the relevant labour and employment laws.

In addition, the Human Resource sub-programme focuses on matters dealing with the recruitment and appointment of needed staff. It is further the responsibility of the sub-programme to ensure that where the need arises, staff receive the relevant training in order to not only assist them in achieving personal development goals, but also to provide them with the tools to adequately and efficiently achieve their departmental goals. The sub-programme is furthermore the custodian of all matters relating to health and safety, employment equity, union relations and staff benefits.

Strategic Objective

Sub Programme 1.2.2: Human Resources					
Strategic Objective Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Number of material HR audit findings.	New SOPI	0	0	-	Not applicable

Key Performance Indicators and their Targets and Actual Achievements

Sub Programme 1.2.2: Human Resources							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Number of Regulatory reports timeously submitted to Department of Labour.	1	1	1	1	1	-	Not applicable.
Number of reports on the implementation of the HR Plan.	New PI	New PI	New PI	4	4	-	Not applicable.
Percentage of performance reviews completed timeously.	New PI	New PI	New PI	95% (71)	50%	-45%	Board changed review period from 01 April- 31 March in line with PGWC. Reviews are to be performed after the 31 March 2018.

The sub-programme has assisted the Board toward the achievement of its strategic goals by ensuring compliance with the relevant legislation and by recruiting an adequately qualified and competent workforce.

Strategy to overcome areas of under-performance

Target to be moved to the first and third quarters for the 2018/19 APP.

Changes to planned targets

There were no changes to the planned targets during the 2017/18 financial year.

Sub-Programme 1.3: Administration and Finance

The Department Administration and Finance provides administration and financial support services to the Board. It also serves as custodian of both the Board's intrinsic and acquired assets.

Strategic Objective

Sub Programme 1.3: Administration and Finance					
Strategic Objective Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Audit opinion obtained from AGSA for previous financial year.	Unqualified audit report	Unqualified audit report	Unqualified audit report	-	Not applicable

Key Performance Indicators and their Targets and Actual Achievements

Sub Programme 1.3: Administration and Finance							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Number of financial reports to stakeholders.	16	New PI	33	33	33	-	Not applicable.
Percentage of undisputed invoices received paid within 30 days from receipt of a statement.	New PI	New PI	New PI	100%	100%	-	Not applicable.

The Department: Administration and Finance provided an enabling environment for the Board and its Office to perform its mandated functions.

Strategy to overcome areas of under-performance

There were no areas of under-performance and the Department will continue to review and assess its procedures to ensure that it performs in a manner to comply with the Board's requirements.

Changes to planned targets

There were no changes to the planned targets during the 2017/18 financial year.

Linking performance with budgets

Programme Name R	2017/18			2016/17		
	Budget R	Actual Expenditure R	(Over)/Under Expenditure R	Budget R	Actual Expenditure R	(Over)/Under Expenditure R
Board and Administration	19 688 136	19 367 691	320 445	18 633 174	15 547 964	3 085 210

The saving of R320 445 is mostly due to cost containment measures and relates to savings of professional services.

Programme 2: Licensing

The Licensing department is responsible for receiving and duly processing all licence applications. In processing the various entity and employee related licence applications various fees have to be processed, investigations conducted and reports/submissions detailing recommendations to the CEO and/or the Board collated.

Strategic Objective

To ensure the efficient and timely investigation of applications received, resulting in the licensing of fit and proper persons permitted to engage in gambling operations.

Programme 2: Licensing					
Strategic Objective Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Number of licence applications with recommendations submitted to the CEO and/or the Board for consideration.	8 727	7 650	8 354	+704	Target is set on an average processed over 3-year period. Auto-renewals i.e. new employee licences issued within 6 months of the expiry of the Operator they are employed with, are issued with a renewed licence in the same year.

Key Performance Indicators and their Targets and Actual Achievements

Programme 2: Licensing							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Percentage of new applications in respect of employee licences (key and gambling) received processed within 30 days of receipt.	New PI	81%	92%	85%	90% (2 193 out of 2 433)	+5%	Fewer applications requiring additional information or further investigation were processed in the period under review. An increase in applicants holding multiple licences requires that only one probity be conducted; hence, the turnaround time for processing the further licences is faster, hence exceeding the target set.
Percentage of renewal applications received processed within the 3-month renewal period.	New PI	98%	99%	96%	99% (5 568 out of 5 632)	+3%	Less instances of outstanding information or requests for further information related to employee applications, hence the majority of applications processed timely.

The Licensing department, in responding to its mandate, processes all applications received from applicants required to be duly licensed in order to engage in the gambling industry within the province. Processing of such applications involve the co-ordination of public notices in soliciting any comments and objections in respect of applications, conducting probity investigations to determine the suitability of applicants to hold a licence, making informed recommendations resulting in the approval or denial of applications and the issuing of licences for distribution.

Strategy to overcome areas of under-performance

There are no areas of under-performance.

Changes to planned targets

There were no changes to the planned targets during the 2017/18 financial year.

Linking performance with budgets

Programme Name R	2017/18			2016/17		
	Budget R	Actual Expenditure R	(Over)/Under Expenditure R	Budget R	Actual Expenditure R	(Over)/Under Expenditure R
Licensing	12 708 563	12 889 858	(181 295)	12 184 946	11 673 776	511 170

The over expenditure of R181 295 relates to a resolution taken by the Board to remunerate the HOD: Licensing for additional responsibilities with the absorption of the Horse Racing and Betting Division into the Licensing Department since 2015. Approval is still being sought from the Minister for Finance to give effect to the resolution.

Programme 3: Regulatory Compliance

The programme performs tasks to ensure that all licensed gambling and betting establishments conduct their activities in line with legislative provisions as well as with regulatory requirements.

Illegal gambling carried out in the Province is also the investigated by the Programme and this is done in conjunction with the relevant law enforcement agencies.

Although there has been a fair measure of success with respect to the closing down of illegal gambling establishments, specifically internet cafes, the programme intends to improve the strategy to have a wider reach and be more effective.

Generally, the level of Compliance of licence holders are at an acceptable level, however, there are efforts to

continuously review processes and systems to enhance such levels of compliance. The award of the National Central Monitoring Systems operators' licence to Route Monitoring in December 2017, will bring about a change to the operation in the financial year however it is envisaged that this will not affect the operation of the limited pay-out machines.

Strategic Objective

To ensure that gambling and betting activities conducted in the Province is in accordance with prescribed legislative provisions and the regulatory requirements.

Programme 3: Regulatory Compliance					
Strategic Objective Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
The level of compliance determined resulting from on-site assessments conducted at licensed establishments.	85%	85%	90%	+5%	Licence holders have better understanding of the legislative provisions and the regulatory requirements with respect to compliance as a result of the interactions with the Office of the Board.

Key Performance Indicators and their Targets and Actual Achievements

Programme 3: Regulatory Compliance							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Number of compliance assessments conducted at licenced gambling premises.	1 113	1 161	1 202	1 250	1 227	-23	The closure of licensed premises during the year as well as a change to the Financial Intelligence Centre Act resulting in a temporary suspension of bookmaker FIC inspections.
Percentage of investigations conducted timeously for all allegations of illegal gambling received by the Board.	New PI	New PI	100%	95%	100%	+5%	The positive deviation is as a result of utilising the resources more effectively and maintaining and enhancing relations with SAPS and other enforcement agencies.

In terms of the regulatory assessments at the premises of licence holders, the programme achieved the majority of its targets for the year and in doing so contributed effectively to the objective of the Board. With respect to the timeous investigation into allegations of illegal activity, relations with the SAPS, the investigation of illegal gambling activities have improved and will in the future gain greater momentum.

Strategy to overcome areas of under-performance

Trends regarding closure of premises to be considered when targets are set. The Board will be removed as a FIC supervisory body by August 2018 and therefore will no longer be responsible for compliance inspections.

Due to the constant opening of newly licensed premises and the closing down of licensed premises for various reasons, it is challenging to accurately set the target for compliance assessments at licensed premises for the year.

Changes to planned targets

There were no changes to the planned targets during the 2017/18 financial year.

Linking performance with budgets

Programme Name R	2017/18			2016/17		
	Budget R	Actual Expenditure R	(Over)/Under Expenditure R	Budget R	Actual Expenditure R	(Over)/Under Expenditure R
Regulatory Compliance	15 644 514	15 444 351	200 163	14 688 624	14 116 559	572 065

As our work involves a lot of travelling to the premises of licence holders, the programme employed cost containment measures in terms of such travel implemented, namely auditors travel together and conduct inspections of all premises in a specific area where practical.

Programme 4: Information and Communication Technology

The Department: Information Technology provides all the necessary information and communication technology services to the Board. It also serves as custodian of the Board's electronic information.

Strategic Objective

To enable business performance, ability to achieve or exceed business objectives, for all programmes through the innovative use of ICT and maintain an uptime of (350 days) 95,9% for all information systems per annum.

Programme 4: Information and Communication Technology					
Strategic Objective Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Minimum Information systems uptime over 350 days.	99.64%	95.9%	98,31%	+2,41%	The achievement of uptime was due to enhanced efficiencies built into the Datacentre infrastructure and core systems (e.g. consistent automated system updates, high availability, automated monitoring, and notification system).

Key Performance Indicators and their Targets and Actual Achievements

Programme 4: Information and Communication Technology							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Target for 2017/18	Comment on Variances
Number of instances to maintain current information technology systems, hardware, software and network infrastructure.	1 431 *(6 633)	3 764 *(5 138)	**13 032	4 000	**13 312	+9 312	The successes are due to the improved software update deployment for: <ul style="list-style-type: none"> • Critical Software updates • Critical Security updates • Non-Critical Software updates • Non-Security updates Targets for 2017/2018 were set before the improvement was made.
Number of scheduled preventative and knowledge empowerment activities conducted.	58	71	66	60	65	+5	Achievement are due to additional training provided to bookmakers on the online Tax Report Module***

* Denotes restated volumes based on improved/corrected calculation method for Microsoft Deployments.

** Represents the update volume accomplishment based on the improved software update deployment method.

*** The Online Tax Report Module is a web base system for Bookmakers to submit their weekly betting/wagering tax reports to the Board.

The IT Department has contributed to the realisation of the Board's goals and mandate by implementing, maintaining, improving, and securing the essential ICT solutions for the Board.

ICT employees are highly skilled via continual education through formal, informal or self-study means. This is to ensure appropriate knowledge are gained to enable the department to achieve the envisaged benefit from operating on the implemented ICT solutions at the Board.

Strategy to overcome areas of under-performance

There were no areas of under-performance due to the required successes realised in the essential development of employees, systems, processes and procedures, aid in the overall functioning and performance of the department.

Changes to planned targets

There were no changes to the planned targets during the 2017/18 financial year.

Linking performance with budgets

Programme Name R	2017/18			2016/17		
	Budget R	Actual Expenditure R	(Over)/Under Expenditure R	Budget R	Actual Expenditure R	(Over)/Under Expenditure R
Information and Communication Technology	6 229 536	4 580 167	1 649 369	5 274 236	4 066 544	1 207 691

The dynamic nature in the ICT industry required that the department enhance its ability to stay knowledgeable with applicable developments, thus enabling the Board to make informed decisions in achieving its objectives through tactical and operational efficiencies, resulting in improved performance and cost savings.

4. REVENUE COLLECTION

Sources of Revenue	2017/18			2016/17		
	Estimate Amount R	Actual Amount Collected R	(Over)/Under Collection R	Estimate Amount R	Actual Amount Collected R	(Over)/Under Collection R
Application fees	1 401 497	1 803 792	(402 295)	1 351 776	1 835 135	(483 359)
Investigation fees	26 410 730	26 092 910	317 820	24 201 284	24 598 995	(397 711)
Investigation fees Temp	-	1 080	(1 080)	-	1 036	(1 036)
Operators' fees	-	-	-	5 151 367	6 455 700	(1 304 333)
(Loss) or gain on actuarial valuations	-	(120 000)	120 000	-	(229 406)	229 406
Interest	930 000	1 007 738	(77 738)	960 000	1 053 862	(93 862)
Inspector charge outs	5 821 522	6 936 904	(1 115 382)	5 212 352	5 966 567	(754 215)
Transfers	19 707 000	19 707 000	-	9 908 000	9 908 000	-
Profit on disposal of Assets	-	45 785	(45 785)	-	75 533	(75 533)
Miscellaneous	-	180 568	(180 568)	-	1 169 478	(1 169 478)
Total	54 270 749	55 655 777	(1 385 028)	46 784 779	50 834 900	(4 050 121)

It is important to highlight that the Board is only permitted to collect revenue and other fees from licensees as prescribed by law. Unless there is an increase in gambling licence applications and the penalties the Board may impose for various regulatory violations, there is no other way the Board can increase its revenue. Thus, when preparing a budget, the Board relies on past trends to estimate the revenue it anticipates to receive for the financial year.



Part C: GOVERNANCE

1. INTRODUCTION

The Board's governance framework is guided by the Western Cape Gambling and Racing Act, the Public Finance Management Act (PFMA) and it is practised in tandem with the Protocol on Corporate Governance found in the King Reports on Corporate Governance.

2. EXECUTIVE AUTHORITY

The Minister for Finance is the designated Executive Authority for the Western Cape Gambling and Racing Board. The Executive Authority appoints the members of the Board with the Board reporting to the Minister. All reports that the Board is mandated to produce and submit are submitted to the Minister. In addition, the Board is bound by the policy determinations of the Executive Authority.

3. THE ACCOUNTING AUTHORITY - THE BOARD

Introduction

The Board, who is comprised of seven non-executive members appointed by the Executive Authority is the designated Accounting Authority.

The Board forms several sub-committees from its members to oversee specific operational activities of its office. In addition, the Board appoints three external members to serve on its Audit Committee.

The role of the Board is as follows:

The Western Cape and Racing Board was established with the main object of controlling and regulating gambling and racing and all other activities incidental thereto in the Western Cape.

Its functions and powers are outlined in Section 12 of the Act, 1997. In summary the role of the Board is to:

- Invite applications for licences in terms of the Act;
- Receive and investigate applications for national and provincial licences;
- Issue national and provincial licences to qualifying or suitable persons, subject to such conditions as the Board deems appropriate;
- Probe the suitability of persons acquiring an interest in a licensee or the business to which a licence relates;
- Conduct hearings and investigations into the conduct of licences or pertaining to any matter that the Board must administer in terms of the Act;
- Ensure on-going compliance in the licensed industry and impose administrative penalties or such measures as the Board deems appropriate for contraventions of the law;
- Detect illegal gambling activities and assist prosecution thereof;
- Administer, calculate and collect taxes and levies due to the provincial fiscus and all statutory fees as prescribed by the Act;
- Conduct on-going research into gambling and racing throughout the Province and elsewhere to keep abreast of and detect deficiencies in the Act and regulatory practices of the Board;
- Impose appropriate licence conditions for effective regulation;
- Attend regulatory forums and conferences in order to keep abreast of the latest developments of the industry; and
- Generally, exercise all powers and perform the functions specified in the Act and any conferred by any other law.

