

Western Cape Gambling and Racing Board



Annual Report 2015/16

**Western Cape
Gambling and Racing Board**

**Annual Report
2015/2016**

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Part A: GENERAL INFORMATION

1. GENERAL INFORMATION

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EXTERNAL AUDITORS: Auditor General (SA)

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
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Constitution	The National Constitution of the Republic of South Africa, 1996
DRP	Disaster Recovery Plan
EE	Employment Equity
ERM	Enterprise Risk Management
EXCO	Executive Committee
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act, 2001
G2E	Global Gaming Exposition
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
ITC	Information Trust Corporation
ITIL	Information Technology Infrastructure Library
IYM	In Year Monitoring
LCF	Legal Compliance Forum
LPM	Limited Pay-out Machines
MEC	Member of the Executive Council
Minister	Minister for Finance
MTEF	Medium Term Expenditure Framework
NGB	National Gambling Board
NRGP	National Responsible Gambling Programme

ABBREVIATION/ACRONYM	DESCRIPTION
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
PI	Performance Indicator
POPI	Protection of Personal Information Act, 2013
PT	Provincial Treasury
PTR	Provincial Treasury Regulations
RG	Responsible Gambling
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
SDP	Skills Development Plan
SMME	Small Medium and Micro Enterprises
SOPI	Strategic Objective Performance Indicator
The Act	Western Cape Gambling and Racing Act, 1996
TR	Treasury Regulations
UPS	Uninterrupted Power Supply
WCGRB	Western Cape Gambling and Racing Board
Western Cape	The Province of the Western Cape
WSP	Workplace Skills Plan

3. FOREWORD BY THE CHAIRPERSON

Mr TC Arendse

Introduction

It gives me great pleasure to present the Western Cape Gambling and Racing Board's Annual Report for the year 2015/2016.

The Board's mandate is prescribed by the Western Cape Gambling and Racing Act 4 of 1996 and its mission extracted therefrom is:

- To control and regulate gambling within the Province of the Western Cape that will:
 - Provide a stable, just, consistent and effective 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



During the year under review, in addition to having achieved all of its targets, the board processed 8 293 licence applications, conducted 1 161 assessments at licence holders, deliberated on 31 disputes and assisted punters with 12 self-exclusions.

Additionally, the Board conducted 23 FICA audits and 15 raids on illegal gambling establishments confiscating 121 devices and destroying 40 devices

The service which the Board is mandated to perform is that of a regulator and its performance cannot therefore be measured by its expenditure or its revenue collection but rather by the regulatory state of the industry it regulates and by the public perception on how effective the industry is regulated.

In a recent research survey conducted by an independent researcher, 90% of the public surveyed confirmed knowledge of the Western Cape Gambling and Racing Board and confirmed that the industry in the Western Cape Province is either well or over regulated.

The Board, for most of the year only had five Board Members which placed a strain on its activities as the quorum for a meeting is five.

Meetings had to be postponed and rearranged in order to ensure that it would be quorate and give effect to its mandate.

Through the dedication of the Board Members, the Board was able to hold its required number of meetings and ensured that its obligations to its stakeholders were met.

Research

The Board commissioned research on 1 June 2014 during the previous financial year. The Board then reviewed the draft research report on 26 May 2015 and engaged the Minister for Finance, Dr IH Meyer, the Standing Committee on Finance and the Gambling and Betting Industry at large on the findings of the research. Comments were invited and together with the suggestions and requests from Minister Dr IH Meyer, the Standing Committee on Finance and the Gambling and Betting industry, the research report was finalised.

The Board is currently formulating a strategy in response to the findings of the research and will submit its strategic recommendations to the Minister and the Standing Committee on Finance with a view to solicit further recommendations on its proposed strategies.

Illegal Gambling

The Board, in supporting its mandate and its commitment to suppress illegal gambling activities, initiated and with the assistance of the South African Police services conducted raids during the year under review.

These included the media publicised raids on a manufacturer of illegal gambling devices, two online gambling establishments and small establishments offering illegal slot machine games. The results were either a payment of guilt fine or the matters are being prepared for court cases.

The Board continues to recognise illegal gambling as a serious problem which robs our citizens of fair play games and contributions to the social upliftment and infrastructural improvements required from legal licensed gambling institutions, and consequently pursue all avenues to eradicate illegal gambling establishments.

Board Awareness Programmes

With the aim of informing the general public on the Board's role and assistance the Board is able to offer, it has provided information pamphlets at public forums while fielding questions on illegal gambling from the public on

what constitutes illegal gambling. The Board also continued producing its quality news magazine which highlights its role together with general information on gambling, responsible gambling and the process to follow relative to the National Responsible Gambling Programme.

The Board also partnered with the National Gambling Board and the South African Police Services at Road Shows to inform the public on its mandate and the service which the Board is mandated to offer to the public.

Board Members

During the year, the Board welcomed Dr P Voges and Ms J Gantana to the Board and sadly said farewell to Mr D Polovin and Mr D Fredericks as Board Members. We thank Mr Polovin and Mr Fredericks for their dedicated support and invaluable contribution to the success of the Board.

Effective 1 April 2016 the Board welcomed Mr S Faku and Mr C Bassuday as Board Members.

On 2 August 2016 Miss Lapoorta resigned as Chairperson and Member of the Western Cape Gambling and Racing Board. I tender our sincere thanks and gratitude for her contribution to the Board and her invaluable insights during her two terms in office and wish her well in her future endeavours.

BBBEE Implementation

The implementation of the new BBBEE codes has resulted in more onerous requirements for the institutions to achieve the same level of compliance as held with the old codes. The achievement of acceptable levels of compliance has been reviewed by the Board and engagements with licence holders on the Board's recommended levels of compliance are in progress.

BBBEE Status of Board

The Board, in compliance with the BBBEE Act, had its BBBEE compliance status reviewed and based on the fact that the Board is not mandated to spend its budget on enterprise development or Socio economic development achieved a level 4 on the basis of the old codes.

Change Management Programme

Following the merger of the Racing and Betting functions with the Departments: Licensing and Gambling Compliance respectively and the change in CEO, it was suggested that the Board implement a change management programme. To this end, the Minister, Dr IH Meyer contracted the Deputy Director General for Executive Support in the Office of the Premier to conduct the change management programme. This process is underway and is expected to advance harmonious synergy among employees.

General

Dr Matsapola's term of office as CEO expired on 31 August 2015 and the Board appointed Mr P Abrahams as CEO effective 1 October 2015. The Board thanks Dr Matsapola for his service and wishes Mr Abrahams success during his tenure.

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

In conclusion, the Board has delivered on its mandate while at the same time, making considerable savings on its approved budget. This achievement was possible despite staff vacancies with staff performing additional duties with overtime at no extra remuneration. This strain on resources cannot be perpetuated and the Board is seeking to redress this by filling all vacant positions.



Mr TC Arendse
Chairperson of the Board
Western Cape Gambling and Racing Board
31 August 2016

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Mr P Abrahams

It is with pleasure that I present the CEO's overview of the Board's performance for the financial year ended 31 March 2016.

The Board, being a statutory body, has to comply with the prescripts of the PFMA, National and Provincial Treasury Instructions and Ministerial Directives as well as compliance with the GRAP standards.

As a regulator rather than a statutory organ for civil service delivery, the Board concentrates on its regulatory mandate at the most cost effective manner rather than ensuring that it spends its full budget allotment.

For the year under review, the Board was allocated an expenditure budget of R54 840 965.

On application of the National and Provincial Instructions and the Ministerial Directives, the Board implemented cost saving methods which resulted in a saving of actual to budget in the amount of R9 356 369. An explanation of the savings is elucidated on page 78 of this report.

In comparison to the previous year, the expenditure increased by 2.75% with the major contributors to the increased expenditure being inflationary increases and the cost of employment increases with the decrease in travel and subsistence and legal fees contributing to keeping the increase below inflation.

The spending trends have remained constant over the years with the major expenditure items being remuneration and related costs and are expected to remain similar over the forthcoming years.

Relative to revenue, the Board, after having reviewed its financial requirements and as a result of its austerity measures, requested Provincial Treasury to retain the second half of its allocated grant in the amount of R5 244 000.

The Board, based on its relinquishing of R5 244 000 of the government grant together with the delay in increasing its statutory fees, recorded an operational loss of R3 196 432 for the year 2015/2016.

The loss is funded by the authorised retention of the 2014/15 surplus and accordingly is not a drain on the fiscus.

It is confirmed that the Board, despite the orchestrated savings, met all of its financial commitments, achieved all of its approved targets and performed its legislated mandate.

Organisational Structure

The Board has merged the functions of its operational departments and consequently reduced its number of operational departments from three to two and structuring it into its functions of licensing and compliance. The exercise was not one of cost saving but rather one of internal control and synergies. It can be reported that the implementation process has been effectively achieved.

Challenges facing the Board

The challenges facing the Board relates to its accommodation constraints and to this end, with the limited financial resources, the Board has rearranged its internal accommodation to align with its organisational structural changes and at the moment it is serving the Board's current purposes.

The Board is currently engaged in a change management programme to ensure effective and efficient cohesion following the merger of the departmental functions.

It is with gratitude that the Board acknowledges the contribution of the Minister Dr. IH Meyer for his leadership and encouragement, the Standing Committee for Finance and the Standing Committee on 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 and the Board's employees for their dedicated service and contributions in making 2015/16 a successful year.