Board Charter

The Board's powers and functions are prescribed in the Act. The Board has adopted a Charter for each of the sub-committees outlining their mandates. The Board reviews its corporate governance annually.

Composition of the Board

The process of nomination, election and appointment of members to the Board is the responsibility of Provincial Treasury, the Standing Committee on Finance (SCOF), the Minister for Finance of the Western Cape and the Executive Council. The Board does not appoint its own Members and therefore does not have any control in respect of the mix of knowledge, skills, expertise, diversity and independence of appointed members to the Board. Based on the aforementioned, the Board is unable to set targets for gender and race representation.

Chairperson of the Board

The Chairperson of the Board is an independent Board Member.

An independent non-executive member of the Board has not been appointed as the lead independent Board Member as this role is appropriately filled by the Chairperson, and in his absence, the Vice Chairperson.

Board Committees

The purpose of the Audit Committee is to assist the management of the organisation in fulfilling its oversight responsibilities for the system of internal control, including the processes for financial reporting, auditing and monitoring compliance with laws and regulations and the code of conduct, and to promote good governance generally.

The role of the Casino Committee is to evaluate and make recommendations to the Board on the status of compliance requirements during casino operational development phases, that is, from commencement of casino operations.

The role of the LPM Committee is to evaluate and make recommendations to the Board on the LPM site applications from a land-use perspective and on any licence compliance requirements of the LPM industry, including route operator and LPM site licence conditions.

The role of the Horseracing and Betting Committee is to objectively reinforce the relationships between entities representing the Horseracing Industry in the Western Cape and the Board, and also, to evaluate and make recommendations to the Board on matters of mutual concern as raised by the Western Cape Bookmakers Association on behalf of the Bookmakers in the Western Cape, raised by Kenilworth Racing and/or raised by the Office of the Board, in respect of any related matter deemed appropriate for consideration by the Board.

The role of the Licensing Committee is to objectively evaluate and make recommendations to the Board regarding the issuing of licences within the gaming sectors (LPM, Casino and Horseracing and Betting) regulated by the Western Cape Gambling and Racing Board.

The role of the Finance and IT Committee, in view of the delegated authority to the Chief Executive Officer, is to evaluate and make recommendations to the Board on Finance and Information Technology matters.

The role of the Human Capital Committee, in view of the delegated authority to the Chief Executive Officer, is to evaluate and make recommendations to the Board on human capital related matters.

The Committees of the Board do not make use of external advisors or invitees who regularly attend committee meetings. The need to appoint an external advisor or invite an expert to attend a meeting is being done when the need has been identified for such services.

Each Committee of the Board focused on relevant subject matters as those became relevant based on developments in each respective area (for example, Finance, Human Capital, etc.) during the year under review. Areas of focus for each Committee of the Board has been determined by the Terms of Reference of each Board Committee.

Performance evaluation of the Board

The Board is conscious of its responsibility to evaluate its own performance. An annual self-assessment evaluation is undertaken by the Board which is internally facilitated. The Members of the Board believe that the Board contributes to value creation in the entity and has the relevant knowledge to make a meaningful contribution to the gambling industry. The Board believes that all relevant aspects of the entity's functions are dealt with thoroughly by the Board and its various Committees which have all discharged their responsibilities adequately. The Board is satisfied that the evaluation process improves its performance and effectiveness.

One remedial action identified through the performance evaluation process is that the terms of reference of each committee of the Board should be reviewed and approved annually by the Board.

Delegation of authority framework

The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

Board Member Information

Name	Designation (in terms of the Public Entity Board Structure)	Date Appointed	Term Expired/ Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	No. of Board Meetings Held	No. of Board Meetings Attended	Other Committees (e.g. Audit Committee)	No. of Committee Meetings Held	No. of Committee Meetings Attended	Total No. of Meetings Attended
Mr T Arendse	Board Member	11 Feb 2014	11 Feb 2017 *	CTA CA(SA)	Auditing and Accounting	Western Cape Gambling & Racing Board	17	15 of 15	Audit Committee	[4]*	3 of 3	28 of 28
	Board Chairperson	11 Aug 2016	11 Feb 2017						Finance & IT Committee	[5]*	4 of 4	
	Board Chairperson & member term extended	11 Feb 2017	11 Feb 2018						Licensing Committee	[6]*	5 of 5	
									LPM Committee	[4]*	1 of 1	
Mr CA Bassuday	Board Member	1 April 2016	31 March 2019	B.Proc. LLB LLM PG Diploma in Criminal Justice & Forensic Auditing	Law	Board member: Western Cape Gambling & Racing Board	17	17	Horsereading Committee	4	4	31 of 31
									Human Capital Committee	4	4	
									Licensing Committee	6	6	
Mr S Faku	Board Member	1 April 2016	31 March 2019	Master of Science degree Bachelor of Education (Hons) Bachelor of Arts Senior Teachers Diploma Human Resources Programme Graduate Diploma in Company	Governance Strategy Human Resource Development Education	Board member: Western Cape Gambling & Racing Board Board member: Office of Home Loans Disclosure Audit Committee Department of Human settlements	17	14	Casino Committee	5	5	24 of 27
									Human Capital Committee	4	4	
									Horsereading Committee	[4]*	1 of 1	

[X]* Denotes total meetings held, but not required to attend, due to a member's term commencing or ending during the financial year.

Board Member Information (continued)

Name	Designation (in terms of the Public Entity Board Structure)	Date Appointed	Term Expired/ Date Resigned	Qualifi- cations	Area of Expertise	Board Directorships (List the entities)	No. of Board Meetings Held	No. of Board Meetings Attended	Other Committees (e.g. Audit Committee)	No. of Committee Meetings Held	No. of Committee Meetings Attended	Total No. of Meetings Attended
Ms C Fani	Board Member	17 May 2017	16 May 2020	Direction Housing Finance Course Real Estate NQF 5 Qualifi- cation Leadership In Local Govern- ment		Audit & Risk committee member: Department of Education, Eastern Cape Audit, Risk and Compliance Committee member: Engineering Council of South Africa Council member: Buffalo City TveT College Non-Executive Director and Shareholder: Stonevest Property Group	17	15 of 15	LPM Committee Human Capital Committee Licensing Committee Horseracing Committee	[4]* [4]* [6]* [4]*	3 of 3 3 of 3 1 of 1 0 of 1	22 of 23

[X]* Denotes total meetings held, but not required to attend, due to a member's term commencing or ending during the financial year.

Board Member Information (continued)

Name	Designation (in terms of the Public Entity Board Structure)	Date Appointed	Term Expired/ Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	No. of Board Meetings Held	No. of Board Meetings Attended	Other Committees (e.g. Audit Committee)	No. of Committee Meetings Held	No. of Committee Meetings Attended	Total No. of Meetings Attended
Ms JD Gantana	Board Member	10 March 2016	9 March 2019	Baccalaureus Atrium, Higher Diploma in Education, Hon BA (Psychology), Masters in Business Leadership	Financial Management	Western Cape Gambling & Racing Board	17	12	Finance & IT Committee	5	5	20 of 26
									Horsereading Committee	[4]*	2 of 3	
									Human Capital Committee	[4]*	1 of 1	
Mr D Lakay	Board Member Board member term extended and appointed a Board Chair Board Chairperson & member term extended	10 Dec 2014 10 Dec 2017 10 March 2018	10 Dec 2017 10 March 2018 10 Dec 2018	B.Com Accounting	Accounting and Financial Management	Western Cape Gambling & Racing Board Board member: Western Cape Economic Development Partnership NPC	17	17	Casino Committee	5	5	35 of 35
									Finance & IT Committee	5	5	
									Horsereading Committee	4	4	
									LPM Committee	4	4	
Dr P Voges	Board Member Resigned	10 March 2016	9 March 2019 13 March 2018	B Comm, HOD Honours Economics M Comm Doctorate Economic and Planning	Economic Development, Strategy, Town Planning, Project Management and Investment Promotion	Board member: Western Cape Gambling & Racing Board Board member: Mandela Bay Chamber of Commerce Board member: Eastern Cape Gambling & Betting Board Board member: International Association of Ports and Cities (Paris)	17	10	Casino Committee	5	3	18 of 32
									Licensing Committee	6	2	
									LPM Committee	4	3	

External Audit Committee Members

Name	Designation (in terms of the Public Entity Board Structure)	Date Appointed	Term Expired/Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees (e.g. Audit Committee)	No. of Meetings Held	No. of Meetings Attended
Mr MR Burton	Audit Committee: Independent non-executive member	8 Dec 2011 17 Feb 2015	7 Dec 2014 16 Feb 2018	B. Compt. Hons CA(SA)	Auditing and Accounting	<ul style="list-style-type: none"> Cape Nature Board SAMSA Board Ascension Properties Limited WPBTS NPC Board Messariss (Pty) Ltd 	Audit Committee	[4]	3 of 3
Mr G Harris	Audit Committee: Independent non-executive member	29 Feb 2016	28 Feb 2019	B. Com Hons CA(SA) F.Inst.D	Governance Risk Management Audit Committee HR Finance	<ul style="list-style-type: none"> Booyco Engineering (Pty) Ltd SABS Commercial SOC Limited Roots Of Modern Human Behaviour Foundation GB Business Catalysts (Pty) Ltd trading as KLOP Accelerator Novelquip (Pty) Ltd trading as Multipit Empowerment Through Enterprise Trust - Shonaquip 	Audit Committee	4	4
Mr C Whittle	Audit Committee: Independent non-executive member	29 Feb 2016	28 Feb 2019	B.Com, PGDA, CA(SA)	Financial Management, Accounting, Auditing, Financial Analysis, Risk Management	<ul style="list-style-type: none"> Willesme (Pty) Ltd 	Audit Committee	4	4
Mr R Kingwill	Audit Committee: Independent non-executive member	17 Feb 2018	16 Feb 2021	B.Com CTA CA(SA)	Strategic Planning, Corporate Governance, Performance Management	<ul style="list-style-type: none"> Centre for Genomic & Proteomic Research Western Cape Liquor Authority On Demand Investments CC Parel Vallei Advanced Education Trust Somerset West Country Club NPC Furtherance of Golf Nomads Foundation 	Audit Committee	[4]	1 of 1

Committee	No. of Meetings Held	No. of Members	Name of Members
Board	17	7	Mr T Arendse (Chairperson) [Appointed as Board Chairperson on 11 August 2016] [Term as Board member expired on 11 February 2017] [Term as Board member and Chairperson extended from 11 February 2017 until 11 February 2018.] Mr CA Bassuday (Member) Mr S Faku (Member) Ms C Fani (Member) [Appointed as Board member from 17 May 2017 until 16 May 2020] Ms Gantana (Member) Mr D Lakay (Member) [Term as Board member expired on 10 December 2011] [Term as Board member was extended from 11 December 2017 until 10 March 2018.] [Term as Board member was extended from 11 March 2018, when he also was appointed as Chairperson, until 10 December 2018.] Dr P Voges (Member) [Resigned as Board member on 13 March 2018]
Audit Committee	4	4	Mr Mr Burton (External non-executive member) [Appointed as Audit Committee Chairperson on 29 February 2016, to run concurrently with term, which expired on 16 February 2018.] Mr G Harris (External non-executive member) [Appointed as Committee Chairperson from 17 February 2018 to run concurrently with term ending on 28 Feb 2019] Mr C Whittle [Appointed to Committee on 29 February 2016] Mr R Kingwill (External non-executive member) [Appointed to Committee on 17 February 2018 until 16 February 2021] Mr T Arendse (Member) [On SCOF recommendation, Mr Arendse continue as the Board's appointee to the Audit Committee, but in ex-officio capacity.] [Term as Board member expired on 11 February 2018.] Mr D Lakay (Member) [Appointed to Committee in ex-officio capacity from 27 March 2018]
Casino Committee	5	3	Dr P Voges (Chairperson) [Resigned as Board member on 13 March 2018] Mr D Lakay (Member) [Appointed as Committee Chairperson from 27 March 2018] Mr S Faku (Member) Ms C Fani (Member) [Appointed as Committee member from 27 March 2018]
Finance & IT Committee	5	3	Ms Gantana (Chairperson) Mr T Arendse (Member) [Term as Board member expired on 11 February 2018.] Ms C Fani (Member) [Appointed as Committee member from 27 March 2018] Mr D Lakay (Member) [Appointed as Committee member from 27 March 2018 to run concurrently with Board member term as extended until 10 December 2018]

Committee	No. of Meetings Held	No. of Members	Name of Members
Horsing Committee	4	3	Mr CA Bassuday (Chairperson) Ms Gantana (Member) [No longer on Committee from 27 March 2018] Mr D Lakay (Member) [Appointed as Committee member from 30 August 2016] Mr S Faku (Member) [Appointed as Committee member from 27 February until 27 March 2018] Ms C Fani (Member) [Appointed as Committee member from 27 February until 27 March 2018]
Human Capital Committee	4	3	Mr S Faku (Chairperson) Mr CA Bassuday (Member) M C Fani (Member) [Appointed as Committee member from 30 May 2017] Ms Gantana (Member) [No longer on Committee from 30 May 2017]
Licensing Committee	6	3	Mr CA Bassuday (Chairperson) [Appointed as Committee Chairperson from 27 February 2018] Mr T Arendse (previous Chairperson) [Term as Board member expired on 11 February 2018.] Ms C Fani (Member) [Appointed as Committee member from 27 February 2018] Dr P Voges (Member) [Resigned as Board member on 13 March 2018]
LPM Committee	4	3	Mr D Lakay (Chairperson) Mr T Arendse (Member) [No longer on Committee from 30 May 2017] [Term as Board member expired on 11 February 2018.] Mr C Bassuday (Member) [Appointed as Committee member from 27 March 2018] M C Fani (Member) [Appointed as Committee member from 30 May 2017 until 27 March 2018] Mr S Faku (Member) [Appointed as Committee member from 27 March 2018] Dr P Voges (Member) [Resigned as Board member on 13 March 2018]

BOARD REMUNERATION ARRANGEMENTS

Board meetings:

An ordinary or special meeting where the Board deliberate and decide on matters falling within its statutory powers and functions.

The remuneration for Board meetings held at the offices is a fixed amount of **R4 738.72**, irrespective of the length of the meeting, and is all inclusive of preparation time, travel time and kilometres travelled.

Board committees and other events:

- The remuneration for other meetings and events, such as committee meetings and public hearings, for example, is based on an hourly rate, which in addition to the time attended, extends also to time travelled, preparation time and reimbursement for kilometres travelled.
- The hourly amount is **R592.34** per hour.
- This remuneration is payable up to the equivalent of a maximum of 8 hours, plus kilometres travelled.
- The practice is for members to indicate to the Secretary at the start of each meeting what had been their preparation time for a particular meeting.
- The kilometres travelled in instances where the routes varied from the usual route to the office of the Board, are also given to the Board Secretary individually.

Chairperson -:

Board meetings: **R6 098.48** per meeting

Board committees and other events: **R762.31** per hour up to a maximum of 8 hours.

Vice Chairperson -:

Board meetings: **R4 738.72** per meeting

Board committees and other events: **R592.34** per hour up to a maximum of 8 hours.

Acting as Chairperson -:

Board meetings: **R5 309.52** per meeting

Board committees and other events: **R663.69** per hour up to a maximum of 8 hours.

BOARD MEMBER REMUNERATION

Name	Remueration	Other Allowances	Other Re-imburements	Total
BOARD	R	R	R	R
Mr DT Lakay (Chairperson)	254 987.02	-	12 840.78	267 827.80
Mr TC Arendse (Chairperson-April to February 2018)	287 581.68	-	7 218.24	294 799.92
Dr P Voges (Vice-Chairperson)	137 422.93	-	14 103.60	151 526.53
Mr CA Bassuday	218 474.79	-	2 405.47	220 880.26
Mr S Faku	218 573.50	-	726.77	219 300.27
Ms C Fani	150 059.49	-	-	150 059.49
Total	1 267 099.41	-	37 294.86	1 304 394.27

BOARD MEMBER TRAVEL ABROAD

There was no overseas travel for Board members and staff during the financial year.

STANDING COMMITTEE RESOLUTIONS RESULTING FROM THE 2016/17 ANNUAL REPORT

STANDING COMMITTEE ON PUBLIC ACCOUNTS		
Date of resolution	Details	Implementation progress
14 December 2017	That the Entity briefs the Committee on its meetings that were held during the 2016/17 financial year, including the value derived from these meetings and the outcomes therefrom.	SCOF to arrange meeting with the Board.
14 December 2017	That the Entity briefs the Committee on the resources that were allocated to license holder to assist poorer communities, including the communities that were recipients of these resources.	SCOF to arrange meeting with the Board.
14 December 2017	That the Entity briefs the Committee on the establishment of the Western Cape Responsible Gambling Forum, including its challenges and achievements during the 2016/17 financial year.	SCOF to arrange meeting with the Board.
14 December 2017	That the Entity briefs the Committee on the loss of funds that the Western Cape experienced due to illegal gambling, during the 2016/17 financial year.	SCOF to arrange meeting with the Board.
14 December 2017	That the Entity briefs the Committee on the business plan model that was used to motivate for the allocation of R18 679 118 for the financial year under review.	SCOF to arrange meeting with the Board.

4. RISK MANAGEMENT

Risk management is an integral part of the Board's overall activities. By means of Enterprise Risk Management, the Board aims to ensure that it continues to succeed in achieving its strategic objectives.

The Board's risk management includes:

- Integrating risk management into the culture and strategic decision-making of the Board;
- Anticipating and responding to changing social, environmental and legislative conditions;
- Managing risk in accordance with best practice, and demonstrating due diligence in decision making;
- Regarding legal compliance as a minimum standard;
- Balancing the cost of managing risk with the anticipated benefits; and
- Raising awareness of the need for risk management.

Risk management strategies to identify and manage risks at Board include the following considerations:

- the Board, Departmental Heads and Managers have responsibility for overseeing risk management;
- the Board, Departmental Heads and Management adopt an open and receptive approach to solving risk problems;
- the Departmental Heads and Management support, advise on and implement policies approved by the Board;
- the Board makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks and opportunities;
- the Chief Executive Officer, Departmental Heads and Managers are responsible for encouraging good risk management practices within their units; and
- key risk indicators will be identified and monitored on a quarterly basis.

The Board assumes responsibility for the governance of risk by setting the direction on how risk should be approached and addressed in the entity. The Board treats risk as integral to the way it makes decisions and executes its duties. The Risk Register is approved by the Board and the Board receives regularly feedback in respect of risk management.

The Board takes cognisance of the risks to which it is exposed, but because it is a public entity and works with public funds, the Board's risk appetite is low. Any residual risk that is above the Board's risk appetite can only be accepted after sign off by the Chief Executive Officer.

The Board, its Departmental Heads and Managers periodically assess the organisational risks in terms of the guidelines and methods provided to it by the Executive Authority through the MEC. Accordingly, each department's risks are reviewed along with the annual performance plan (APP) and the overall budget.

Future areas of focus will be determined by those items/issues relevant to the Board in its capacity as Gambling Regulator in the Western Cape.

5. INTERNAL CONTROL

The Board's internal controls are effective as audited by the Auditor-General of South Africa. The Board has in place a number of policies and standard operating procedures specifically designed for control and proper governance of Board affairs. The responsibility to implement these control measures is entrusted in the CEO. However, both the external and internal auditors test whether the controls are not only effective but also comport with the prescriptions of the PFMA.

During the year under review, a risk register was compiled, ongoing review of controls was conducted to mitigate identified risks, reports were submitted to the Finance and IT Committee and the Audit Committee and consequent recommendations were presented to the Board.

6. INTERNAL AUDIT AND AUDIT COMMITTEE

The purpose of performing internal audits quarterly is to provide to the Board an independent and objective assurance services designed to help improve the Board's operations. The internal auditors help bring a systematic and disciplined approach of evaluating the effectiveness of the Board's risk management, control and governance process.

The head of internal audit reports administratively to the CEO and functionally to the Audit Committee.

The Audit Committee members' meeting attendance were:

Name of Member	Number of Meetings Attended
1. Mr G Harris [Chairperson] [Appointed as Committee Chairperson from 17 February 2018]	4 of 4
2. Mr C Whittle	4 of 4
3. Mr M Burton [Term expired on 16 February 2018]	3 of 3
4. Mr T Arendse [Ex-officio , representing Board] [Term expired on 11 February 2018]	3 of 3
5. Mr R Kingwill [Newly appointed from 17 March 2018]	1 of 1
6. Mr D Lakay [Ex-officio, representing Board] [Newly appointed from 27 March 2018]	1 of 1

Name	Qualifications	Internal or External	If Internal, Position in the Board	Date Appointed	Date Resigned	No. of Meetings Attended
G Harris	B. Com Hons CA(SA)	External	Not applicable	29 February 2016	Not applicable	4
C Whittle	B.Com, PGDA, CA(SA)	External	Not applicable	29 February 2016	Not applicable	4
M Burton	B. Compt. Hons CA(SA)	External	Not applicable	17 February 2015	16 February 2018	3
T Arendse	CTA CA(SA)	Internal	Board Member	26 February 2014	[In ex-officio capacity from 27 October 2015] [Term expired on 11 February 2018]	3
R Kingwill	B.Com CTA CA(SA)	External	Not applicable	17 February 2018	Not applicable	1
D Lakay	B.Com Accounting	Internal	Board Member	27 March 2018	Not applicable	1

7. COMPLIANCE WITH LAWS AND REGULATIONS

The Board complies with every provision of all relevant laws and Regulations.

The Board assumes responsibility for the governance of compliance with applicable laws and regulations affecting the Board. The Board delegated the responsibility to implement and effect compliance with relevant laws and regulations to the CEO and the Executive Committee.

All relevant laws and regulations applicable to the Western Cape Gambling and Racing Board were key areas of focus during the reporting period. The Board operates within applicable laws and regulations and the policies and procedures of the Board are based on the laws and regulations applicable to the Board.

The Board has an in-house legal department and the regulatory environment is monitored on a continuous basis to ensure that the Board responds to changes and developments in applicable laws and regulations. The compliance management of the Board takes a holistic view on how applicable laws and regulations relate to one another and how it affects the operations of the Board. The Board and its Committees continually monitors the Board's compliance with applicable laws and regulations.

Planned areas of future focus will be determined by the developments in laws and regulations applicable to the Western Cape Gambling and Racing Board.

For the 2017/18 financial year, there were no material or repeated penalties, sanctions or fines for contraventions of, or non-compliance with statutory obligations that were identified.

8. FRAUD AND CORRUPTION

The Board approved a Fraud and Anti-Corruption policy during the 2011 financial year. The policy has been fully implemented and provides for reporting of fraud via the national hotline and directly to the CEO who then reports to the Board.

Submissions are investigated by a dedicated Fraud Committee and reported to the CEO who considers the matters and reports to the Board.

9. MINIMISING CONFLICT OF INTEREST

During the month of April each year, the Board receives from each Board member a declaration of their shareholdings and business interests. These are then recorded and kept on file. These declarations are reviewed to ascertain that no Board member is compromised by an interest the Board member may have.

In addition, at each Board meeting, Board members must declare whether they have any interest that might influence their judgement when deliberating matters that are before the Board.

In addition, all service providers are required to complete a WCBD4 form to certify that there is no relationship between the service provider and any employee of the Board.

10. CODE OF CONDUCT

The Board ensures that the Office of the Board's conduct aligns with the entity's values. A Code of Conduct and processes are in place to ensure that there is alignment. Members of the Board act ethically in line with the Code of Conduct and their fiduciary duties. The Board sets the tone for an ethical organisational structure and set an example to staff members in the way they carry out their duties and operate in the best interest of the entity and its stakeholders.

The Code of Conduct is central to the Board achieving its mission to inspire public confidence and trust and to provide a stable, just, consistent and effective regulatory environment.

The Code requires the delivery of high standards by guiding Board employees and Board members toward best practice and continued improvement in standards.

The Code of Conduct is readily available to all employees and Board members online via the Board's intranet to which every individual has access. At the commencement of employment of a new employee and the appointment of Board members, the Code forms part of the induction pack, which all individuals are required to sign receipt of.

Compliance with the Code of Conduct is strictly enforced and monitored and any breaches thereof are dealt with in terms of the Board's disciplinary code and procedure.

11. ORGANISATIONAL ETHICS

The Board assumes responsibility for the governance of ethics in line with the Code of Conduct. The Board has ensured that a Code of Conduct and ethics-related policies have been established and implemented. The Code of Conduct clearly sets out ethical standards set by the Board. The Board ensures that compliance with the Code of Conduct is effectively integrated into the strategy and operations of the Office of the Board, i.e. the ethical organisational culture is reflected in the entity's vision and mission, strategies and operations, decisions and conduct, and how it treats its internal and external stakeholders.

All areas set out in the Code of Conduct were focused on for the year under review.

The Board exercises ongoing oversight of the management of ethics in line with the Code of Conduct and will continue to assume responsibility for the governance of ethics in line with the Code of Conduct.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Board has an established Occupational Health and Safety Committee (OHASA Committee) established in terms of the Occupational Health and Safety Act 85 of 1993. The OHASA committee, which has representatives of all departments at the Board, meets at set quarterly intervals through the year to assess the Health and Safety environment at the Board and to address any matters that may arise.

13. CHIEF EXECUTIVE OFFICER

The notice period stipulated in the CEO's employment contract is three (3) months. The term of the CEO may be terminated in the following ways: On completing a term or extended terms of office, premature retirement at own request of employee, re-determination of original term or extended term of office by employer, voluntary resignation, death.

The CEO does not have any memberships of governing bodies outside the Western Cape Gambling and Racing Board.

Succession planning is in place for the position of the CEO in accordance with the Board's Succession Plan.

14. COMPANY SECRETARY

The Board does not have a Company Secretary. However, it has a unit of three staff members within the Executive Department who serve as its Secretariat.

15. SOCIAL RESPONSIBILITY

While the Board itself did not have any social responsibility programmes for the year, the Board does impose certain conditions on licence holders to ensure that they do allocate resources to assist poor communities.

The Board also established the Western Cape Responsible Gambling Forum to address the potential ills of gambling.

16. CORPORATE CITIZENSHIP

The Board assumes responsibility for corporate citizenship by setting the direction on how it should be approached and addressed by the Office of the Board. The Board ensures that the entity's performance and its interaction with its stakeholders are guided by the Constitution and the Bill of Rights. The Board oversees that the entity's core purpose and values, strategy and conduct are in line with corporate responsibility.

The Board conducts its business taking into account the workplace, economy, society and the environment. The Board recognises that public confidence, trust, health, safety, general welfare and good order of the inhabitants of the Province are dependent upon the strict regulation of all persons, premises, practices, associations and activities relating to gambling and racing. It is also recognised that opportunities for gambling and racing entail particular risks and dangers to the inhabitants of the Province, which justify the imposition of appropriate restrictions, regulations and controls.

The Annual Performance Plan of the Board is aligned to the Western Cape Provincial Strategic Plan which comprises the five Provincial Strategic Goals:

1. Create opportunities for growth and jobs
2. Improve education outcomes and opportunities for youth development
3. Increase wellness and safety, and tackle social ills
4. Enable a resilient, sustainable, quality and inclusive living environment
5. Embed good governance and integrated service delivery through partnerships and spatial alignment.

The Board oversees and monitors, on an ongoing basis, how the consequences of the entity's activities and

output affects its status as a responsible corporate citizen.

The Board will continue to perform its functions taking into account the workplace, the economy, the society and the environment.

17. STAKEHOLDER RELATIONSHIPS

The Board assumes responsibility for the governance of stakeholder relationships by setting the direction for how stakeholder relationships should be approached and conducted in the entity. This approach is in line with the Code of Conduct and the Western Cape Gambling and Racing Act.

The Board oversees the establishment of mechanisms and processes that support constructive engagement by the entity with its stakeholders. Licence holders of the Board are afforded the opportunity to attend Committee meetings and in certain instances, ad-hoc Board meetings are scheduled to meet with stakeholders to get clarity or finalise a specific item on the Board's agenda. Members of the Board are also active in their oversight role as demonstrated by visiting CSI projects undertaken by the Board's licence holders. The Board also deals with the National Gambling Board, the Provincial Gambling Boards, Provincial Treasury, and all other relevant stakeholders to ensure that stakeholders are included, where applicable.

Key areas of focus during the year were determined by pertinent issues raised by licence holders and "hot topics" relevant to the industry. Issues such as Free-play and BBBEE were focus areas for the year under review. Even though these issues are provided as examples of "key areas of focus", these issues are general issues in the gambling industry. The Board is unable to plan for key areas of focus as the Board needs to respond to issues as they become relevant to the Board, its licence holders, the public and all other relevant stakeholders.