A handwritten signature in black ink, appearing to be 'P. Abrahams', written over a horizontal line.

Mr P Abrahams
Chief Executive Officer
Western Cape Gambling and Racing Board
Date: 31 August 2016

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 2016.

Yours faithfully



Mr P Abrahams
Chief Executive Officer
Western Cape Gambling and Racing Board
Date: 31 August 2016



Mr TC Arendse
Chariperson
Western Cape Gambling and Racing Board
31 August 2016

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 rigorous 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 organisation (WCGRB) 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 established a legislative framework for the promotion of black economic empowerment; to empower the Minister to issue codes of good practice and to provide for matters connected therewith. The Board enforces the Broad-Based Black Economic Empowerment objectives through the imposition of licence conditions on licence holders and gives effect to 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 aimed at eliminating unfair discrimination in the workplace and

prescribes the processes and procedures that the Board must implement to achieve a diverse and competent work force that is broadly representative of the demographics of the Western Cape.

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

This Act established 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 must be processed pursuant to the right of access to information as entrenched in the Constitution of the Republic of South Africa. 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 Board 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; to provide for the responsibilities of persons entrusted with financial management in government and to provide for matters connected therewith.

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

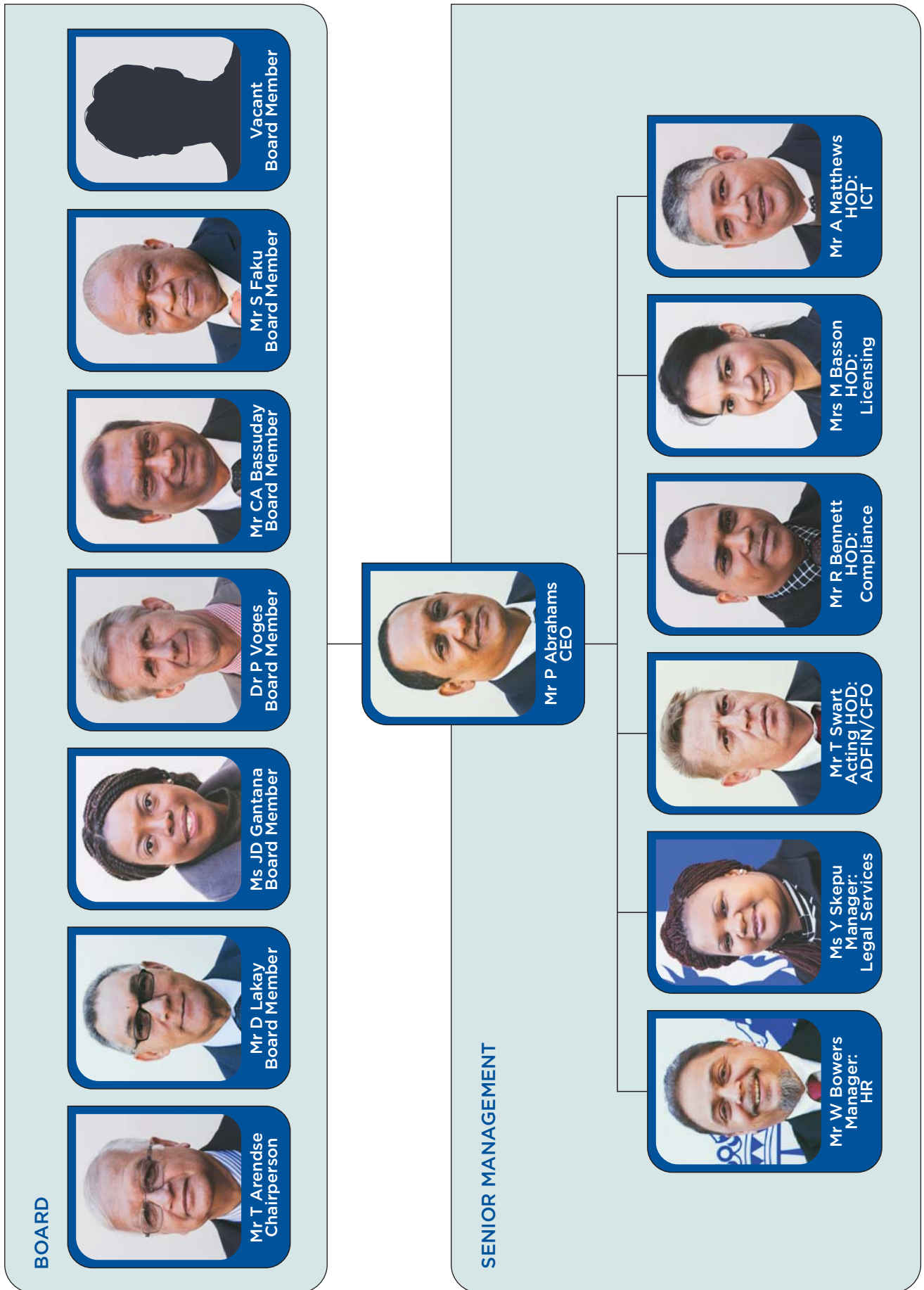
This is the Supreme law of the country and outlines inter alia South Africa's system of government, the role and responsibilities of the different spheres of government, the basic human rights of all citizens and creates a number of Constitutional institutions.

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 2016





Part B: PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General 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 69 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 2016 the gambling and racing industry in the Western Cape comprised of:

- 5 licensed casinos;
- 2 licensed LPM operators;
- 40 licensed bookmakers;
- 1 licensed totalisator;
- 596 licensed premises;
- 5 940 licensed gambling devices; and
- 7 070 employee licences

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

The Board, being mindful that economic potential needs to be stimulated in all regions, ensures that gambling is not confined to only certain locations in the Province. The Board has various measures in place to restrict applicants in terms of where they wish to operate. With reference to the Map overleaf, the number of licensed operations in each region is reflected in the table on the next page:

Premises	1 Metropole	2 Southern Cape	3 Breede Valley	4 Overberg	5 West Coast
Casinos - 5	1	1	1	1	1
LPM Sites - 393	285	40	15	14	39
Bookmakers - 166	155	6	2	0	3
Totalisator - 58	51	3	1	0	3

The current environment in which gambling and betting activities take place, whilst still well regulated and largely compliant by the industry licence holders, has become more litigious than ever before. In ensuring that licence holders operate within the parameters of the legislative provisions and regulatory requirements, licence conditions are imposed on such licence holders. Such conditions have been imposed since the inception of the industry, more than 14 years ago; however, licence holders are now launching High Court applications where such conditions are being challenged. With the rapid increase in technological advancement, various processes and activities of licence holders have been, or are in the process of being automated. This has resulted in staff at the Board being required to be kept abreast of the latest developments in the industry which includes training, attendance at workshops and conferences.

In instances of non-compliance, which includes the late submission of licence renewal applications, the Board will advise licence holders of what the contravention is as well as the possible financial sanction. The licence holder is provided with an opportunity to provide the Board with written representations as to why a sanction should not be imposed.

Since some licence holders challenge the penalties that are imposed, they either request an appeal hearing by the entire Board or seek redress in the courts. When that happens, the Board has to spend resources to attend to the appeals.

Licence holders are no longer confined to one sector or even one group and we now experience a casino operator becoming involved with the bookmaking business as well as with the LPM industry. Such factors have obliged the Board to consider internal changes which would enhance its ability to continue to deliver on our mandate despite the additional demands on the Board's limited resources.

The gambling industry, like most modern businesses, employs sophisticated technologies as it is rapidly thrust into the information super-highway. As such, the Board staff must be constantly trained to adequately respond to licence holder requests. As part of the on-going training and development of staff, the Board is in attendance at all relevant industry conferences, workshops and forums which are hosted both nationally as well as internationally.

Lastly, it is also the Board's responsibility to ensure that legalised gambling does not produce unmanageable related social and economic problems. Promotion of responsible gambling requires the Board to spend resources on awareness campaigns and to develop and implement other suitable intervention programmes.

To maintain the credibility of the industry in the Province, the Board responds to all allegations of illegal gambling with the assistance of the SAPS. To respond to the ever increasing instances of illegal gambling allegations, the Board is increasing its Law Enforcement Unit to address these allegations.

It should be noted from the onset that the mandate and operational activities of the Board aligns itself with the following Provincial Strategic Goals:

- PSG 1 - Create opportunities for growth;
- PSG 3 - Increase wellness, safety and reach social ills; and
- PSG 5 - Embed good governance and integrated service delivery through partnerships and spatial alignment

2.2. Organisational environment

The HODs: Licensing and Gambling Compliance have to now become acquainted with a sector of the industry which was outside of their domain for as long as the Board is in existence. Effectively, a learning process will have to be embarked upon for these HODs to effectively manage the processes which are new to their portfolios.

In addition, a change management process is to be embarked upon to manage the reallocation of staff to a new department and for the processes of the Racing and Betting sector to be incorporated into the processes of the new departments.

The Board approved the employment of a consultant to manage the seamless integration of the departments, its staff and the processes. This is being conducted at no cost by the Department of the Premier.

The Board is engaged in filling its vacant positions in order to be more effective. However, the accommodation restraints limit the appointment of some staff as the Board is unable to adequately accommodate its entire staff together with its storage requirements.

It must be noted that the Board, through overtime and staff commitment has still managed to honour its commitments and its mandate.