The Board monitors the effectiveness of stakeholder management in Board and Committee meetings as part of its oversight function. Where and if the Board becomes aware of issues regarding its stakeholders, these matters are escalated to resolve issues as soon as possible.

The Board is unable to plan for future areas of focus in respect of its stakeholders. The Board responds to issues as they become relevant to the Board, its licence holders, the public and all other relevant stakeholders.

18. REMUNERATION

The Board's salary scales are in line with those prescribed by the Department: Public Service and Administration (DPSA).

The Board assumes responsibility for the governance of remuneration through the implementation of the Board Remuneration Policy. The approved remuneration policy gives effect to its direction on fair, responsible and transparent remuneration. The Board aims to align its remuneration policy with its organisational strategy and the execution of that strategy. This alignment maximises the performance and effectiveness of the organisation, thus increasing the attainment of organisational objectives. Remuneration management is consequently of extreme importance to the entity as poor management and control of remuneration could have a negative effect on the overall succession of the organisation - both financially and operationally.

The remuneration of the Board members and Executive Management is appropriately disclosed in the financial statements and comply with the disclosure requirements of standards of GRAP.

19. TECHNOLOGY AND INFORMATION

The Board assumes responsibility for the governance of information and communication technologies (ICT). The Board adopted the CGICT Charter, COBIT IT/ITIL Governance Framework, including policies, processes, procedures and structures for the effective functioning of technology and information. The Finance and IT Committee as well as the Audit Committee assist the Board with information technology governance.

Key areas of focus during the reporting period include strategic objectives as per the Strategic Plan 2015 - 2020, performance indicators as per the Annual Performance Plan, reporting to the various Committees regarding major incidents, where applicable, as well as quarterly reporting to the Board and its Committees in respect to Information Technology matters.

Risks and controls associated with the IT function are incorporated in the Board's Risk Register. Outcomes of any technological and information management nature are dealt with via the Board Help Desk system and reviewed bi-weekly.

Planned areas of future focus include the following:

- Digitized Automated Licence Application Process
- Modernized Board Website
- Upgrade of all necessary systems and applications.

20. AUDIT COMMITTEE REPORT

Mr Guy Harris

We are pleased to present our report for the financial year ended 31 March 2018.

Audit Committee members and attendance

The audit committee consists of the members listed hereunder and meets at least 4 times per annum as per its approved terms of reference. During the 2017/18 financial year, 4 meetings were held.



Name of Member	Number of Meetings Attended
1. Mr G Harris [Chairperson] [Appointed as Committee Chairperson from 17 February 2018]	4 of 4
2. Mr C Whittle	4 of 4
3. Mr M Burton [Term expired on 16 February 2018]	3 of 3
4. Mr T Arendse [Ex-officio, representing Board] [Term expired on 11 February 2018]	3 of 3
5. Mr R Kingwill [Newly appointed from 17 March 2018]	1 of 1
6. Mr D Lakay [Ex-officio, representing Board] [Newly appointed from 27 March 2018]	1 of 1

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51(a) of the Public Finance Management Act and Treasury Regulation 27.1.10. The Audit Committee further reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has executed its mandate in compliance with this charter and has discharged its responsibilities as contained therein.

The Committee has performed an annual self-assessment in respect of its own compliance in terms of the required functions in accordance with the King IV Report on Corporate Governance, its own charter and terms of reference, the relevant National Treasury Regulations and the Public Finance Management Act. The Committee has complied with the requirements.

Meetings

The external and internal auditors attend Committee meetings and have unrestricted access to the Committee and its Chair and have had the opportunity to address the Committee without management being present to ensure their independence.

The Committee reviewed detailed reports from the external auditors and internal auditors, the outcome of which were reported to the Board by their Ex Officio representative on the Audit Committee regularly and the Chairperson of the Audit Committee annually.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted, revealed certain weaknesses, which were then referred to Management and corrective steps were implemented or to be implemented to minimise the risks.

The system of controls is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. The system applied by the Board over financial risk and risk management is effective, efficient and transparent.

In line with the Public Finance Management Act and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors and the Audit Report on the Annual Financial Statements, including the management report of the Auditor-General, it was noted that no matters were reported indicating

any material deficiencies in the system of internal control nor any deviations therefrom. Accordingly, we can report that the system of internal control for the period under review was efficient and effective.

The Audit Committee is satisfied that the internal audit function, which is outsourced, is operating effectively and that it has covered the mitigations/controls relating to the risks pertinent to the Board in its audit.

The following internal audit work was completed during the year under review:

A review of the implementation and effectiveness of internal control measures were performed during the year on the following focus areas:

- Review of draft Annual Financial Statements 2016-2017 and 2017-2018
- Review of Performance Information on Predetermined Objectives (PDO's)
- Follow-up work on previous internal and external audit findings
- Asset verification
- Review of IT Department
- Review of the Regulatory Compliance Department
- Review of the Board activities
- Review of Chief Executive Officer's office
- Review of the Licensing Department
- Review of the Adfin Department
- Review of the Legal Division
- Review of HR Division

The Audit Committee requested specific additional work on supply chain management and Information Technology.

In-Year Management and Monthly/Quarterly Report

The Board has submitted monthly and quarterly reports to the Executive Authority. The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Board during the year under review.

Finance Function

The preparation of financial reports, including the annual financial statements, was completed under the supervision of Ms Z Siwa (CA) SA. The Committee reviewed and satisfied itself that the expertise and experience of Ms Siwa, the Chief Financial Officer, is appropriate. The Committee further reviewed and was satisfied that the expertise and resources within the finance function were appropriate and effective.

Combined Assurance

Assurance is obtained from a number of assurance providers in a coordinated manner, to avoid duplication of effort.

The internal audit plan is compiled using a risk-based methodology, in consultation with management. In addition, internal and external auditors work in a collaborative manner. For the 2018 financial year, the Committee has considered the risks presented by management, evaluated and approved the plans of the internal audit function and the external auditors, and the outcome of the audit work performed.

The Committee is satisfied that the independent assurance providers' work undertaken together with the internal control designed by management are adequate.

Evaluation of Financial Statements

We have:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General of South Africa, management and the Board;
- Reviewed the Auditor-General's management report and management's response thereto;
- Reviewed the Board's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from the audit.
- Reviewed the audited Annual Financial Statements prepared by the Board.

Internal auditors

The Committee has considered the independence and effectiveness of the internal audit function. The Committee has reviewed and approved the internal audit charter and the internal audit plan for 2018 and is satisfied, through the declarations made by the internal auditors, that the assurances provided to the Committee are aligned to the Code of Ethics of the Institute of Internal Auditors.

Internal Audit reports to the Committee at each meeting and through these reports provides the Committee with a reflection of the internal control environment. The Committee is satisfied with the effectiveness of Internal Audit.

External Auditor's Report

The Audit Committee is satisfied with the independence and objectivity of the external auditors, which includes consideration of the extent of other work undertaken and the compliance with criteria relating to independence or conflict of interest as prescribed by the Independent Regulatory Board for Auditors (IRBA).

The Committee approved the audit strategy and external audit fees for the 2018 audit. The Committee has also evaluated the performance and conduct of the external auditors for the reporting period and is satisfied with the quality of the external audit function.

The Committee reviewed the Board's implementation plan for audit issues raised in the prior year and is satisfied that the matters have been adequately resolved.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.



Guy Harris
Chairperson of the Audit Committee
Western Cape Gambling and Racing Board



Part D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

The Human Resources (HR) division provides services and support to the Board and its office in ways that embrace the Board's mission to provide a stable, just, consistent and effective regulatory environment. HR supports and upholds the Board's goals by fostering a positive and engaging work environment while identifying and responding to the changing needs of our diverse workforce.

The HR department continuously strives to provide quality advice and services to the Board and its employees. During the 2017/18 reporting period HR has moved the Board's HR processes away from paper based administration toward a more technological process by the procurement and implementation of an online Human Resources system; Softline HR Premier.

The Board's HR processes such as annual leave, performance management, staff development, training and development and various other HR administrative processes is now available to all staff online making HR processes more readily available to staff and also reducing the time taken for HR administration.

HR is constantly seeking ways to provide the Board with regulatory specific training and during the reporting period, the Board in partnership with the University of Las Vegas' International Gaming Institute provided African regulators with the first of its kind gambling regulator training. The regulator training programmes will continue for the next two years with the focus being on three specific areas namely; Licensing, Casino Auditing and Sports Betting. Other than regulator training, the Board also invests in upskilling its employees and providing financial assistance to those employees who seek to further their educational qualifications.

Constant and regular engagement between the Board, the Minister and the Department of Transport and Public works have seen some positive movement on the Board acquiring new rental premises. With the current accommodation being wholly unsuitable for the organisation, a budget has been approved for rental accommodation for the Board and it is hoped that the Department of Transport and Public Works will finalise the procurement of rental accommodation within the first half of the 2018/19 reporting period.

The Western Cape Gambling and Racing Board is committed to cultivating a service-orientated culture and to provide staff with benefits that promote health, wellness and a sound work life balance. The Board's employee wellness program (EWP) offered via an external service provider (ICAS) continues to be an active source of assistance to employees to encourage them to choose healthier, more balanced lifestyles.

EWP engagement comprised of individual utilisation (cases), group services and eCare profiling. Total EWP engagement at 81.1% lies above the industry average of 14.7% suggesting that employees at the Board are not only familiar with but also actively utilizing the services and benefits available to them through the EWP.

The Board continues to strive toward ensuring good employee morale and have persisted in offering quarterly staff socials as well as an annual wellness breakaway where employees are encouraged to interact and participate in driving an inclusive working culture at the organization.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme

Programme	#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)
Administration*	22 200	15 764	71%	37	426
Compliance	15 444	14 114	91%	27	523
Licensing	12 890	12 494	97%	24	521
IT	4 580	2 471	54%	6	412
Total	55 114	44 843	81%	94	477

* Administration programme includes the Board, the Administration and Finance Department and Executive Management

Total expenditure excludes depreciation, amortisation and services in-kind, but includes capital expenditure.

Personnel cost by salary band

Level	Personal Expenditure (R' 000)	% of Personnel Expenditure to Total Personnel Cost	No. of Employees	Average Personnel Cost per Employee (R' 000)
Top Management	1 311	3%	1	1 311
Senior Management	6 281	16%	6	1 047
Professional qualified	9 012	23%	13	693
Skilled	17 862	46%	34	525
Semi-skilled	4 362	11%	16	273
Unskilled	-	-	-	-
Total	38 828		70	555

* Excludes Board member's remuneration of R1 304 395, housing allowance of R743 472, temp's remuneration of R510 665 and net salary accruals/provisions of R3 456 994.

Performance Rewards

Programme	Performance Rewards (R' 000)	Personnel Expenditure (R' 000)	% of Performance Rewards to Total Personnel Cost
Top Management	15	1 311	1%
Senior Management	61	6 281	1%
Professional qualified	106	9 012	1%
Skilled	199	17 862	1%
Semi-skilled	50	4 362	1%
Unskilled	-	-	-
Total	430	*38 828	1%

* Excludes Board member's remuneration of R1 304 395, housing allowance of R743 472, temp's remuneration of R510 665 and net salary accruals/provisions of R3 456 994.

Training Costs

Directorate/ Business Unit	Personnel Expenditure (R' 000)	Training Expenditure (R' 000)	Training Exp. as a % of Personnel Cost (R' 000)	No. of Employees Trained	Average Training Cost per Employee (R' 000)
Board	1 320	50	3.79%	7	7
Executive	6 343	42	0.66%	10	4
Administration & Finance	8 101	15	0.19%	8	2
Compliance	14 114	77	0.54%	9	9
Licensing	12 494	169	1.35%	13	13
IT	2 471	24	0.97%	3	8
Total	44 843	377	0.84%	50	8

Employment and vacancies

Programme	2016/17 No. of Employees	2017/18 Approved Posts	2017/18 No. of Employees	2017/18 Vacancies	% of Vacancies
Administration	9	9	8	1	11%
Executive	7	7	7	-	-
Management	7	7	7	-	-
Compliance	24	25	22	3	9%
Licensing	21	22	22	-	-
IT	4	4	4	-	-
Total	72	74	70	4	5%

Programme	2016/17 No. of Employees	2017/18 Approved Posts	2017/18 No. of Employees	2017/18 Vacancies	% of Vacancies
Top Management	1	1	1	-	-
Senior Management	6	6	6	-	-
Professional qualified	13	13	13	-	-
Skilled	35	36	34	2	6%
Semi-skilled	17	18	16	2	11%
Unskilled	-	-	-	-	-
Total	72	74	70	4	5%

Employment changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top Management	1	-	-	1
Senior Management	6	-	-	6
Professional qualified	10	-	-	10
Skilled	31	2	2	31
Semi-skilled	24	1	3	22
Unskilled	-	-	-	-
Total	72	3	5	70

Reasons for staff leaving

Reason	Number	% of Total No. of Staff Leaving
Death	-	-
Resignation	2	40%
Dismissal	-	-
Retirement	2	40%
Ill health	1	20%
Expiry of contract	-	-
Other	-	-
Total	5	100%

Staff resignations were less than 10% of the Board's workforce of 74. Both resignations were employees who took up posts outside the Board at positions that are more senior or at a higher salary.

Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	-
Written Warning	-
Final Written Warning	-
Dismissal	-
Total	-

Equity Target and Employment Equity Status

Levels	Male							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	1	1	-	-	-	-	-
Senior Management	-	3	2	-	-	-	-	-
Professional qualified	2	2	2	2	1	-	-	1
Skilled	5	7	7	10	-	-	3	3
Semi-skilled	-	2	3	4	-	-	1	1
Unskilled	-	-	-	-	-	-	-	-
Total	7	12	16	18	1	0	4	5

Levels	Female							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	-	1	3	2	-	1	-	-
Professional qualified	-	1	2	2	-	-	2	-
Skilled	5	6	13	12	-	1	-	3
Semi-skilled	2	3	8	4	1	-	2	2
Unskilled	-	-	-	-	-	-	-	-
Total	7	11	26	20	1	2	4	5

Levels	Disabled Staff			
	MALE		FEMALE	
	Current	Target	Current	Target
Top Management	-	-	-	-
Senior Management	-	-	-	-
Professional qualified	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	-	-	1	1
Unskilled	-	-	-	-
Total	-	-	1	1



Part E: FINANCIAL INFORMATION

1. REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT ON WESTERN CAPE GAMBLING AND RACING BOARD

Report on the financial statements

Unqualified opinion

1. I have audited the financial statements of the Western Cape Gambling and Racing Board set out on pages 58 to 93, which comprise the statement of financial position as at 31 March 2018, and the statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget information with actual information 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 Western Cape Gambling and Racing Board as at 31 March 2018 and its financial performance and cash flows for the year then ended in accordance the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act (Act No. 1 of 1999) (PFMA) and the Western Cape Gambling and Racing Act, 1996 (Act No. 4 of 1996).
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 this auditor's report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA 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 matters below. My opinion is not modified in respect of the following matters.