2.3. Key policy developments and legislative changes

The consultative process of engaging Licence holders on the amended BBBEE Codes and the 2013 Amendment Act has now been concluded. The Board imposed Draft conditions that will in due course be finalised. Both the Board and the industry embrace the BBBEE objectives and rationale for same.

The Board reviewed its application procedures in respect of applications for new bookmaker licences, totalisator and bookmaker premises licences. The Board followed a public and comment procedure to invite comments on its review as aforesaid. Upon conclusion of the public consultation process, the Board resolved to change its application process for the aforementioned categories of licences such that new applications are considered on an invitation basis only. In the final notice informing the public of such amendments, the Board undertook to review the newly adopted application procedures after a period of one year since the amendments took effect. The Board reviewed the impact of the amended application process and determined that it will revert to the open-ended application process. It carefully considered the industry impact, the nature and number of applications received pursuant to the requests for applications advertised in the media and its impact on the Board's internal resources.

The study into the socio-economic impact of regulated gambling in the Province of the Western Cape has been concluded. The Board is still in the process of consulting and engaging its stakeholders in respect of the outcomes of the study conducted. The Board will be adopting regulatory measures to address some of the negative research findings, but the overall outcomes insofar as awareness of the Board and the treatment offerings of the Responsible Gambling Foundation were favourable. The research findings will certainly require certain regulatory measures to address gaps and vulnerabilities identified.

The Regulations were amended on 31 March 2016, in the main to amend certain application fees, to take account of inflationary increases and to bring in line with the Board's charge out rates for attending to the statutory processes. Distinct Regulations that outlines all prescribed fees and costs were gazetted simultaneously with the amendments to the Regulations as aforesaid. The said newly adopted Regulations are called The Western Cape Gambling and Racing Regulations (Fees and Costs), 2016.

2.4. Strategic Outcome Oriented Goal

Strategic Goal	To ensure that all gambling, racing and activities incidental thereto are effectively regulated in the Province, whilst maximising the benefit of regulated gambling and minimising the negative impact.
Progress	Provided an environment that is trustworthy and viable and maximised the benefits and minimised the negative impacts from the industry.

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, 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 illegal gambling on what constitutes illegal gambling. The Board also continued producing its quality news magazine which highlights its role together with general information on gambling, responsible gambling and the process to follow relative to the National Responsible Gambling Programme.

The Board also partnered with the National Gambling Board and with the South African Police at Road Shows to inform the public on the its mandate and the service which the Board is mandated to offer the public.

Western Cape Gambling and Racing Board Board



Sub Programme 1.1: Board

Strategic Objective

Sub Programme 1.1: Board					
Strategic Objective Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Number of meetings at which Committee resolutions and licence applications are considered.	New PI	11	11	-	N/A

Key Performance Indicators and their Targets and Actual Achievements

Sub Programme 1.1: Board					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Number of licences (in respect of Operators and Shareholders) to be considered for approval.	1 576	1 400	1 744	+344	The Board considered more new applications and change of ownership applications than targeted for. The Board merely responds to applications received and has no control over the number of applications submitted to it. The bulk of the licences are in respect of the shareholders/persons who hold a financial interest in gambling operations.
Number of meetings to give effect to statutory mandate.	40	35	45	+10	<ul style="list-style-type: none"> • Ad-hoc Horseracing Com meeting 16 April to deal with backlog applications. • Ad-hoc Audit Com meeting 30 April to deal with new emerging risks regarding the organisational structure. • Ad-hoc Board meeting 21 May to deal with new emerging risks regarding the org structure. • Ad-hoc Board meeting 13 July to deal with CEO shortlisting and CCMA matters of Senior management members.

Sub Programme 1.1: Board

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
					<ul style="list-style-type: none"> • Ad-hoc Board meeting 24 August to deal with continuation of a patron dispute hearing. • Ad-hoc Board meeting 10 September to deal with briefing to Board on CEO candidate competency test outcomes. • Ad-hoc Board meeting 29 September to deal with briefing to Board on BBBEE. • Ad-hoc LPM Com meeting 9 October to deal with special request from Vukani. • Ad-hoc Board meeting 10 December to deal with new BBBEE Codes inputs from operators. • Ad-hoc Board meeting 10 December to deal with 2nd CCMA case decision regarding ex-CEO's contract.
Number of legislative amendments considered.	New PI	1	1	-	N/A

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 2015/16 financial year.

Western Cape Gambling and Racing Board Executive



Sub Programme 1.2: Executive

Strategic Objective

Sub Programme 1.2: Executive					
Strategic Objective Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
To hold various meetings, workshops and discussions to positively promote the image of the Board.	New PI	4	4	-	N/A

Key Performance Indicators and their Targets and Actual Achievements

Sub Programme 1.2: Executive					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Percentage of licence applications recommended for approval approved within 1 week of receipt of recommendation.	New PI	90%	95%	+5%	Whilst the ideal would be to strive for 100%, there are instances where further information is requested in respect of a recommendation made.
Number of awareness programmes conducted.	3	2	3	+1	WCGRB was brokered by the SAPS Provincial Commissioner to setup an information table during the Community Outreach Event that was held at Lavender Hill sports ground on the 23 March 2016.
Number of meetings attended to give effect to statutory requirements.	45	42	48	+6	<ul style="list-style-type: none"> Ad-hoc Horseracing Com meeting 16 April to deal with backlog applications. 20 Apr - NGRF (CEO only) Ad-hoc Audit Com meeting 30 April to deal with new emerging risks regarding the org. structure. Ad-hoc Board meeting 21 May to deal with new emerging risks regarding the org structure.

The programme assisted the Board in achieving its mandate by ensuring an environment and information for effective distribution and decision-making.

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 2015/16 financial year.

Western Cape Gambling and Racing Board Legal Services



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, written and ad-hoc 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 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Number of legal opinions drafted.	56	60	65	+5	More Legal Opinions were requested by the Board and the Office, which Legal services attended to.

Key Performance Indicators and their Targets and Actual Achievements

Sub Programme 1.2.1: Legal Services					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Number of legal opinions drafted.	56	60	65	+5	More Legal Opinions were requested by the Board and the Office, which Legal services attended to.
Number of reviews of the Western Cape Gambling and Racing Act, 1996.	1	1	1	-	N/A

- The legal opinions drafted guides the Board on its legal mandate. There are a number of legislative and policy prescripts that impact on the Board's operations. Through legal research and the drafting of legal opinions, the Board is apprised of the applicable legal prescripts.
- The review of the Act is done to review the applicability and effectiveness of all provisions, to identify obsolete provisions and propose amendments to the Minister where necessary.

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 2015/16 financial year.

Western Cape Gambling and Racing Board Human Resources



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-program 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-program 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 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Number of Human Resource Policy Reviews.	1	1	1	-	N/A

Key Performance Indicators and their Targets and Actual Achievements

Sub Programme 1.2.2: Human Resources					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Annual review of HR policies and processes.	1	1	1	-	N/A
Number of Workplace Skills Plan submitted.	1	1	1	-	N/A
Number of relevant fora to be attended.	18	19	19	-	N/A

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

There are no areas of under-performance.

Changes to planned targets

There were no changes to the planned targets during the 2015/16 financial year.

Western Cape Gambling and Racing Board Administration and Finance



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 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Unqualified audit report.	1	1	1	-	N/A

Key Performance Indicators and their Targets and Actual Achievements

Sub Programme 1.3 Administration and Finance					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Number of Policies reviewed and submitted to CEO for recommendation to Board.	New PI	3	3	-	N/A
Number of procedure manuals reviewed and submitted to CEO for approval.	New PI	2	2	-	N/A
Number of Board and Committee meetings where secretariat services are provided.	40	35	45	+10	<ul style="list-style-type: none"> Ad-hoc Horseracing Com meeting 16 April to deal with backlog applications. Ad-hoc Audit Com meeting 30 April to deal with new emerging risks regarding the organisational structure. Ad-hoc Board meeting 21 May to deal with new emerging risks regarding the org structure. Ad-hoc Board meeting 13 July to deal with CEO shortlisting and CCMA matters of Senior management members. Ad-hoc Board meeting 24 August to deal with continuation of a patron dispute hearing.

Sub Programme 1.3 Administration and Finance

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
					<ul style="list-style-type: none"> • Ad-hoc Board meeting 10 September to deal with briefing to Board on CEO candidate competency test outcomes. • Ad-hoc Board meeting 29 September to deal with briefing to Board on BBBEE. • Ad-hoc LPM Com meeting 9 October to deal with special request from Vukani. • Ad-hoc Board meeting 10 December to deal with new BBBEE Codes inputs from operators. • Ad-hoc Board meeting 10 December to deal with 2nd CCMA case decision regarding ex-CEO's contract.

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 exceed the Board's requirements.

Changes to planned targets

There were no changes to the planned targets during the 2015/16 financial year.

Linking performance with budgets

Sub-Programme Name R	2015/16			2014/15		
	Budget R	Actual Expenditure R	(Over)/Under Expenditure R	Budget R	Actual Expenditure R	(Over)/Under Expenditure R
Board and Administration	21 937 248	16 756 101	5 181 147	26 359 510	17 461 550	8 897 960

Financial resources ensured an enabling environment to make informed decisions in achieving its objectives.

Western Cape Gambling and Racing Board Licensing



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 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Number of licence applications with recommendations submitted to the CEO and/or the Board for consideration.	6 990	5 550	8 314	+2 764	The influx of new applications, change of ownership applications and multiple employee licences approved all resulted in the increased number of applications processed, the bulk of which are employee licences.

Key Performance Indicators and their Targets and Actual Achievements

Programme 2: Licensing					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Percentage of new applications received processed within 30 days of receipt.	New PI	80%	81%	+1%	Employee licence applications account for the bulk of the applications and these are not subject to advertising, hence it can be processed within 30 days if there is no need for requesting additional information or one on one interviews.
Percentage of renewal applications received processed within the 3 month renewal period.	New PI	95%	98%	+3%	Employee licence applications account for the bulk of the renewal applications and these submitted 90 days prior to expiry. Whilst applications are submitted, Operators request for withdrawals or inform our offices of resignations, hence the target is not set at 100%.

The Licensing department contributes to the Board's goal of ensuring that the industry is free from criminal element by conducting probity investigations on the various applicants for gambling licences. The placing of advertisements in the media informing the public of applications received, and inviting comment and/or objections allows the Board to consider the views of the public in respect of applications receiving the Board's consideration to either grant or refuse the licence.

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 2015/16 financial year.

Linking performance with budgets

Sub-Programme Name R	2015/16			2014/15		
	Budget R	Actual Expenditure R	(Over)/Under Expenditure R	Budget R	Actual Expenditure R	(Over)/Under Expenditure R
Licensing	11 715 953	11 107 247	608 705	7 636 656	7 607 066	29 590

Financial resources ensured an enabling environment to make informed decisions in achieving its objectives.

Western Cape Gambling and Racing Board Gambling and Betting Compliance



Programme 3: Gambling and Betting Compliance

The purpose of the programme, while compelling licence holders to carry out all gambling activities in accordance with the legislative prescripts and the regulatory requirements, is also to ensure that all gambling and related activities in the Province are conducted in a manner which does not pose any harm or threat to the people of the Province.

Strategic Objective

To ensure that gambling and betting activities conducted in the Province confirm to the prescribed legislative provisions and the regulatory requirements.

Programme 3: Gambling and Betting Compliance					
Strategic Objective Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
The level of compliance determined resulting from on-site assessment conducted at licensed establishments.	New PI	80%	95%	+15%	Positive variance indicates compliance of licence holders is at an acceptable level.

Key Performance Indicators and their Targets and Actual Achievements

Programme 3: Gambling and Betting Compliance					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Number of compliance assessments conducted at Casinos, Route Operators, LPM Sites, manufacturers, Bookmakers, Bookmaker premises, Totalisator and Totalisator premises as well as establishments where there are allegations of illegal gambling.	760	1 150	1 161	+11	Opening of additional LPM sites and illegal gambling establishments.

The closures of illegal gambling establishments and ensuring that people partake in gambling at establishments that is compliant.

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 2015/16 financial year.

Linking performance with budgets

Sub-Programme Name R	2015/16			2014/15		
	Budget R	Actual Expenditure R	(Over)/Under Expenditure R	Budget R	Actual Expenditure R	(Over)/Under Expenditure R
Gambling Compliance	15 055 146	13 131 602	1 923 544	9 365 215	8 184 114	1 181 101

Financial resources ensured an enabling environment to make informed decisions in achieving its objectives.

Western Cape Gambling and Racing Board Information Technology



Programme 4: Information Technology

The Department: Information Technology provides all the necessary information 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 innovative use of ICT. Maintain an uptime of (328.5 days) 90% for all information systems per annum.

Programme 4: Information Technology					
Strategic Objective Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Maintaining uptime of over 90% (328.5 days) for all information systems per annum.	91%	95.9% uptime of ICT systems (350 days per annum)	99.52%	+3.62%	No anticipated Major incidents e.g. prolonged power outages or system failures occurred during 2015-2016 financial year and the UPS batteries upgrade also contributed to the achievement of uptime.

Key Performance Indicators and their Targets and Actual Achievements

Programme 4: Information Technology					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target for 2015/16	Comment on Variances
Maintain current information technology systems (hardware, software and network infrastructure).	1 431	2 281	3 764	+1 483	Over achievement are attributable due to the increase in Operating System Security vulnerability updates.
Optimise service availability and security across the office of the Board through scheduled preventative activities and knowledge empowerment.	58	52	71	+19	Over achievement are attributable due to training on new solutions, Systems and Processes implemented at the Board.

The IT Department has contributed to the achievement of the board's goals and mandate by implementing and maintaining relevant and secure ICT solutions for the board. Staff members are continuously trained with appropriate knowledge required to derive the envisaged benefit from operating ICT solutions implemented by the board.

Strategy to overcome areas of under-performance

There were no areas of under-performance as the enhancements in the necessary development of employees, systems and processes aid in the overall performance of the department.

Changes to planned targets

There were no changes to the planned targets during the 2015/16 financial year.

Linking performance with budgets

Sub-Programme Name R	2015/16			2014/15		
	Budget R	Actual Expenditure R	(Over)/Under Expenditure R	Budget R	Actual Expenditure R	(Over)/Under Expenditure R
Information Technology	6 132 618	4 489 647	1 642 971	4 438 714	3 149 522	1 289 192

Financial resources ensured an enabling environment to make informed decisions in achieving its objectives.

4. REVENUE COLLECTION

Sources of Revenue	2015/16			2014/15		
	Estimate Amount R	Actual Amount Collected R	(Over)/Under Collection R	Estimate Amount R	Actual Amount Collected R	(Over)/Under Collection R
Application fees	900 862	2 106 070	(1 205 208)	604 980	2 677 410	(2 072 430)
Investigation fees	23 147 048	20 761 583	2 385 465	20 151 250	20 714 974	(563 724)
Investigation fees Temp	-	718	(718)	-	928	(928)
Exclusivity fees	5 151 367	5 842 264	(690 897)	6 803 500	7 062 682	(259 182)
Operators' fees	-	-	-	-	-	-
(Loss) or gain on actuarial valuations	-	(45 902)	45 902	-	55 519	(55 519)
Interest	840 000	1 229 018	(389 018)	480 000	1 293 113	(813 113)
Inspector charge outs	5 100 588	5 945 396	(844 808)	4 844 140	5 968 628	(1 124 488)
Legal fees recovered	-	-	-	-	-	-
Transfers	10 488 000	5 244 000	5 244 000	10 406 000	10 406 000	-
Profit on disposal of Assets	-	2 617	(6 453)	-	(26 052)	26 052
Miscellaneous	-	47 606	(47 606)	-	59 593	(59 593)
Total	45 627 865	41 133 371	4 494 494	43 289 870	48 212 795	(4 922 925)

It is important to highlight that the WCGRB is only permitted to collect revenue and other fees from licensees as prescribed by law. Therefore, the WCGRB is prescribed from increasing the amount of fees and other revenue it collects from operators. Unless there is an increase in gambling licence applications, there is no other way the board can increase its revenue. Thus, when preparing a budget, the WCGRB 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 Companies Act, the Public Finance Management Act (PFMA) and it is also practised in tandem with the Protocol on Corporate Governance found in the King's Report 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. Any and 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 now 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;
- Protect the public from illegal gambling and instil / ensure public confidence and trust in legalized gambling;
- Detect illegal gambling activities and ensure 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 circumscribed in the Act. The Board has adopted a Charter for each of the sub-committees outlining their mandate. The Board reviews its corporate governance annually.

Board Member Information

Name	Designation (in terms of the Public Entity Board Structure)	Date Appointed	Date Resigned/ Term Expired	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 A Lapoorta	Chairperson Board (Resigned as Chairperson and Board Member on 2 Aug 2016)	22 May 2013	21 May 2016	B.Com CA(SA)	Auditing and Accounting	Western Cape Gambling & Racing Board Ku-humelela Trading (Pty) Ltd Kuhumelela Advisory Services (Pty)	17	16	Human Capital Committee	4	4	25 of 29
									Casino Committee	4	2	
									Horsereading Committee	5	4	
Mr T Arendse	Board Member (Appointed Chairperson of the Board on 15 Aug 2016)	12 Feb 2014	11 Feb 2017	CTA CA(SA)	Auditing and Accounting	Western Cape Gambling & Racing Board	17	16	Audit Committee	5	5	30 of 31
									Finance & IT Committee	4	4	
									LPM Committee	5	5	
Mr DA Federicks	Board Member	30 Aug 2012 30 Aug 2015	29 Aug 2015 31 March 2016	Diploma Industrial Relations	Labour relations	Western Cape Gambling & Racing Board	17	17	Human Capital Committee	4	4	30 of 30
									LPM Committee	5	5	
									Casino Committee	4	4	
Ms JD Gantana	Board Member	10 March 2016	9 March 2019	Honours Baccalaureus Artium in Psychology Masters in Business Leadership	Finance	Western Cape Gambling & Racing Board SAHRA Audit and Risk Committee	[1]	1 of 1	0 of 0	0 of 0	1 of 1	

Board Member Information (continued)