Material underspending of the budget

7. As disclosed in the Statement of Comparison of Budget and Actual Amounts as at 31 March 2018, the entity has materially underspent the overall operating expenditure budget with R1,988,681 (3.7%). The saving mostly due to cost containment measures and relates to savings of communication, travel and subsistence, ICT software upgrade fees, maintenance, cleaning costs, legal fees, audit fees and non-professional services.

Contingent liability

As disclosed in note 31 of the Annual financial statements, The Western Cape Gambling and Racing Act (Act 4 of 1996) imposed a LPM Operator Fee on LPM Licensed Route Operators. The Operator Fee are leviable for ten years which expired in 2014. The Board inadvertently continued to levy the fee which the Route Operators willingly paid. Accordingly, the fee was paid for three years after the expiry of the ten year period. This overpayment is the subject of the contingent liability which amounts to R17.6 million. Legislative processes are underway to address the contingency and amendments to the Act for this purpose has been advertised in the Draft Western Cape 19th Gambling and Racing Amendment Bill.

It is expected that the successful implementation of the 19th Amendment Bill will resolve this issue.

Responsibilities of accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act (Act No. 1 of 1999) (PFMA) and the Western Cape Gambling and Racing Act, 1996 (Act No. 4 of 1996), 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.
9. In preparing the financial statements, the accounting authority is responsible for assessing the Western Cape Gambling and Racing Board'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 accounting authority 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

10. 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.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the Western Cape Gambling and Racing Board. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 1 - Board and Administration	19 - 24
Programme 2 - Licensing	24 - 25
Programme 3 - Regulatory Compliance	25 - 26

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

Predetermined objectives

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
 - Programme 1 - Board and Administration
 - Programme 2 - Licensing
 - Programme 3 - Regulatory Compliance

Report on the audit of compliance with legislation

Introduction and scope

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

18. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with 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. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Internal control deficiencies

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

Auditor-General

Cape Town
31 July 2018



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

2. In addition to my responsibility for the audit of the 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 by the [board of directors, which constitutes the accounting authority.
 - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Western Cape Gambling and Racing Board's ability 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 the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

2. ANNUAL FINANCIAL STATEMENTS

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PA Abrahams
Chief Executive Officer

Statement of Financial Position as at 31 March 2018

	Note(s)	2018 R	2017 Restated R
Assets			
Current Assets			
Cash and cash equivalents	3	8 299 853	8 793 616
Inventories	4	81 797	44 859
Prepayments	5	413 142	582 362
Trade and other receivables	6	602 655	1 884 522
Cash and cash equivalents - Trust funds (securities)	7	10 581 011	9 612 193
Cash and cash equivalents - Trust funds (trust)	7	10 560 415	9 109 431
Cash and cash equivalents - ILSF housing fund	8	142 762	72 054
		30 681 635	30 099 037
Non-Current Assets			
Property, plant and equipment	9	2 719 079	3 246 755
Intangible assets	10	62 483	67 238
Repayments	5	213 885	-
		2 995 447	3 313 993
Total Assets		33 677 082	33 413 030
Liabilities			
Current Liabilities			
Trust funds (securities)	7	10 581 011	9 612 193
Trust funds (trust)	7	10 560 415	9 109 431
Trade and other payables	11	6 401 460	8 664 295
Employee benefits	12	2 507 196	2 081 895
		30 050 082	29 467 814
Non-Current Liabilities	12	3 627 000	457 053
Employee benefits			
Total Liabilities		33 677 082	29 924 867
Net Assets		-	3 488 163

Statement of Financial Performance for the year ended 31 March 2018

	Note(s)	2018 R	2017 Restated R
Revenue			
Revenue from exchange transactions			
Investment income	13	1 007 738	1 053 862
Operating revenue	14	34 834 686	38 857 433
Sale of notes and sundry	15	180 568	1 169 478
Total revenue from exchange transactions		36 022 992	41 080 773
Revenue from non-exchange transactions			
Transfer revenue			
Government grant	16	19 707 000	9 908 000
Services in-kind	32	1 510 272	1 398 400
Total revenue from exchange transactions		21 217 272	11 306 400
Total revenue	10	57 240 264	52 387 173
Expenditure			
Amortisation: Intangible assets	9	9 923	7 615
Board awareness programmes		66 650	119 223
Depreciation: Property, plant and equipment	17	1 524 969	1 483 637
Elimination of illegal gambling operations		108 410	50 120
Employee related costs		44 843 397	37 292 238
Finance costs	18	277 016	42 114
Legal fees		561 529	255 689
Other expenses		7 506 247	7 119 487
Rental		119 076	109 407
Travel and subsistence		2 100 263	1 424 486
Total expenditure		57 117 480	47 904 016
Operating surplus	12	122 784	4 483 157
Gain on disposal of assets and liabilities		45 785	75 533
Loss on actuarial valuations		(120 000)	(229 406)
Surplus for the year		(74 215)	(153 873)
		48 569	4 329 284

Statement of Changes in Net Assets for the year ended 31 March 2018

	Accumulated Surplus R	Total Net Assets R
Opening balance as previously reported	4 000 000	4 000 000
Adjustments		
Correction of errors	1 394 425	1 394 425
Balance at 01 April 2016	5 394 425	5 394 425
Surplus for the year	4 329 284	4 329 284
Surplus payable to Western Cape Government	(6 235 546)	(6 235 546)
Total changes	(1 906 262)	(1 906 262)
Restated Balance at 01 April 2017	3 488 163	3 488 163
Surplus for the year	48 569	48 569
Surplus payable to Western Cape Government	(3 536 732)	(3 536 732)
Total changes	(3 488 163)	(3 488 163)
Balance at 31 March 2018	-	-

Cash Flow Statement for the year ended 31 March 2018

	Notes	2018 R	2017 Restated R
Cash flows from operating activities			
Receipts			
Taxes and levies collected		617 016 987	595 036 044
Sale of goods and services		36 034 950	39 457 950
Government grant		19 707 000	9 908 000
Interest income		1 007 738	1 053 862
Services in-kind		1 510 272	1 398 400
Sale of notes and sundry		180 568	1 169 478
		<u>675 457 515</u>	<u>648 023 734</u>
Payments			
Employee costs		(44 843 397)	(37 292 238)
Suppliers		(6 227 849)	(9 954 761)
Finance costs		(277 016)	(42 114)
Provision		-	(1 129 866)
Taxes and levies distributed		(617 340 091)	(594 749 913)
		<u>(668 688 353)</u>	<u>(643 168 892)</u>
Net cash flows from operating activities	24	<u>6 769 162</u>	<u>4 854 842</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1 037 007)	(355 969)
Proceeds from sale of property, plant and equipment	9	85 504	129 291
Purchase of other intangible assets	10	(5 168)	(34 514)
Net cash flows from investing activities		<u>(956 671)</u>	<u>(261 192)</u>
Cash flows from financing activities			
Net receipts and payments for trust funds		2 419 802	563 942
Surplus payable to Western Cape Government redeemed		(6 235 546)	(2 171 567)
Net cash flows from financing activities		<u>(3 815 744)</u>	<u>(1 607 625)</u>
Net increase in cash and cash equivalents		1 996 747	2 986 025
Cash and cash equivalents at the beginning of the year		27 587 294	24 601 269
Cash and cash equivalents at the end of the year	3	<u>29 584 041</u>	<u>27 587 294</u>

Western Cape Gambling and Racing Board

Annual Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts

	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference between Final Budget and Actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of notes and sundry	-	-	-	180 568	180 568	1
Rendering of services	40 766 701	(7 132 952)	33 633 749	34 834 686	1 200 937	2
Interest received	930 000	-	930 000	1 007 738	77 738	
Total revenue from exchange transactions	41 696 701	(7 132 952)	34 563 749	36 022 992	1 459 243	
Revenue from non-exchange transactions						
Transfer revenue						
Government grant	16 407 000	3 300 000	19 707 000	19 707 000	-	
Services in-kin	-	-	-	1 510 272	1 510 272	3
Revenue from non-exchange transactions	16 407 000	3 300 000	19 707 000	21 217 272	1 510 272	
Total revenue	58 103 701	(3 832 952)	54 270 749	57 240 264	2 969 515	
Expenditure						
Personnel	(41 547 914)	-	(41 547 914)	(42 010 974)	(463 060)	4
Finance costs	-	-	-	(277 016)	(277 016)	5
Operating Expenses	(12 289 587)	1 062 952	(11 226 635)	(10 462 175)	764 460	6
Total expenditure	(53 837 501)	1 062 952	(52 774 549)	(52 750 165)	24 384	
Net operating receipts/ (payments)	4 266 200	(2 770 000)	1 496 200	4 490 099	2 993 899	
Acquisition of property plant and equipment	(4 266 200)	2 770 000	(1 496 200)	(1 042 175)	454 025	7
Net receipts/ (payments)	-	-	-	3 447 924	3 447 924	
Reconciliation						
Net operating receipts/payments				4 490 099		
Basis difference						
Depreciation and amortisation				(1 534 892)		
Actuarial loss				(120 000)		
Loss on disposal of assets				45 785		
Movement in non-current employee benefits				(2 832 423)		
Services in-kind revenue benefit				1 510 272		
Services in-kind				(1 510 272)		
Actual Amount in the Statement of Financial Performance				48 569		

Statement of Comparison of Budget and Actual Amounts

The budget is approved on a cash basis by functional classification. The approved budget covers the period from 1 April 2017 to 31 March 2018.

The budget and the accounting base differ. The financial statements are prepared on the accrual basis using a classification on the nature of the expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget.

In terms of paragraph 12(c) of GRAP 24, the comparison of budget and actual amounts shall present separately, by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts. For this purpose, all differences exceeding 0.50% of total expenditure were deemed to be material and therefore explanations have only been provided for those differences exceeding the above threshold.

Explanation of variances

1. The Board does not budget for sundry income.
2. New licence applications received and processed exceeded projected figures. This increase in licence applications resulted in the increase of inspector charge out fees as this income stream directly relates to licence application fees. The budget in respect of the operator's fee was reduced to nil during the adjustment budget process as the ten-year limitation imposed on the levying of LPM operators fees expired in 2014. To address the shortfall in the operating budget, amendments have been proposed to delete the ten-year limitation in Schedule II to the Act. The amendment was included in the Draft Western Cape 19th Gambling and Racing Amendment Bill which was published for public comment.
3. The Board occupies a building free of charge managed by the Department of Public Works and Transport. The deemed benefit received by the Board in terms of GRAP 23 - Revenue from Non-Exchange Transactions amounts to R1 510 272 for the year under review. The Board does not budget for accounting (non-cash) revenue.
4. As of 1 May 2017, the Board introduced a Post-Retirement Medical Aid (PRMA) subsidy benefit to all employees. In terms of the Board's accounting policy, a reconciliation has been performed on the actual amount in order to eliminate accrual type entries in order to make it comparable to the budgeted amount of employee related cost. As part of this reconciliation, an amount of R2 832 423 has been eliminated as this amount represent the movement in the non-current employee benefits of the Board. Non-current employee benefits of the Board are not payable within twelve months and no provision has been made in the Board's operating budget for the period 1 April 2017 to 31 March 2018 for payment of non-current employee benefits.

	Actual (accrual basis)	Adjustment	Adjusted to comparable basis
Personnel	R 44 843 397	R -2 832 423	R 42 010 974

The over expenditure of R463 060 in respect of Personnel cost is due to the following: Additional eight (8) meetings were held by the Board and its Committees to give effect to the Board's statutory mandate. Industry conferences, such as GRAF and IAGR, were held in South Africa for the 2017/18 financial year and the Board made use of the opportunity to attend both conferences. In addition, the Board approved back pay to the HOD's of the Licensing and Compliance departments for services rendered since 2015 when the Racing and Betting Department was absorbed into the Licensing and Compliance departments.

5. The Board does not budget for finance costs. Finance costs is the result of actuarial valuations in terms of the Board's employee benefits.
6. Included in total operating expenditure is an amount of R1 510 272 in respect of services in-kind recognised in terms of GRAP 23 - Revenue from Non-Exchange Transactions which represents a non-cash item. Refer to the table below for adjustment made in respect of the non-cash item.

Statement of Comparison of Budget and Actual Amounts

	Difference between final budget and actual	Adjustment	Adjusted difference between final budget and actual
Operating expenses	R 764 460	R 1 510 272	R 2 274 732

The saving of R 2 274 732 is mostly due to cost containment measures and relates to savings of communication, travel and subsistence, ICT software upgrade fees, maintenance, cleaning costs, legal fees, audit fees and non-professional services. The budget in respect of operating expenditure has been reduced with R1 062 952 to address the shortfall in the budget due to the loss of the LPM Operator's Fees.

7. The saving of R 454 025 is due to cost containment measures and relates to savings of computers and computer accessories. The capital expenditure budget has been reduced with R 2 770 000 to address the shortfall in the budget due to the loss of the LPM Operator's Fees.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 91(1) of 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. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP. These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These 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.

1.2 Significant judgements and sources of estimation uncertainty

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

Impairment of trade receivables

The Board assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short term nature of these assets and liabilities.

Provisions and contingencies

Management judgment is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Property, plant and equipment and intangible assets

The Board assesses the useful life and residual values of these assets based on the condition of the assets and the replacement policy of the Board.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The Board determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement medical liability. In determining the appropriate discount rate, the Board considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related post-retirement medical liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services 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.

Accounting Policies

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 non-exchange transaction, its cost is its fair value as at date of acquisition.

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.

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

Property, plant and equipment are depreciated on the straight line 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:

Motor vehicles	Straight line	4 - 10 years
Equipment & Furniture	Straight line	2 - 25 years
Computers	Straight line	3 - 25 years
Computer accessories	Straight line	2 - 15 years
Assets less than R5000	Straight line	2 - 15 years
Leased assets	Straight line	2 - 6 years

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.

In assessing whether there is an indication that the expected useful life of an asset has changed, management takes into account factors such as changes in the composition or the use of the asset, planned repairs and maintenance, environmental factors, etc.

In assessing whether there is any indication that the expected residual value of an asset has changed, management considers whether there has been any change in the expected timing of the disposal of the assets as well as other relevant factors.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

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.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 27).

Repairs and maintenance disclosed in Note 27 to the financial statements represents actual costs incurred paid or payable to third parties.