Name	Designation (In terms of the Public Entity Board Structure)	Date Appointed	Date Resigned/ Term Expired	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
Mr D Lakay	Board Member	10 Dec 2014	10 Dec 2017	B.Com Accounting	Accounting and Financial Manage- ment	Western Cape Gambling & Racing Board Member of Finance and Risk Committee (FRC) Representative of FRC at Audit Committee	17	17	Casino Committee	4	3	29 of 30
											4	
											5	
Mr HC Maila	Board Member	27 Sept 2011	26 Sept 2014	MBA B. Compt.	Govern- ment Finance	Western Cape Gambling & Racing Board	[17]	8 of 10	Finance & IT Committee	[4]	0 of 2	10 of 15
		27 Sept 2014	26 Sept 2015							[5]	2 of 3	
Mr DN Polovin	Vice Chairperson Board	22 Oct 2012	21 Oct 2015	LL.M	Law	Western Cape Gambling & Racing Board	17	16	Human Capital Committee	4	3	22 of 25
		22 Oct 2015	31 March 2016									
Dr P Voges	Board Member	10 March 2016	9 March 2019	B Comm, M Comm (Eco- nomics) PHD Town & Regional Planning	Economic Develop- ment, Strategy, Town Planning, Project Manage- ment and Investment Promotion	Board member: Western Cape Gambling & Racing Board CEO: Mandela bay Development Agency Board member: Mandela Bay Chamber of	[1]	1 of 1	0 of 0	0 of 0	0 of 0	1 of 1

Board Member Information (continued)

Name	Designation of the Public Entity Board Structure)	Date Appointed	Date Resigned/ Term Expired	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
						Commerce Board member: Eastern Cape Gambling & Betting Board Board member: International Association of Ports and Cities (Paris)						

External Audit Committee Members

Name	Designation (in terms of the Public Entity Board Structure)	Date Appointed	Date Resigned/ Term Expired	Qualifi- cations	Area of Expertise	Board Directorships (List the entities)	Other Committees (e.g. Audit Committee)	No. of Meetings Held	No. of Meetings Attended
Mr PK Slack	Audit Committee: Independ- ent non- executive Chairperson	29 Sept 2009 5 Feb 2013	28 Sept 2012 4 Feb 2016	B Com (Hons) Financial Manage- ment CA(SA)	Auditing and Accounting	Chair of Board Western Province Blood Transfusion Service Other Board Memberships <ul style="list-style-type: none"> • South African Oil and Gas Alliance (SAOGA) • National Alliance for the Development of Community Advice Offices 	Audit Committee	[5]	4 of 4
Mr MR Burton	Audit Committee: Independ- ent non- executive member	8 Dec 2011 17 Feb 2015	7 Dec 2014 16 Feb 2018	B. Compt. Hons CA(SA)	Auditing and Accounting	Cape Nature Board SAMSA Board Ascension Properties Limited WPBTS NPC Board Messaris (PTY)LTD	Audit Committee	5	5
Mr G. Harris	Audit Committee: Independ- ent non- executive member	29 Feb 2016	28 Feb 2019	B. Com Hons CA(SA)	Finance, Commerce, Management of Risk, Entrepre- neurship and Governance	Board member of SA Bureau of Standards Chair of SA Bureau of Standards Audit and Risk Committee. Chairman of City of Cape Town Audit Committee from April 2015 Member of SA Parliament Audit Committee from May 2015 Non-executive Director of Booyco Engineering (Pty)	Audit Committee	[5]	1 of 1

External Audit Committee Members (continued)

Name	Designation (in terms of the Public Entity Board Structure)	Date Appointed	Date Resigned/ Term Expired	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees (e.g. Audit Committee)	No. of Meetings Held	No. of Meetings Attended
Mr C Whittle	Audit Committee: Independent non-executive member	29 Feb 2016	28 Feb 2019	B.Com, PGDA, CA(SA)	Financial Management, Auditing, Accounting,	Ltd and Novelquip Forestry (Pty) Ltd Deputy Chair of Northlink TVET College Council Member of University of Cape Town Intellectual Property Advisory Committee from May 2015 Institute of Directors - Western Cape Committee	Audit Committee	[5]	1 of 1

Committee	No. of Meetings Held	No. of Members	Name of Members
Audit Committee	5	4	Mr PK Slack (External non-executive member) [Chairperson] [Term as Audit Committee member expired on 4 February 2016] Mr MR Burton (External non-executive member) [Appointed as Audit Committee Chairperson on 29 February 2016, to run concurrently with term.] Mr G Harris (External non-executive member) [Appointed to Committee on 29 February 2016] Mr C Whittle [Appointed to Committee on 29 February 2016] Mr T Arendse (Member) [On SCOF recommendation, Mr Arendse was withdrawn from the Audit Committee on 27 October 2015, to continue as the Board's appointee to the Audit Committee, in ex-officio capacity.]
Casino Committee	4	3	Mr DA Fredericks (Chairperson) [Term expired on 31 March 2016] Mr D Lakay (Member) Ms A Lapoorta (Member)
Finance & IT Committee	4	3	Mr D Lakay (Chairperson) Mr T Arendse (Member) Mr HC Malila (Member) [Term expired on 26 September 2015]
Horsing Committee	5	3	Mr HC Malila (Chairperson) [Term expired on 26 September 2015] Ms A Lapoorta (Member) Mr DN Polovin (Member) [Term expired on 31 March 2016]
Human Capital Committee	4	3	Ms A Lapoorta (Chairperson) Mr DN Polovin (Member) [Term expired on 31 March 2016] Mr DA Fredericks (Member) [Term expired on 31 March 2016]
Licensing Committee	0	0	New Committee - formed on 29 February 2016 [No members constituted, as new Board appointments was awaited.]
LPM Committee	4	3	Mr T Arendse (Chairperson) Mr DA Fredericks (Member) [Term expired on 31 March 2016] Mr D Lakay (Member)

BOARD REMUNERATION ARRANGEMENTS

Board meetings:

The remuneration for Board meetings held at the offices is a fixed amount, irrespective of the length of the meeting, and is all inclusive of preparation time, travel time and kilometres travelled. This amount is **R4 382.16** (plus 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 **R547.77** 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: **R5 639.60** per meeting

Board committees and other events: **R704.95** per hour up to a maximum of 8 hours.

Vice Chairperson -:

Board meetings: **R4 382.16** per meeting

Board committees and other events: **R547.77** per hour up to a maximum of 8 hours.

Acting as Chairperson -:

Board meetings: **R4 910.00** per meeting

Board committees and other events: **R613.75** 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
Ms A Lapoorta	215 950	-	5 421	221 371
Mr DN Polovin	126 013	-	8 059	134 072
Mr T Arendse	198 019	-	19 368	217 387
Mr DA Fredericks	222 258	-	9 412	231 670
Mr D Lakay	215 411	-	21 492	236 903
Mr HC Malila	-	-	9 342	9 342
Dr P Voges	4 382	-	26	4 408
Total	982 033	-	73 120	1 055 153

BOARD MEMBER TRAVEL ABROAD

Conference: IAGA Conference- Vancouver, Canada-30 May to 07 June 2015

Benefits derived from attendance: Exposure to current best practices in the Casino Industry and solutions to common challenges.

Name	Designation	Travel & Accommodation	Air Tickets	Conference Fees	Subsistence Allowance	Fees	Other	Total
Mr T Arendse	Board Member	R18 576.98	R19 467.72	R6 241.24	R12 084.80	R37 383.12	-	R93 753.86
Total		R18 576.98	R19 467.72	R6 241.24	R12 084.80	R37 383.12	-	R93 753.86

Conference: GRAF 2015 – Zimbabwe- 21 June to 24 June 2015

Benefits derived from attendance: Exposure to common norms and standards in the control and regulation of all legalised gambling modes on the continent.

Name	Designation	Travel & Accommodation	Air Tickets	Conference Fees	Subsistence Allowance	Fees	Other	Total
Mr D Polovin	Board Member	R7 738.44	R10 359.16	R6 585.86	R5 133.70	R16 614.72	-	R46 431.88
Total		R7 738.44	R10 359.16	R6 585.86	R5 133.70	R16 614.72	-	R46 431.88

Conference: IAGR- Lima, Peru – 11 to 18 October 2015

Benefits derived from attendance: Exposure to current best practices in the Casino Industry and solutions to common challenges.

Name	Designation	Travel & Accommodation	Air Tickets	Conference Fees	Subsistence Allowance	Fees	Other	Total
Mr D Lakay	Board Member	R28 821.77	R22 130.97	R10 696.74	R12 331.76	R35 057.28	-	R109 038.52
Total		R28 821.77	R22 130.97	R10 696.74	R12 331.76	R35 057.28	-	R109 038.52

Total / Conference

		Travel & Accommodation	Air Tickets	Conference Fees	Subsistence Allowance	Fees	Other	Total
IAGA		R18 576.98	R19 467.72	R 6 241.24	R12 084.80	R 37 383.12	-	R 93 753.86
GRAF 2015		R 7 738.44	R10 359.16	R 6 585.86	R 5 133.70	R 16 614.72	-	R 46 431.88
IAGR		R28 821.77	R22 130.97	R10 696.74	R 12 331.76	R35 057.28	-	R109 038.52
Total		R 55 137.19	R51 957.85	R23 523.84	R29 550.26	R89 055.12	-	R249 224.26

STAFF MEMBER TRAVEL ABROAD

Conference: ICE Conference in London - 30 January to 19 February 2016

Benefits derived from attendance:

Name	Designation	Travel & Accommodation	Air Tickets	Conference Fees	Subsistence Allowance	Fees	Total
Mr R W Bennett	Manager - Compliance	R24 095.56	R20 624.00	R32 028.26	R15 000.08	-	R91 747.90

Conference: GRAF 2015 - Zimbabwe- 21 June to 24 June 2015

Benefits derived from attendance:

Name	Designation	Travel & Accommodation	Air Tickets	Conference & Membership Fees	Subsistence Allowance	Fees	Total
Dr M Matsapola	Chief Executive Officer	R9 203.15	R10 359.16	R6 585.86	R5 922.63	-	R32 070.80
Mrs Y Skepu	Manager - Legal	R7 956.44	R10 359.16	R6 585.86	R4 884.13	-	R29 785.59

Conference: IAGR- Lima, Peru - 11 to 18 October 2015

Benefits derived from attendance:

Name	Designation	Travel & Accommodation	Air Tickets	Conference Fees	Subsistence Allowance	Fees	Total
Mrs M Basson	Manager - Licensing	R26 780.03	R22 684.35	R10 696.74	R9 367.63	-	R69 528.75

Conference: IAGA in Vancouver, Canada - 30 May 2015 to 8 June 2015

Benefits derived from attendance:

Name	Designation	Travel & Accommodation	Air Tickets	Conference Fees	Subsistence Allowance	Fees	Total
Mr K Titus	Chief Licensing investigator	R17 384.83	R22 912.72	R6 231.45	R10 479.56	-	R57 008.56

STANDING COMMITTEE RESOLUTIONS

STANDING COMMITTEE ON PUBLIC ACCOUNTS		
Date of resolution	Details	Implementation progress
20 October 2015	The Western Cape Gambling and Racing Board should meet with the appointed service providers to ensure that the service charges charged against airline tickets are reduced.	The Board is utilising the Treasury negotiated rates and service providers.
20 October 2015	Western Cape Gambling and Racing Board provides it with the following: <ul style="list-style-type: none"> • The Board Charter, as indicated on page 56 of the Annual Report. • A breakdown of all staff that travelled during the financial year under review and submit the breakdown as per the table provided on page 64 of the Annual Report. • A breakdown of the beneficiaries of the Broad Awareness Programme, including the amount of programmes initiated; as indicated on page 87 of the Annual Report. 	Implemented November 2015.

4. RISK MANAGEMENT

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

The WCGRB's risk management includes:

- Integrating risk management into the culture and strategic decision-making of the WCGRB;
- 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 WCGRB 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 WCGRB 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, it's 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.

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 prescripts 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 COMMITTEES

The purpose of performing internal audits twice a year is to provide to the Board an independent and objective assurance counselling 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 P Slack #	4 of 5
2. Mr M Burton @	5 of 5
3. Mr T Arendse &	5 of 5
4. Mr C Whittle *	1 of 5
5. Mr G Harris*	1 of 5
# [Audit Committee membership expired on 4 February 2016] & [Board 27 October 2015 decision: Mr Arendse to represent the Board on the Audit Committee only in an ex-officio capacity] * [Newly appointed from 29 February 2016] @ [Appointed as Audit Committee Chairperson on 29 February 2016 for the remainder of his term]	

Name	Qualifications	Internal or External	If Internal, Position in the Board	Date Appointed	Date Resigned	No. of Meetings Attended
M Burton	B. Compt. Hons CA(SA)	External		17 Feb 2015		5
T Arendse	CTA CA(SA)	Internal	Board Member	26 Feb 2014	[In ex-officio capacity from 27 October 2015]	5
P Slack	B Com (Hons) Financial Management CA(SA)	External		5 Feb 2013	4 February 2016 [term expired]	4
G Harris	B. Com Hons CA(SA)	External		29 Feb 2016		1
C Whittle	B.Com, PGDA, CA(SA)	External		29 Feb 2016		1

7. COMPLIANCE WITH LAWS AND REGULATIONS

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

8. FRAUD AND CORRUPTION

The WCGRB 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 WCGRB 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.

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

10. CODE OF CONDUCT

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

The Code ensures the delivery of high standards by guiding WCGRB 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 WCGRB'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. 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 monthly intervals through the year to assess the Health and Safety environment at the Board and to address and matters that may arise.

12. COMPANY SECRETARY

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

13. 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 gambling might bring.

14. AUDIT COMMITTEE REPORT

Mr Mervyn Burton

We are pleased to present our report for the financial year ended 31 March 2016.

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 2015/16 financial year, 5 meetings were held.



Name of Member	Number of Meetings Attended
1. Mr P Slack #	4 of 5
2. Mr M Burton @	5 of 5
3. Mr T Arendse &	5 of 5
4. Mr C Whittle *	1 of 5
5. Mr G Harris*	1 of 5

[Audit Committee membership expired on 4 February 2016]

& [Board 27 October 2015 decision: Mr Arendse to represent the Board on the Audit Committee only in an ex-officio capacity]

* [Newly appointed from 29 February 2016]

@ [Appointed as Audit Committee Chairperson on 29 February 2016 for the remainder of his term]

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 regulated its affairs in compliance with this charter and has discharged all 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 III 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 all the respective requirements.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the Board revealed certain weaknesses, which were then raised with the Board 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 III 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, 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 addressed 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 2014-2015 and 2015-2016
- Review of Performance Information on Predetermined Objectives (PDO's)
- Follow-up work on previous internal and external audit findings
- Asset verification
- Review of the Racing and Betting Department
- Review of IT Department
- Review of the 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.

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.

We have reviewed the audited Annual Financial Statements prepared by the Board.

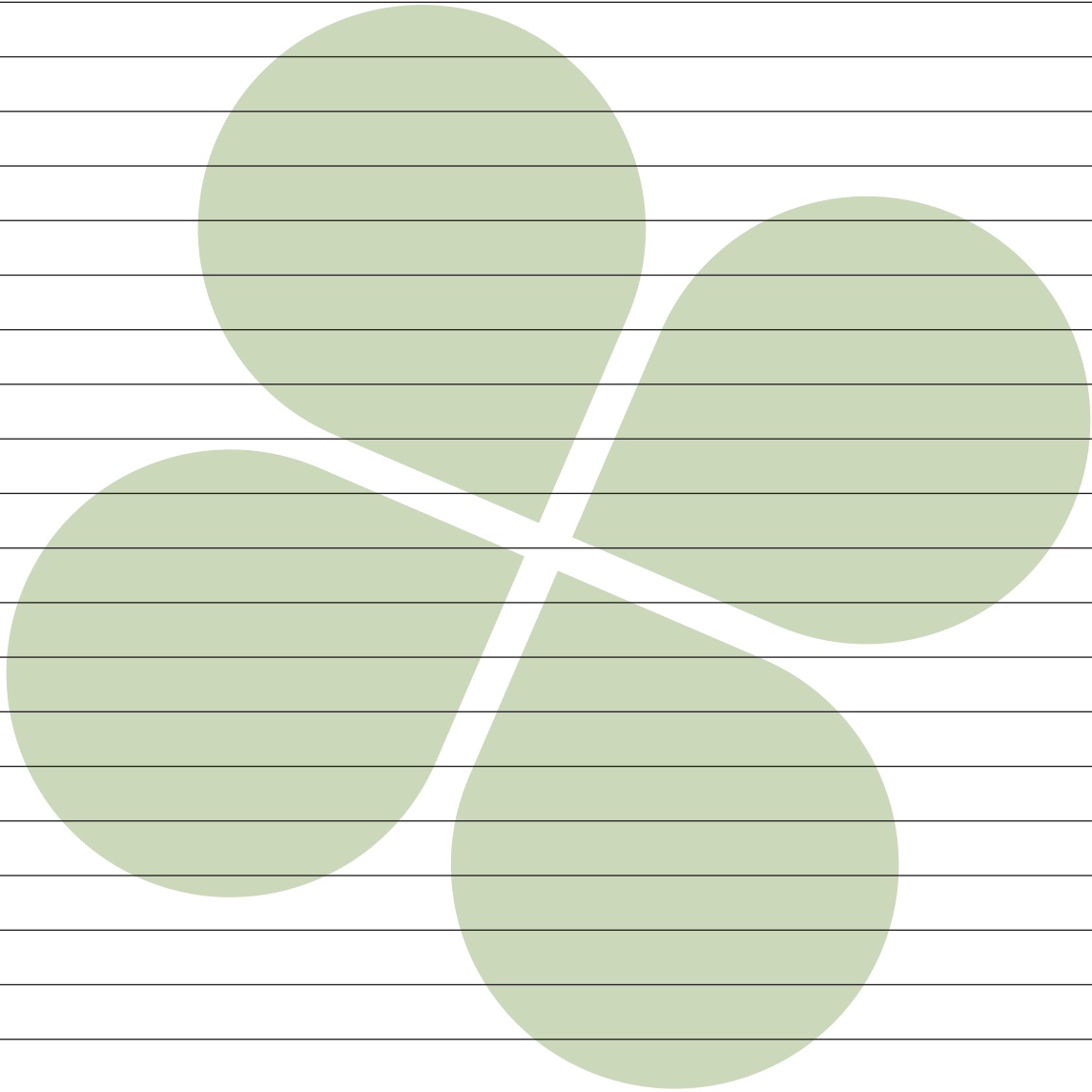
External Auditor's Report

We have reviewed the Board's implementation plan for audit issues raised in the prior year and we are 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.



Mervyn Burton
Chairperson of the Audit Committee
Western Cape Gambling and Racing Board





Part D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

The Human Resources (HR) department supports and upholds the Western Cape Gambling and Racing Board's goals and objectives by fostering a positive and engaging work environment while identifying and responding to the changing needs of our diverse workforce.