Accounting Policies

1.4 Intangible assets

Intangible asset are initially recognised at cost at the date of acquisition. An intangible asset is recognised when:

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

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful Life
WCGRB Database software	10 years

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The Board classifies financial assets and financial liabilities into the following categories:

- Financial assets
- Financial liabilities

Classification

The Board classifies financial assets and financial liabilities into the following categories as reflected on the face of the statement of financial position or in the notes thereto:

Financial Assets	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
Trust funds (securities)	Financial asset measured at amortised cost
Trust funds (trust)	Financial asset measured at amortised cost
ILSF Housing allowance	Financial asset measured at amortised cost

Financial Liabilities	Category
Trade and other payables	Financial asset measured at amortised cost
Trust fund (securities)	Financial asset measured at amortised cost
Trust fund (trust)	Financial asset measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Accounting Policies

Initial recognition and measurement

Financial instruments are recognised initially when the Board becomes a party to the contractual provisions of the instruments. The Board classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

The Board measures a financial asset and financial liability initially at its fair value.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement of financial assets and financial liabilities

The Board measures all financial instruments after initial recognition using the following categories:

- Financial assets at amortised cost, using the effective interest method, less accumulated impairment losses.
- Financial liabilities consist of trade and other payables and trust funds. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

The Board assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets are impaired.

A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If there is evidence, then the recoverable amount is estimated and an impairment loss is recognised.

For amounts due to the Board, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

All impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

Trade and other receivables

Trade and other 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 3 months overdue) are considered indicators that the trade receivable is impaired.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in surplus or deficit within operating expenses.

When a trade receivable is uncollectable, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other payables

Trade and other 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 at bank, in hand and short term fixed deposits. Cash and cash equivalents are measured at amortised cost with changes being included in surplus or deficit.

Accounting Policies

1.6 Taxation

The Board's income is exempt from taxation in terms of Section 10(1)(cA) (i) of the Income Tax Act, 1962.

1.7 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.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the prime interest rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or distribution in the ordinary course of business.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost.

Inventories are stated at the lower of cost or net realisable value while cost is determined on a first-in-first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business less any costs incurred in selling and distribution.

Inventory comprise of stationery and computer consumables that shall be consumed within a short-term period in the normal business of the board and not held for resale. Losses and write-downs due to obsolescence or shrinkage are recognised through the surplus or deficit.

1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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.

Accounting Policies

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 amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.10 Employee benefits

Short-term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to salaries and annual leave represents the amount which the board has a present obligation to pay as a result of employees' service provided for at the reporting date. The provisions have been calculated at undiscounted amounts based on current salary rates.

Long-term employee benefits

The Board has an obligation to provide long-term service benefits to all of its employees. According to the policy of the long-term service allowance scheme, which the board instituted and operates, an employee is entitled to a cash allowance, calculated in terms of the policy, after 10, 20, 30 and 40 years of continued service.

The Board's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The Board recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

Retirement benefits

Retirement benefits are provided for employees through a separate provident fund to which the board contributes.

The fund is regulated by the Pension Funds Act and is operated as a defined contribution plan, and is managed by an independent board of trustees.

Retirement benefits are determined by the contributions to the fund and contributions are charged against income in the year in which they become payable.

Post Retirement benefits

The Board provides post-retirement medical benefits by subsidizing medical aid contributions of certain retired staff according to the Board's Post Retirement Medical Aid Policy.. The Board pays 75% as contribution and the remaining 25% is paid by the members. The entitlement of these benefits is usually conditional on the employee remaining in service up to retirement and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 - "Employee Benefits" (using a discount rate applicable to high quality government bonds).

Accounting Policies

The Board uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the Board recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The Board recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 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.

Revenue from exchange transactions refers to revenue that accrued to the board directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. It is a subsequent event if the board does not enforce

Accounting Policies

its obligation to collect the revenue.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Revenue is recorded on the accrual basis to the extent that it is probable that economic benefits will flow to the entity and the revenue can be reliably measured.

Investment income

Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

Operating revenue consists of:

Board inspectors' charge out

This represents the hourly charge out rate for board inspectors performing probities and application investigations. The revenue is recognised on invoice for the hours the inspectors performed the duties of probity and investigations.

Exclusivity fees

Exclusivity fees represent fees paid by casino operators in terms of section 44A of the Western Cape Gambling and Racing Act (Act 4 of 1996) as amended. The revenue is recognised on invoice at the granting or renewal of a casino operator licence for a period of ten years from the first granting of a licence. The exclusivity fees of all casinos have since expired.

Investigation fees

This represents fees paid by licensed operators in terms of section 44 of the Western Cape Gambling and Racing Act (Act 4 of 1996) as amended.

The revenue is recognised on invoice at the granting or renewal of an operator licence.

Licence application fees

This represents a fee payable in terms of section 44 of the Western Cape Gambling and Racing Act (Act 4 of 1996) as amended.

The revenue is recognised on invoice at time of application.

Operator's fee

Operator fees represent fees paid by route operators in terms of schedule 44C of the Western Cape Gambling and Racing Act (Act 4 of 1996) as amended. The revenue is recognised on invoice at the granting or renewal of a route operator licence.

1.14 Revenue from non-exchange transactions

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

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

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

Services in-kind

The Board recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the Board's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the Board discloses the nature and type of services in-kind received during the reporting period.

1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

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1.16 Trust funds

Trust funds represent deposits by gaming enterprises for the purposes of covering costs and defaults incurred in terms of section 34 of the Western Cape Gambling and Racing Act, 1996 (Act 4 of 1996), as amended.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA as expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) the PFMA; 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 the Western Cape 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 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 Budget information

The presentation of budget information is presented in accordance with GRAP 24 and guidelines issued by National Treasury.

Budget information is based on the same period as the actual amounts. The budget information is based on the cash basis of accounting and is therefore not on a comparable basis to the actual amounts as per the financial statements which is accounted for on the accrual basis of accounting. Reconciliations are performed on the actual amounts in order to eliminate all accrual type entries in order to make it comparable to the budgeted amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

Accounting Policies

1.21 Related parties

Individuals as well as their close family members and /or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Key management personnel are defined as the Chief Executive Officer and all other management reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

The Western Cape Gambling and Racing Board operates as a Provincial Public Entity with its parent department being the Western Cape Provincial Treasury and it is therefore regarded as a related party.

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial and local sphere of government are considered to be related parties.

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.23 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 0.5% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 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:

Standard/Interpretation:	Effective Date: Years Beginning on or After	Expected Impact:
GRAP 1 (as amended 2017): Presentation of Financial Statements	1 April 2017	Not material.
GRAP 2 (as amended 2017): Cash Flow Statements	1 April 2017	Not material.
GRAP 3 (as amended 2017): Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2017	Not material.
GRAP 9 (as amended 2017): Revenue from Exchange Transactions	1 April 2017	Not material.
GRAP 12 (as amended 2017): Inventories	1 April 2017	Not material.
GRAP 13 (as amended 2017): Leases	1 April 2017	Not material.
GRAP 14 (as amended 2017): Events after the Reporting Date	1 April 2017	Not material.
GRAP 17 (as amended 2017): Property, Plant and Equipment	1 April 2017	Not material.
GRAP 18 (as amended 2017): Segment Reporting	1 April 2017	Not material.
GRAP 19 (as amended 2017): Provisions, Contingent Liabilities and Contingent Assets	1 April 2017	Not material.
GRAP 21 (as amended 2017): Impairment of Non-cash-generating Assets	1 April 2017	Not material.
GRAP 23 (as amended 2017): Revenue from Non-exchange Transactions	1 April 2017	Not material.
GRAP 24 (as amended 2017): Presentation of Budget Information in Financial Statements	1 April 2017	Not material.
GRAP 25 (as amended 2017): Employee Benefits	1 April 2017	Not material.
GRAP 26 (as amended 2017): Impairment of Cash-generating Assets	1 April 2017	Not material.
GRAP 31 (as amended 2017): Intangible Assets	1 April 2017	Not material.
GRAP 104 (as amended 2017): Financial Instruments	1 April 2017	Not material.

Notes to the Annual Financial Statements

2.2 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 2018 or later periods:

Standard/Interpretation:	Expected Impact:
GRAP 20: Related Party Disclosures	This statement will not have an effect on the financial position, performance or disclosure of the Board as the Board currently subscribes to the requirements of this standard.
GRAP 32: Service Concession Arrangements: Grantor	No such transactions or events are expected in the foreseeable future.
GRAP 34: Separate Financial Statements	No such transactions are expected in the foreseeable future.
GRAP 35: Consolidated Financial Statements	No such transactions are expected in the foreseeable future.
GRAP 36: Investments in Associates and Joint Ventures	No such transactions are expected in the foreseeable future.
GRAP 37: Joint Arrangements	No such transactions are expected in the foreseeable future.
GRAP 38: Disclosure of Interests in Other Entities	No such transactions are expected in the foreseeable future.
GRAP 108: Statutory Receivables	No significant is expected.
GRAP 109: Accounting by Principles and Agents	No significant is expected.
GRAP 110: Living and Non living Resources	No such transactions are expected in the foreseeable future.
IGRAP 17: Interpretation of the Standard of GRAP on Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	No such transactions are expected in the foreseeable future.
IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	No such transactions are expected in the foreseeable future.
IGRAP 19: Liabilities to Pay Levies	No such transactions are expected in the foreseeable future.

Notes to the Annual Financial Statements

	2018 R	2017 R
3. Cash and cash equivalents		
Petty cash	4 000	4 000
Bank balances	8 295 853	8 789 616
	8 299 853	8 793 616

Current assets	8 299 853	8 793 616
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Cash and cash equivalents in the cash flow statement

Trust funds (securities)	10 581 011	9 612 193
Trust funds (trusts)	10 560 415	9 109 431
ILSF Housing allowance	142 762	72 054
Cash and cash equivalents (per above)	8 299 853	8 793 616
	29 584 041	27 587 294

4. Inventories

Stationery and computer consumables on hand	81 797	44 859
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5. Prepayments

Prepaid expenditure consist mainly of prepaid ICT software upgrade fees.

6. Trade and other receivables

Amounts due in respect of trading operations	583 151	724 299
Amounts due in respect of other activities	19 504	1 160 223
	602 655	1 884 522

Disaggregation of trade of other receivables

Trade and other receivables as disclosed in Note 6 to the financial statements represent amounts in respect of exchange transactions.

As at 31 March 2018, the Board does not have any receivables in respect of non-exchange transactions.

Trade and other receivables can be analysed as follows:

Neither past nor due	580 632	1 883 378
Past due but not impaired	22 023	1 144
Past due and impaired	-	-
	602 655	1 884 522

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the internal credit ratings:

Group 1 - new or existing customers with transactions less than 60 days

Group 2 - existing customers with transactions more than 60 days but with no defaults in the past.

Group 3 - existing customers with transactions more than 60 days with some default in the past. All defaults are fully recoverable.

Counterparties without external credit rating

Group 1	580 632	1 883 378
Group 2	-	-
Group 3	-	-
	580 632	1 883 378

Past due but not impaired

	22 023	1 144
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Trade and other receivables past due but not impaired

At 31 March 2018, trade and other receivables of R22 023 (2017: R1 144) were past due but not impaired. These relate to existing licence holders with no defaults in the past. All the amounts were subsequently fully recovered.

Notes to the Annual Financial Statements

	2018 R	2017 R
The ageing of amounts past due but not impaired is as follows:		
31 - 60 days past due	20 869	-
91 days past due	1 154	1 144
Credit risk	22 023	1 144

The Board's credit risk is primarily attributable to its trade and other receivables. The amount presented in the statement of financial position is net of allowances for doubtful receivables, estimated by the board's management based on prior experience and the current economic environment.

The Board holds **R10 560 415** (2017: R9 109 431) in trust from its debtors and is able to withdraw funds from the trust accounts for amounts due to the board.

Consequently, the majority of the board's trade and other receivables are secured by the trust accounts in possession of the board.

The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit rating agencies.

The board holds no specific collateral for its credit risk exposure other than the trust accounts

The board has no significant concentration of credit risk.

7. Trust funds

Trust funds (securities)	10 581 011	9 602 193
Trust funds (trusts)	10 462 395	9 085 777
Total	21 043 406	18 687 970
Add: Amount (payable) / receivable to/from current account	-	10 000
Securities	98 020	23 654
Trusts	21 141 426	18 721 624

Currently disclosed in the financial statements

Current assets	10 581 011	9 612 193
Trust funds (securities)	10 560 415	9 109 431
Trust funds (trusts)	21 141 426	18 721 624

Total

Current liabilities	10 581 011	9 612 193
Trust funds (securities)	10 560 415	9 109 431
Trust funds (trusts)	21 141 426	18 721 624

Total

8. Cash and cash equivalents - ILSF housing fund

In terms of the PSCBC resolution 7 of 2015 the following determinations (effective 1 July 2015) were made:

Employees who assumed duty after 27 May 2016 and are approved to access the housing allowance for rental purposes will have the full value of R1 200 paid into an Individually Linked Savings Facility (ILSF). Such employees will not receive any housing allowance paid directly into their salary.

Employees who assumed duty before 27 May 2016 and are currently receiving a housing allowance for rental purposes will have the following options:

Option 1: R900 paid directly into salary and R300 paid into ILSF, or

Option 2: The full value of R1 200 paid into ILSF.

Such employees were requested to make a choice between Option 1 and 2 by 1 April 2016 (implementation date).

Notes to the Annual Financial Statements

9. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost / Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Motor vehicles	677 320	(217 090)	460 230	230 000	(187 578)	42 422
Equipment & furniture	3 434 539	(2 750 363)	684 176	3 419 125	(2 463 406)	955 719
Computers	3 866 915	(2 664 346)	1 202 569	3 784 094	(2 019 222)	1 764 872
Computer accessories	668 360	(553 411)	114 949	668 360	(446 539)	221 821
Assets less than R5000	608 018	(353 776)	254 242	540 947	(283 103)	257 844
Leased assets	6 987	(4 074)	2 913	6 987	(2 910)	4 077
Total	9 262 139	(6 543 060)	2 719 079	8 649 513	(5 402 758)	3 246 755

Reconciliation of property, plant and equipment - 2018

	Opening Balance	Additions	Disposals	Depreciation	Total
Motor vehicles	42 422	447 320	-	(29 512)	460 230
Equipment & furniture	955 719	37 374	(8)	(308 909)	684 176
Computers	1 764 872	469 688	(36 164)	(995 827)	1 202 569
Computer accessories	221 821	-	-	(106 872)	114 949
Assets less than R5000	257 844	82 625	(3 545)	(82 682)	254 242
Leased assets	4 077	-	-	(1 164)	2 913
	3 246 755	1 037 007	(39 717)	(1 524 966)	2 719 079

Reconciliation of property, plant and equipment - 2017

	Opening Balance	Additions	Disposals	Depreciation	Total
Motor vehicles	65 742	-	-	(23 320)	42 422
Equipment & furniture	1 141 984	125 463	(8 198)	(303 530)	955 719
Computers	2 598 675	173 054	(30 613)	(976 244)	1 764 872
Computer accessories	328 680	-	-	(106 859)	221 821
Assets less than R5000	287 856	57 452	(14 950)	(72 514)	257 844
Leased assets	5 242	-	-	(1 165)	4 077
	4 428 179	355 969	(53 761)	(1 483 632)	3 246 755

10. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated Amortisation and Accumulated Impairment	Carrying Value	Cost / Valuation	Accumulated Amortisation and Accumulated Impairment	Carrying Value
Computer software	100 957	(38 474)	62 483	95 789	(28 551)	67 238

Notes to the Annual Financial Statements

Reconciliation of intangible assets - 2018

	Opening Balance	Additions	Amortisation	Total
Computer software	67 238	5 168	(9 923)	62 483

Reconciliation of intangible assets - 2017

	Opening Balance	Additions	Amortisation	Total
Computer software	40 339	34 514	(7 615)	67 238

11. Trade and other payables

	2018 R	2017 R
Trade payables	1 624 053	740 436
WCG and WP Racing Club taxes and levies	1 240 675	1 688 313
Surplus payable to WCG	3 536 732	6 235 546
	6 401 460	8 664 295

12. Employee benefit obligations

Accrual for leave pay	1 667 470	1 311 331
Accrual for bonus	540 964	500 679
Subtotal	2 208 434	1 812 010
Current portion of long service awards	150 000	197 831
Current portion of Post Retirement Medical Aid	6 000	-
ILSF: Housing allowance	142 762	72 054
	1 747 653	2 081 895

Long service awards

As per the Board's policy an employee shall qualify for long service awards in terms of leave days credits for the various periods of continuous service completed at the same employer. The conversion is based on a 12 months working year and therefore the benefits awarded can be expressed as follows:

Completed Years of Service	Total Long Service Benefit Award	Formula Used to Calculate Total Long Service Benefit Award
10,00	One Month's Salary	$(1/12) \times \text{Annual Salary} = 8.33\%$

Prior to 1 April 2017, long service benefits were awarded in the form of a 13th cheque (equivalent to one month's additional salary) that is awarded to employees upon completion of 10 years in service. No benefit was payable upon completion of subsequent 10 yearly intervals, i.e. 20, 30 or 40 years of service.

The Board's long service policy was updated with effect from 1 April 2017 (refer to the table below). The actuarial valuation as disclosed in note 12 to the financial statements was based on the new policy of the Board.

The table below sets out the Long Service Award policy:

Years Serviced	Employed before 23 March 2017	Employed after 23 March 2017
10 years	A cash amount equal to the monthly benefit salary of the employee at his/her 10-year anniversary	None
20 years	R 10 608	R 10 608
30 years	R 21 214	R 21 214
40 years	R 28 286	R 28 286

Notes to the Annual Financial Statements

	2018 R	2017 R
Valuation of assets		
The long service awards liability of the Board is unfunded. No dedicated assets have been set aside to meet this liability.		
Post retirement medical aid plan		
As of 1 May 2017, the Board introduced a post retirement medical aid subsidy to all employees.		
Employees of the Board participate on a medical scheme of their choosing. The Board shall continue to provide a medical assistance subsidy of 75% of medical scheme contributions if an employee:		
(a) exited or exits the service of the Board because of retirement (including early retirement), death or dismissal on account of incapacity due to ill health or injury;		
(b) has attained at least fifty (50) years of age;		
(c) has remained a principal member of a registered medical scheme for twelve (12) months immediately before the date he/she exited the service of the Board;		
(d) if an employee or former employee die(s) and his or her spouse becomes the principal member of a registered medical scheme, then the spouse becomes eligible to receive the subsidy.		
The subsidy as at 1 April 2018 was R2 397 per month (R2 195 per month on 1 April 2017) and is expected to increase by normal salary inflation each year on 1 April.		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	654 884	488 000
Benefits paid	(218 884)	(191 522)
Net expense recognised in the statement of financial performance	3 347 000	358 406
The amounts recognised in the statement of financial position	3 783 000	654 406
Accrued Liability		
Long service awards		
Current liability	150 000	197 831
Non-current liability	448 000	457 053
Post-Retirement Medical Aid		
Current liability	6 000	-
Non-current liability	3 179 000	-
	3 783 000	654 884
Net expense recognised in the statement of financial performance		
Current service cost - LSA	91 000	87 000
Current service cost - PRMA	245 000	-
Past service cost - PRMA	2 614 000	-
Interest cost - LSA	46 000	42 000
Interest cost - PRMA	231 000	-
Actuarial (gains) losses - LSA	24 000	229 406
Actuarial (gains) losses - PRMA	96 000	-
	3 347 000	358 406

Notes to the Annual Financial Statements

Key assumptions used

	31 March 2018	1 May 2017 (PRMA) 31 March 2017 (LSA)
Post Retirement Medical Aid		
Discount Rate	8.78%	9.66%
Healthcare Cost Inflation	7.37%	8.26%
Subsidy Cap Inflation	6.87%	7.76%
Long Service Award		
Discount Rate	7.68%	8.30%
Salary Inflation	6.26%	6.29%
Demographic Assumptions		
Pre retirement Mortality	SA85 90 (Light)	SA85 90 (Light)
Post retirement Mortality	PA (90) rated down 2 years and 1% annual improvement from 2006	PA (90) rated down 2 years and 1% annual improvement from 2006 (PRMA)
Expected Retirement Age	63 years	63 years (PRMA) 65 years (LSA)
Percentage Married (Actives)	85%	85% (PRMA)
Husband and Wife Age Difference	3 years	3 years (PRMA)
Continuance Assumption	80%	80% (PRMA)

Refer to the table below for more information regarding key assumptions:

Discount Rate	The discount rate was based on the yield of long term government bonds, converted to annual effective rates, given that the high quality corporate bond market in South Africa is not very deep.
Price Inflation	Considering the difference between the yields on long term nominal bonds and inflation linked bonds, long term price inflation rates of 5.87% and 5.26% for the PRMA and LSA liabilities respectively are implied.
Medical Contribution Increase Rate	Given that the medical aid contributions of all employees are assumed to be such that each member will utilise 85% of the maximum subsidy, the medical aid contribution increase rate has no impact on the valuation results.
Normal Salary Inflation	A normal salary inflation of 1.00% in excess of price inflation have been assumed.
Normal Retirement Age	The Normal Retirement Age is 65 years. The valuation has assumed that members will retire at the age of 63 years to allow for early retirements.

Promotional Salary Increase Rates

The following promotional salary increases were assumed:

Age Band	Promotional Increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45+	0%

Notes to the Annual Financial Statements

In-service Employee Withdrawal

A table setting out the assumed rates of withdrawal from service is set out below:

Age Band	Rates of Withdrawal
20 - 24	15%
25 - 29	10%
30 - 34	7%
35 - 39	4%
40 - 44	2%
45+	0%

Sensitivity Analysis

The results of the valuation are dependent on the assumptions used. The tables below outline firstly how the accrued liability as at 31 March 2018 is impacted by changes in the assumptions and secondly how the income statement expenses (interest and service cost) are impacted by changes in assumptions.

Post-Retirement Medical Aid

In-Service and Continuation Members	Accrued Service Liabilities as at 31 March 2018	% Increase/Decrease
No change in assumptions	R3 185 000	
Discount Rate Increased by 1% p.a. Reduced by 1% p.a.	R2 534 000 R4 070 000	(20.4%) 27.8%
Retirement Age Increased by 1 year Reduced by 1 year	R2 964 000 R3 385 000	(6.9%) 6.3%

In-Service and Continuation Members	Income Statement Expenses as at 31 March 2018	% Increase/Decrease
No change in assumptions	R570 000	
Discount Rate Increased by 1% p.a. Reduced by 1% p.a.	R475 000 R692 000	(16.7%) 21.4%
Retirement Age Increased by 1 year Reduced by 1 year	R537 000 R586 000	(5.8%) 2.8%

Notes to the Annual Financial Statements

Long Service Awards

In-Service and Continuation Members	Accrued Service Liabilities as at 31 March 2018	% Increase/Decrease
No change in assumptions	R598 000	
Discount Rate		
Increased by 1% p.a.	R565 000	(5.6%)
Reduced by 1% p.a.	R635 000	6.1%
Retirement Age		
Increased by 1% p.a.	R633 000	5.8%
Reduced by 1% p.a.	R567 000	(5.2%)
Retirement Age		
Increased by 1% p.a.	R605 000	1.1%
Reduced by 1 year	R589 000	(1.6%)

In-Service and Continuation Members	Income Statement Expenses as at 31 March 2018	% Increase/Decrease
No change in assumptions	R139 000	
Discount Rate		
Increased by 1% p.a.	R136 000	(2.2%)
Reduced by 1% p.a.	R141 000	1.4%
Retirement Age		
Increased by 1% p.a.	R147 000	5.8%
Reduced by 1% p.a.	R131 000	(5.8%)
Retirement Age		
Increased by 1% p.a.	R140 000	0.7%
Reduced by 1 year	R137 000	(1.4%)

Other disclosures

Amounts for the current and previous four years are as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	3 783 000	654 884	488 000	435 000	485 000
Experience adjustments on plan liabilities (actuarial loss/(profit))	120 000	229 406	45 902	(55 519)	(6 365)

Non-Current Employee Benefits

	2018 R	2017 R
Long Service Awards	598 000	654 884
Post-Retirement Medical Aid	3 185 000	-
Subtotal	3 783 000	654 884
Less: Current Liability	(156 000)	(197 831)
	3 627 000	457 053

13. Investment revenue

	2018 R	2017 R
Interest revenue		
Bank	1 007 738	1 053 862

Notes to the Annual Financial Statements

14. Operating Revenue

	2018 R	2017 R
Board Inspectors Charge out	6 936 904	5 966 567
Investigation fees	26 093 990	24 600 031
Licence application fees	1 803 792	1 835 135
Operator's fee	-	6 455 700
	34 834 686	38 857 433

15. Sale of notes and sundry

Parking income	23 843	39 612
Employee related cost provision reversed	-	1 129 866
Other miscellaneous income	149 717	-
Discount received	7 008	-
	180 568	1 169 478

16. Government Grant

The Board received a grant from the Western Cape Government of	19 707 000	9 908 000
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The grant was to assist in funding the loss of the exclusivity fee and had no conditions attached to it.

The grant was recognised in surplus / deficit on receipt thereof.

17. Employee related costs

Basic salary	31 397 076	27 652 609
Bonus	2 692 427	2 450 156
Medical aid company contributions	4 941 935	1 977 544
UIF	129 191	126 721
Leave pay	713 441	411 833
Defined contribution plans	3 921 538	3 566 820
Travel, motor car, accommodation, subsistence and other allowances	110 200	107 795
Overtime payments	64 088	41 312
Long service awards	91 157	86 999
Acting allowances	-	123 329
Transport allowance	38 872	43 200
Housing benefits and allowances	743 472	703 920
	44 843 397	37 292 238

Notes to the Annual Financial Statements

18. Other Expenses

	Notes	2018 R	2017 R
Advertising		8 721	31 666
Auditors remuneration		1 488 419	1 426 706
Bank charges		15 837	15 403
Consulting and professional fees		126 378	257 381
Consumables		115 716	87 785
Entertainment		73 356	45 485
Services in kind		1 510 272	1 398 400
Insurance		388 526	362 536
Conference & membership fees		330 781	121 259
Levies		364 164	327 987
Publications		3 696	2 264
Recruitment costs		48 482	71 163
Courier services		-	1 781
Printing and stationery		175 175	244 457
Security services		10 019	9 048
Computer software annual licences		590 310	607 855
Staff welfare		217 012	37 790
Telephone and communications		627 959	604 593
Training		377 001	456 292
Postage		4 330	4 290
Repairs and maintenance	28	588 299	580 673
Services Transcriptions / Translations		78 329	48 019
Rental of equipment		363 465	376 654
		7 506 247	7 119 487

19. Members' emoluments

Executive

2018

	Salary	Retirement Fund	Bonus	Other	Total
Chief Executive Officer	1 116 147	59 345	92 780	46 811	1 315 083
Manager: Legal services	959 445	50 727	70 432	24 963	1 105 567
HOD; Admin & Finance	851 422	45 300	47 164	20 615	964 501
HOD: Licensing	959 445	50 727	70 432	8 484	1 089 088
HOD: Compliance	988 445	52 260	72 561	39 666	1 152 932
HOD: Information Technology	877 441	46 392	64 412	5 655	993 900
Manager: Human Resources	894 186	48 689	65 74	11 947	1 020 562
	6 646 531	353 440	483 521	158 141	7 641 633

2017

	Salary	Retirement Fund	Bonus	Other	Total
Chief Executive Officer	1 038 224	56 114	83 403	39 133	1 216 874
Manager: Legal services	899 841	47 799	67 627	43 600	1 058 867
HOD; Admin & Finance	134 347	7 315	-	871	142 533
HOD: Licensing	899 841	47 799	67 627	3 521	1 018 788
HOD: Compliance	927 041	49 244	69 671	85 975	1 131 931
HOD: Information Technology	821 877	43 714	49 501	940	916 032
Manager: Human Resources	833 351	45 377	62 994	569	942 291
	5 554 522	297 362	400 823	174 609	6 427 316

Notes to the Annual Financial Statements

Board members

2018

	Members' Fees	Other	Total
Mr TC Arendse	287 582	7 218	294 800
Dr P Voges	137 423	14 104	151 527
Mr CA Bassuday	218 475	2 405	220 880
Mr DT Lakay	254 987	12 841	267 828
Mr S Faku	218 574	727	219 301
Ms C Fani	150 059	-	150 059
	1 267 100	37 295	1 304 395

2017

	Members' Fees	Other	Total
Mr TC Arendse	204 958	8 977	213 935
Dr P Voges	121 385	2 418	123 803
Mr CA Bassuday	130 259	3 069	133 328
Mr DT Lakay	163 164	8 215	171 379
Mr S Faku	148 225	4 311	152 536
Ms A Lapoorta	33 796	1 091	34 887
Mr D Polovin	429	-	429
Mr D Fredericks	886	-	886
	803 102	28 081	831 183

	2018 R	2017 R
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20. Operating Leases

Operating lease arrangements

Minimum lease payments under operating leases

At the statement of financial position date, the board had outstanding commitments under non-cancellable operating leases, which fall due as follows:

- within one year	169 299	174 775
- in second to fifth year inclusive	61 915	139 545
	231 214	314 320

Operating lease payments represent rentals payable by the Board for equipment hire.