HR plays a critical role in the WCGRB. Our continued organisational success depends on the high level of skills and professionalism of our people. The 2015/16 year was dedicated to further evolving the HR function from an administrative unit to a professional value-added service partner.

Best practices show that the HR profession has increasingly moved towards 'customer focus' and plays a more strategic role in organizations. The HR department advertised and successfully appointed an HR administrator who will assist in providing not only an administrative support function but also manage the Board's employee development program (Training and Development)

The HR department has again received a clean audit for the year under review indicating the Board's continued focus on people management and its belief that its employees are its most valuable asset.

HR continues to aim for consistent quality and customer focus in delivering effective and comprehensive support across all functional areas within the office of the Board. Enhanced staff performance assessment and reporting and the strengthening of the learning culture continues to be one of the main focus areas toward ensuring the WCGRB has and will continue to have an appropriately skilled workforce.

The Board has concentrated its focus on ensuring sound and effective HR policies and processes and during the year in review the Human Capital Committee conducted reviews on various HR policies and processes within the organisation. The chief aim is to not only ensure alignment with other governmental institutions but also toward ensuring the application of HR best practices.

The staff turnover is down from the previous financial year (6 in 2014/15) with 5 resignations out of 74 employees for 2015/16; a turnover of less than 10%. Unfortunately, due to its flat structure, the Board will continue to struggle to retain its younger, lower level employees who are seeking to further their career.

The Board encourages an environment of development and empowerment, enabling each staff member to add to and contribute his/her skills and talents towards the entity sustaining its high standards of delivery. The HR department assists the Board to support its employees financially in achieving tertiary qualifications in order to develop its workforce further.

The WCGRB's employee wellbeing program continues to be an active source of assistance to employees to encourage them to choose healthier, more balanced lifestyles.

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. (R' 000)	No. of Employees	Average Personnel Cost per Employee (R' 000)
Administration*	16 756	11 162	67%	34	328
Compliance	13 132	11 462	87%	25	458
Licensing	11 107	10 519	95%	23	457
IT	4 490	1 906	42%	5	381
Total	45 485	35 049	77%	87	401

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

#Total Expenditure excludes depreciation and amortisation, 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	1 750	5.35%	1	1 750
Senior Management	5 042	15.38%	5	1 008
Professional qualified	7 717	23.55%	13	594
Skilled	14 393	43.91%	34	423
Semi-skilled	3 873	11.82%	15	258
Unskilled	-	-	-	-
Total	*32 775		68	482

* Excludes Board member's remuneration of R1 055 153, housing allowance of R676 200, temps remuneration of R161 566 and net salary accruals/provisions of R382 000.

Performance Rewards

Programme	Performance Rewards (R' 000)	Personnel Expenditure (R' 000)	% of Performance Rewards to Total Personnel Cost
Top Management	25	1 750	1%
Senior Management	95	5 042	2%
Professional qualified	148	7 717	2%
Skilled	255	14 393	2%
Semi-skilled	79	3 873	2%
Unskilled	-	-	-
Total	602	*32 775	2%

* Excludes Board member's remuneration of R1 055 153, housing allowance of R676 200, temps remuneration of R161 566 and net salary accruals/provisions of R382 000.

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	1 055	13	1%	6	2
Executive	5 390	6	0%	11	1
Administration & Finance	4 717	8	1%	16	2
Compliance	11 462	22	0%	34	1
Racing & Betting	-	-	-	-	-
Licensing	10 519	2	0%	25	1
IT	1 906	31	2%	7	4
Total	35 049	82	0%	99	1

Employment and vacancies

Programme	2014/15 No. of Employees	2015/16 Approved Posts	2015/16 No. of Employees	2015/16 Vacancies	% of Vacancies
Administration	9	9	9	-	-
Executive	2	7	5	2	29%
Management	6	7	6	1	14%
Compliance	15	25	23	2	8%
Racing & Betting	11	-	-	-	-
Licensing	16	22	21	1	5%
IT	4	4	4	-	-
Total	63	74	68	6	8%

Programme	2014/15 No. of Employees	2015/16 Approved Posts	2015/16 No. of Employees	2015/16 Vacancies	% of Vacancies
Top Management	1	1	1	-	-
Senior Management	5	6	5	1	17%
Professional qualified	11	13	13	-	-
Skilled	29	36	34	2	6%
Semi-skilled	17	18	15	3	17%
Unskilled	-	-	-	-	-
Total	63	74	68	6	8%

Employment changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top Management	1	1	1	1
Senior Management	5	1	1	5
Professional qualified	9	1	-	10
Skilled	24	7	1	30
Semi-skilled	24	-	2	22
Unskilled	-	-	-	-
Total	63	10	5	68

Reasons for staff leaving

Reason	Number	% of Total No. of Staff Leaving
Death	-	-
Resignation	3	75%
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	1	25%
Other	-	-
Total	4	100%

Staff resignations were less than 10% of the WCGRB workforce. Most employees to take up posts outside the Board at more senior posts or at a higher salary. With the Board's young workforce and flat structure, staff will continue to seek promotional opportunities elsewhere.

Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	-
Written Warning	1
Final Written Warning	-
Dismissal	-
Total	1

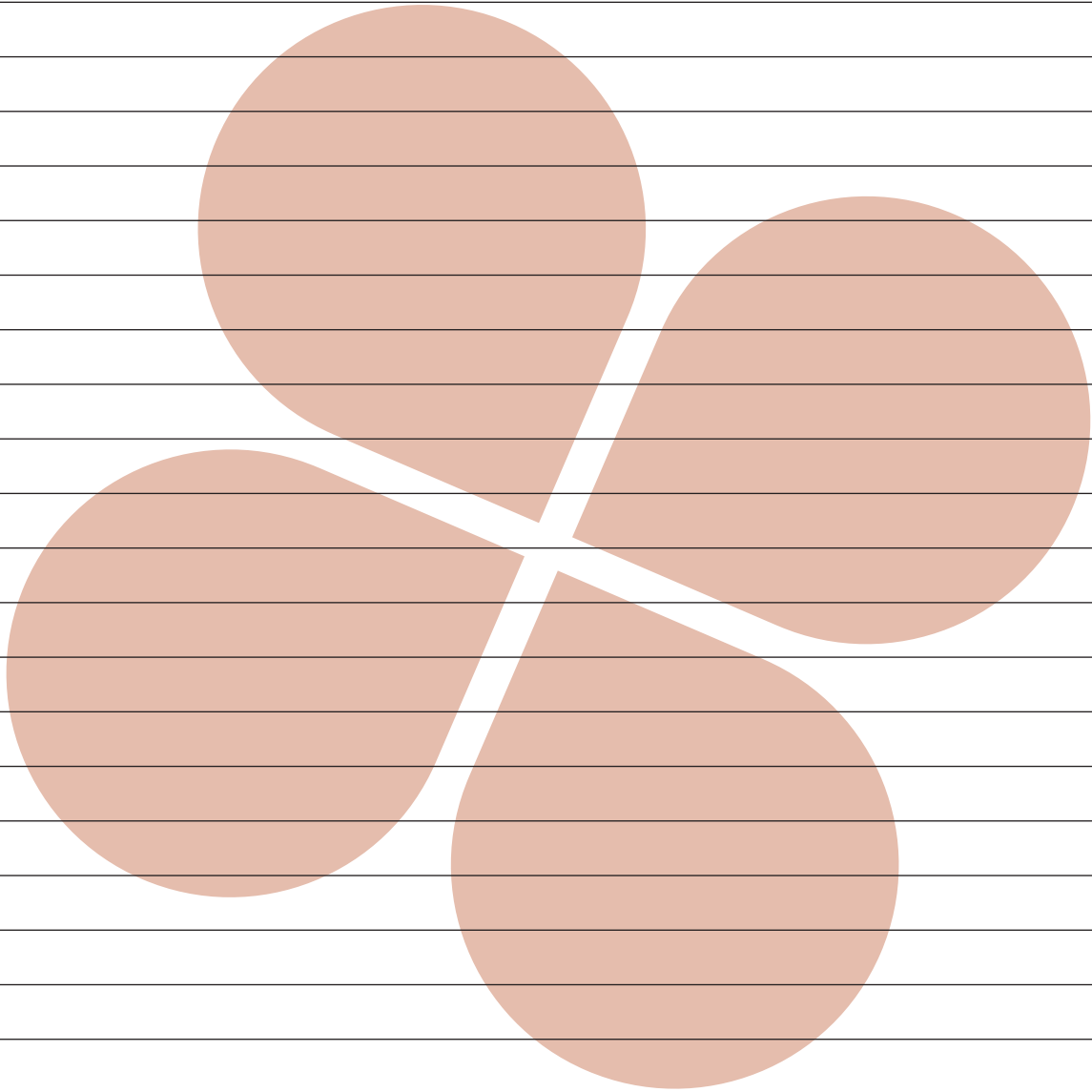
Equity Target and Employment Equity Status

Levels	Male							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	1	-	-	-	-	-
Senior Management	-	1	3	3	-	-	-	-
Professional qualified	2	2	2	2	1	-	4	1
Skilled	6	7	6	8	-	-	3	3
Semi-skilled	-	3	3	5	-	1	1	1
Unskilled	-	-	-	-	-	-	-	-
Total	8	13	15	18	1	1	8	5

Levels	Female							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	1	-	-	-	-	-	-
Senior Management	-	-	2	2	-	-	-	1
Professional qualified	-	1	2	1	-	-	2	1
Skilled	6	7	13	8	-	1	-	3
Semi-skilled	2	2	7	5	-	-	2	2
Unskilled	-	-	-	-	-	-	-	-
Total	8	11	24	16	-	1	4	7

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

The Board has employed a disabled person as the Personal Assistant to the CEO during April 2016. Although the Board has achieved its target it will continue to actively seek to attract suitably qualified persons to be interviewed for vacancies.