21. Retirement benefit plan

The Board operates a single retirement benefit plan domiciled in the Republic of South Africa and is governed by the Pension Funds Act, 1956 (Act no. 24 of 1956). All permanent staff are covered by the retirement benefit plan.

The Board operates a defined contribution retirement plan for all permanent staff. The assets of the fund are held separate from those of the board, in funds under the control of trustees.

The total cost charged to income of R3 921 538 (2017: R3 566 819) represents contributions payable to the fund as specified in the rules of the fund.

Notes to the Annual Financial Statements

	2018 R	2017 R
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22. Related parties

Related party relationships exist within the Board. During the year all purchasing and selling transactions were concluded at arms length. Details of related parties and related party transactions are as follows:

Related party	Related party transaction
Western Cape Provincial MEC for Finance - Dr IH Meyer	No direct transactions
Western Cape Provincial Head Official: PT - Mr Z Hoosain	No direct transactions
Western Cape Government	Government grant as reflected in note 16.
Western Cape Provincial Treasury	Taxes and levies as reflected in note 23.
Members of the Board	Fees for attendance of meetings as reflected in note 19.
Executive Management of the Board	Remuneration as reflected in note 19.
Western Cape Provincial Department of Transport and Public Works	The Board occupies a building free of charge managed by the Department of Transport and Public Works as reflected in note 32.
Department of the Premier	The Board received corporate services free of charge from Enterprise Risk Management and Legal Services.

Related party balances

Amounts payable to related parties

Western Cape Provincial Treasury	4 446 412	7 597 089
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Amounts included in Trade receivables regarding related parties

Dr P Voges	5 860	-
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Amounts payable to Provincial Treasury relate to licence fees as well as taxes payable as at 31 March 2018. This amount also include the cash surplus payable as disclosed in the statement of net assets.

The amount receivable from Dr P Voges, a former Board member, represent recoveries as a result of changes made in travel arrangements.

Notes to the Annual Financial Statements

	2018 R	2017 R
23. Taxes and levies collected during the year		
Provincial taxes		
Casino	423 545 890	422 854 380
Horse racing	75 455 341	64 789 259
Limited payout machines	113 951 493	103 580 011
	612 952 724	591 223 650
Levies		
Casino	2 106 980	2 022 474
Horse racing	955 013	1 084 885
Limited payout machines	730 793	681 860
	3 792 786	3 789 219
Interest, fines and penalties		
Casino	4 627	-
Limited payout machines	266 850	23 175
	271 477	23 175
Total collected	617 016 987	595 036 044
Distributable to:		
Provincial Government Western Cape	595 653 041	576 097 446
National Responsible Gambling Programme	132 424	259 480
Kenilworth Racing	21 231 522	18 679 118
	617 016 987	595 036 044
24. Cash generated from operations		
Surplus	48 569	4 329 284
Adjustments for:		
Depreciation - tangible assets	1 524 966	1 483 637
Amortisation - intangible assets	9 923	7 615
Gain on sale of assets	(45 785)	(75 533)
Revenue - Services in-kind	(1 510 272)	(1 398 400)
Expenditure - Services in-kind	1 510 272	1 398 400
Movements in provisions	-	(1 129 866)
Changes in working capital:		
Inventories	(36 938)	(14 668)
Trade and other receivables	1 281 867	1 006 724
Prepayments	(44 665)	(391 539)
Trade and other payables	(2 262 837)	3 198 872
Surplus payable to WCG	2 698 814	(4 063 979)
Employee benefits	3 595 248	504 295
	6 769 162	4 854 842
25. Risk management		
Liquidity risk		
The Board has minimised its liquidity risk by ensuring that it has adequate banking facilities and funds in trust for any claim against its trade receivables.		
Maximum exposure to liquidity risk at reporting date		
Trade and other payables	6 401 460	8 664 295
Trust Funds (securities)	10 581 011	9 612 193
Trust Funds (trust)	10 560 415	9 109 431

Notes to the Annual Financial Statements

	2018 R	2017 R
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Credit risk management

Potential concentrations of credit risk consist primarily of cash investments, trade receivables and short term receivables.

Short term cash surpluses are invested with major banks of high quality credit standing.

As at 31 March 2018, management did not consider there to be any significant concentration of risk which had not been adequately provided for.

Maximum exposure to credit risk at reporting date

Cash and cash equivalents	8 299 853	8 793 616
Trade and other receivables	602 655	1 884 522
Trust Funds (securities)	10 581 011	9 612 193
Trust Funds (trust)	10 560 415	9 109 431
ILSF Housing Fund	142 762	72 054

Interest rate management

The Board is not exposed to any material interest risk and as a consequence does not pay any material amounts of interest.

Cash funds are managed to daily operational needs and surplus funds are placed at favourable rates with reputable financial institutions in South Africa.

Fair value of financial instruments

The carrying amounts reported in the statement of financial position for trade and other receivables, cash and cash equivalents, trade and other payables, provisions and financial liabilities approximate fair value.

26. Financial instruments

In accordance with GRAP104.45 the financial liabilities and assets of the Board are classified as follows:

Financial Assets

Financial Instruments at amortised cost:	Classification		
Cash and Cash equivalents	Financial Instruments at amortised cost	8 299 853	8 793 616
Trade and other receivables	Financial Instruments at amortised cost	602 655	1 884 522
Trust Funds (securities)	Financial Instruments at amortised cost	10 581 011	9 612 193
Trust Funds (trust)	Financial Instruments at amortised cost	10 560 415	9 109 431
ILSF Housing fund	Financial Instruments at amortised cost	142 762	72 054
Total Financial Assets		30 186 696	29 471 816

Financial liability

Financial Instruments at amortised cost:	Classification		
Trade and other payables	Financial Instruments at amortised cost	6 401 460	8 664 295
Trust Funds (securities)	Financial Instruments at amortised cost	10 581 011	9 612 193
Trust Funds (trust)	Financial Instruments at amortised cost	10 560 415	9 109 431
Total Financial Liabilities		27 542 886	27 385 919

Notes to the Annual Financial Statements

	2018 R	2017 R
27. Commitments		
Authorised operational expenditure		
Already contracted for but not provided for		
Maintenance indoor plants	39 600	45 600
Cleaning services building	18 926	246 032
Hygiene services	3 214	16 068
Storage services	168 000	252 000
Pest control services	2 964	5 187
Employee wellness	188 045	-
ICT services	978 418	1 283 788
Publications	-	51 138
	1 399 167	1 899 813

28. Repairs and maintenance

Repairs and maintenance - Building	324 761	372 228
Repairs and maintenance - Furniture	-	669
Repairs and maintenance - Equipment	155 209	106 457
Repairs and maintenance - Motor vehicle	27 702	24 541
Repairs and maintenance - Other	80 627	76 778
	588 299	36 424 621

29. Segment Reporting

It is the view of management that the programmes of the WCGRB are not segments in terms of the definition in GRAP 18 and therefore segment reporting is not required. Management's considerations whether segments exist are the following:

Grp 18, paragraph 5 defines a segment as follows: "A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and for which separate financial information is available."

Taking the Board's programmes into consideration and the types of internal management reports as well as the annual financial statements, the following can be deduced when assessed against the definition of segment reporting:

Administration and ICT Programmes are support functions to the entity that do not generate economic benefits and therefore these programmes cannot be seen as segments. Licensing, Racing & Betting and Gambling Compliance Programmes on the other hand do generate economic benefits, but reporting is done on an aggregated economic reporting level. Programmes are based on the Board's functional activities of Licensing and Gambling Compliance with support service departments bearing the cost of a general nature. Accordingly data is not analysed for allocation to individual departments

30. Events after the reporting date

There were no events after the reporting date that could materially affect the financial statements.

31. Contingent Liability

The Western Cape Gambling and Racing Act (Act 4 of 1996) imposed a LPM Operator Fee on LPM Licensed Route Operators. The Operator Fee is leviable for ten years which expired in 2014. The Board inadvertently continued to levy the fee which the Route Operators willingly paid. Accordingly, the fee was paid for three years after the expiry of the ten year period. This overpayment is the subject of the contingent liability which amounts to R17.6 million. Legislative processes are underway to address the contingency and amendments to the Act for this purpose has been advertised in the Draft Western Cape 19th Gambling and Racing Amendment Bill. It is expected that the successful implementation of the 19th Amendment Bill will resolve this issue.

Notes to the Annual Financial Statements

	2018 R	2017 R
32. Services in-kind		
Services in-kind benefit revenue	1 510 272	1 398 400

The Western Cape Gambling and Racing Board occupies a building free of charge managed by the Department of Transport and Public Works. This building is located at 68 Orange Street, Gardens.

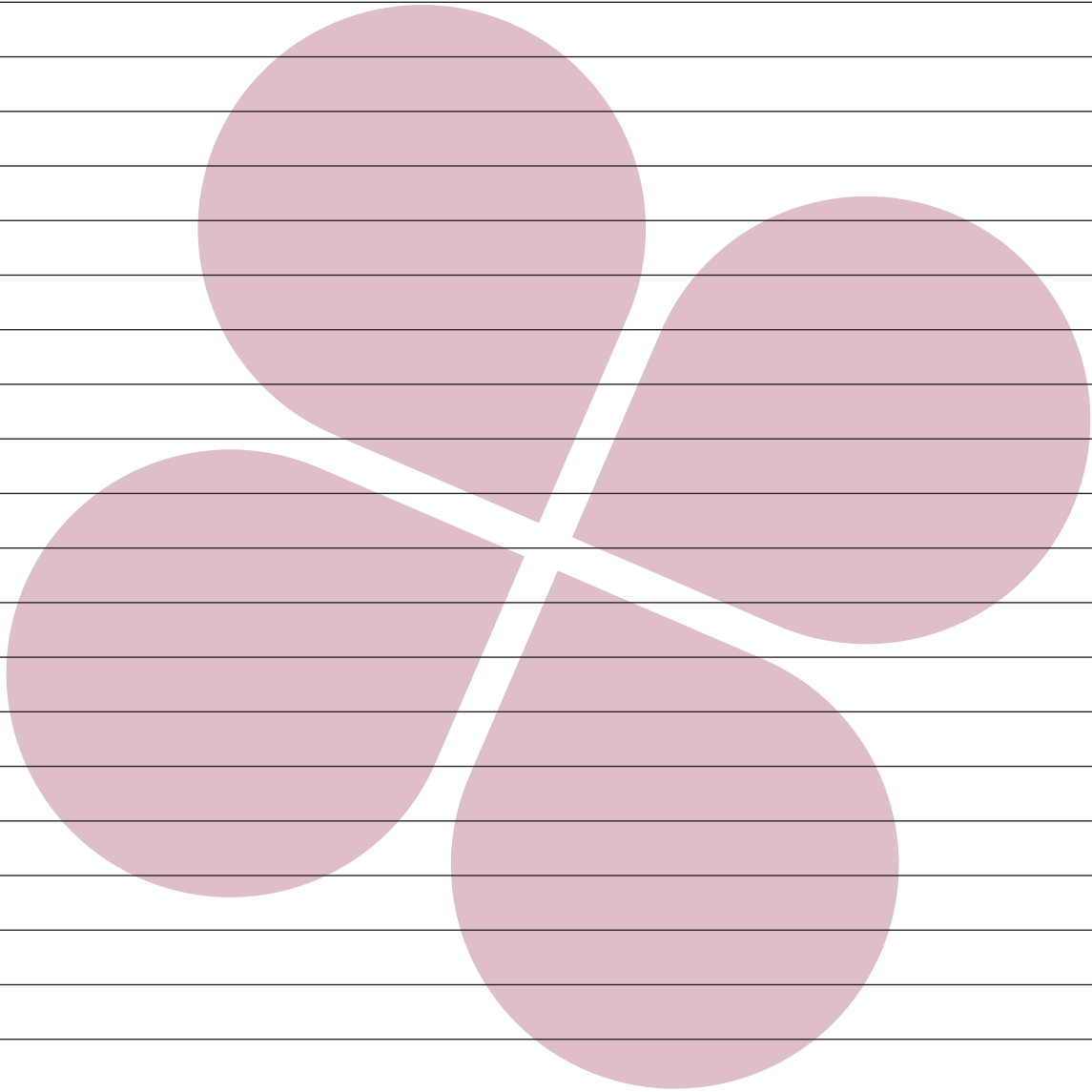
33. Prior period errors

- (1) As at 31 March 2017 the total cost of fully depreciated assets still in use amounted to R4 054 696. During an assessment of the useful lives of non-current assets for the year ended 31 March 2018, the useful lives of the above-mentioned assets were extended. The result of the error was an overstatement of accumulated depreciation, an overstatement of depreciation, an understatement of the carrying value of property, plant and equipment and an understatement of net surplus for the 2016 and years prior to it.
- (2) The deemed amount of services in-kind for the use of the building managed by the Department of Transport and Public Works at no charge was not recognised during previous years in terms of GRAP 23 - Revenue from Non-Exchange Transactions. The financial statements were adjusted to account for services in-kind in terms of the relevant standard.

The effect of the correction of the prior year errors on the entity's financial results resulted in adjustments as follows:

	2017 R	2016 R
Statement of financial position		
Net Assets at 1 April as previously stated	2 431 845	4 000 000
Increase In Property, Plant and Equipment prior period error		
Motor vehicles	42 422	39 481
Equipment and furniture	365 158	472 932
Computers	401 724	551 208
Computer accessories	177 040	250 181
Assets less than R5 000	69 974	80 623
	3 488 163	5 394 425
Statement of Financial Performance		
Surplus/(deficit) for the year as previously stated	4 667 391	(3 196 432)
(Increase)/Decrease in Depreciation		
Motor vehicles	2 941	39 481
Equipment and furniture	(107 773)	472 932
Computers	(149 484)	551 208
Computer accessories	(73 141)	250 181
Assets less than R5 000	(10 650)	80 623
Services in kind		
Services in kind revenue benefit	1 398 400	1 294 815
Services in kind expenditure	(1 398 400)	(1 294 815)
	4 329 284	(1 802 007)
34. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure	-	1 739
Written off during the year	-	(1 739)
	-	-

Fruitless and wasteful expenditure was incurred due to an error made by an employee when booking travel arrangements (incorrect month). Fruitless and wasteful expenditure was caused by human error and as a result, no criminal or disciplinary steps have been taken in respect of above.



To obtain additional copies of this document, please contact:

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Afrikaans and isiXhosa versions of the publication are available on request.