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

Introduction

1. I have audited the financial statements of the Western Cape Gambling and Racing Board set out on pages 72 to 99, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these 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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. 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 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA and the Western Cape Gambling and Racing Act, 1996.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainty

8. With reference to note 22 to the financial statements, the entity is a defendant in a labour court dispute regarding the Chief Executive Officer's perception to have the employment contract renewed by the Board. The amount pertaining to the legal fees cannot currently be determined, consequently, no provision for legal fees that might result has been made in the financial statements.

Material underspending of the budget

9. As disclosed in the Statement of Comparison of Budget and Actual Amounts as at 31 March 2016, the entity has materially underspent the overall operating expenditure budget with R9 million (17.3%). The underspending was mainly on employee cost as a result of vacancies and as a result of cost containment measures.

Additional matter

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

Report on other legal and regulatory requirements

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2016:

- Programme 1: Board and Administration on pages 22 to 33
- Programme 3: Gambling and Betting Compliance on pages 38 to 39

13. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).

14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

15. 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 3: Gambling and Betting Compliance

Additional matter

16. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matter:

Achievement of planned targets

17. Refer to the annual performance report on pages 22 to 42 for information on the achievement of the planned targets for the year.

Compliance with legislation

18. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

10. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor-General

Cape Town
31 July 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

2. ANNUAL FINANCIAL STATEMENTS

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The annual financial statements set out on pages 73 to 99, which have been prepared on the going concern basis, were approved by the accounting authority and were signed on its behalf by:



PA Abrahams
Chief Executive Officer
31 July 2016

Statement of Financial Position as at 31 March 2016

	Note(s)	2016 R	2015 R
Assets			
Current Assets			
Cash and cash equivalents	3	6 408 487	18 886 800
Inventories	4	30 191	34 552
Prepayments		190 823	39 676
Trade and other receivables from exchange transactions	5	2 891 246	1 392 332
Cash and cash equivalents - Trust funds (securities)	6	9 001 493	8 550 635
Cash and cash equivalents - Trust funds (trust)	6	9 156 189	8 017 784
Cash and cash equivalents - ILSF housing fund	7	35 100	-
		27 713 529	36 921 779
Non-Current Assets			
Property, plant and equipment	8	3 033 758	1 889 177
Intangible assets	9	40 339	46 467
		3 074 097	1 935 644
Total Assets		30 787 626	38 857 423
Liabilities			
Current Liabilities			
Trade and other payables	10	5 465 425	10 234 349
Provisions	11	1 129 866	849 524
Employee benefits	12	1 747 653	1 497 131
Trust Funds (securities)	6	9 001 493	8 550 635
Trust funds (trust)	6	9 156 189	8 017 784
		26 500 626	29 149 423
Non-Current Liabilities			
Employee benefits	12	287 000	340 000
Total Liabilities		26 787 626	29 489 423
Net Assets		4 000 000	9 368 000
Accumulated surplus		4 000 000	9 368 000

Statement of Financial Performance for the year ended 31 March 2016

	Notes	2016 R	2015 R
Revenue			
Revenue from exchange transactions			
Investment income		1 229 018	1 293 113
Legal fees recoverable		-	35 134
Operating revenue	24	34 656 032	36 424 621
Sale of notes and sundry		47 606	24 459
Total revenue from exchange transactions		35 932 656	37 777 327
Revenue from non-exchange transactions			
Transfer revenue			
Government grant	20	5 244 000	10 406 000
Total revenue		41 176 656	48 183 327
Expenditure			
Amortisation: Intangible assets	9	6 128	6 128
Board awareness programmes		115 265	1 294 556
Depreciation: Property, plant and equipment	8	1 194 951	1 408 288
Elimination of illegal gambling operations		124 564	131 061
Employee related costs		35 048 689	31 284 435
Finance costs		31 569	83 811
Legal fees		266 183	496 911
Other	25	5 539 872	5 960 182
Rental		90 476	113 168
Travel and subsistence		1 912 106	2 365 080
Total expenditure		44 329 803	43 143 620
Operating (deficit)/surplus			
Gain/(loss) on disposal of assets and liabilities		2 617	(26 052)
(Loss)/Gain on actuarial valuations	12	(45 902)	55 519
(Deficit)/surplus for the year		(3 196 432)	5 069 174

Statement of Changes in Net Assets for the year ended 31 March 2016

	Accumulated Surplus R	Total Net Assets R
Balance at 01 April 2014	11 000 000	11 000 000
Surplus for the year	5 069 178	5 069 178
Surplus payable to Western Cape Government	(6 701 178)	(6 701 178)
Total changes	<u>(1 632 000)</u>	<u>(1 632 000)</u>
Balance at 01 April 2015	9 368 000	9 368 000
Deficit for the year	(3 196 433)	(3 196 433)
Surplus payable to Western Cape Government	(2 171 567)	(2 171 567)
Total changes	<u>(5 368 000)</u>	<u>(5 368 000)</u>
Balance at 31 March 2016	<u>4 000 000</u>	<u>4 000 000</u>

Cash Flow Statement for the year ended 31 March 2016

	Notes	2016 R	2015 R
Cash flows from operating activities			
Receipts			
Taxes and levies collected		575 145 467	539 437 111
Sale of goods and services		33 010 332	35 836 341
Grants		5 244 000	10 406 000
Interest income		1 229 018	1 293 113
Other receipts		47 606	59 593
		<u>614 676 423</u>	<u>587 032 158</u>
Payments			
Employee costs		(35 048 689)	(31 284 435)
Suppliers		(8 157 765)	(8 989 211)
Finance costs		(31 569)	(83 811)
Provision		280 342	(605 188)
Taxes and levies distributed		(575 123 861)	(539 016 099)
		<u>(618 081 542)</u>	<u>(579 978 744)</u>
Net cash flows from operating activities	18	<u>(3 405 119)</u>	<u>7 053 414</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(2 355 872)	(851 724)
Proceeds from sale of property, plant and equipment	8	18 955	15 006
Net cash flows from investing activities		<u>(2 336 917)</u>	<u>(836 718)</u>
Cash flows from financing activities			
Net receipts and payments for trust funds		1 589 263	4 206 528
Surplus payable to Western Cape Government redeemed		(6 701 177)	(464 343)
Net cash flows from financing activities		<u>(5 111 914)</u>	<u>3 742 185</u>
Net (decrease)/increase in cash and cash equivalents		(10 853 950)	9 958 881
Cash and cash equivalents at the beginning of the year		35 455 219	25 496 338
Cash and cash equivalents at the end of the year	3	<u>24 601 269</u>	<u>35 455 219</u>

Statement of Comparison of Budget and Actual Amounts as at 31 March 2016

	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	-	-	-	47 606	47 606	1
Rendering of services	34 299 865	-	34 299 865	34 656 032	356 167	2
Interest received	840 000	-	840 000	1 229 018	389 018	3
Total revenue from exchange transactions	35 139 865	-	35 139 865	35 932 656	792 791	
Revenue from non-exchange transactions						
Transfer revenue						
Government grant	10 488 000	-	10 488 000	5 244 000	(5 244 000)	4
Total revenue	45 627 865	-	45 627 865	41 176 656	(4 451 209)	
Expenditure						
Personnel	(38 952 234)	-	(38 952 234)	(35 048 689)	3 903 545	5
Finance costs	-	-	-	(31 569)	(31 569)	6
Operating Expenses	(14 617 531)	1 400 000	(13 217 531)	(8 048 466)	5 169 065	7
Total expenditure	(53 569 765)	1 400 000	(52 169 765)	(43 128 724)	9 041 041	
Net operating receipts/ (payments)	(7 941 900)	1 400 000	(6 541 900)	(1 952 068)	4 589 832	
Acquisition of property plant and equipment	(1 271 200)	(1 400 000)	(2 671 200)	(2 355 872)	315 328	8
Net receipts/ (payments)	(9 213 100)	-	(9 213 100)	(4 307 940)	4 905 160	
Reconciliation						
Net operating receipts/ (payments)				(1 952 068)		
Basis difference						
Depreciation and amortisation				(1 201 079)		
Actuarial loss				(45 902)		
Gain on disposed assets				2 617		
Actual Amount in the Statement of Financial Performance				(3 196 432)		

Statement of Comparison of Budget and Actual Amounts as at 31 March 2016

The budget is approved on a cash basis by functional classification. The approved budget covers the period from 01 April 2015 to 31 March 2016.

The budget and accounting base differ. The financial statements are prepared on the accrual basis using a classification on the nature of 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.

A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the statement of financial performance for the period ended 31 March 2016 is presented above. The financial statements and budget documents are prepared for the same period. There is a basis difference: the budget is prepared on a cash basis and the financial statements on the accrual basis.

Explanation of variances

1. The Board does not budget for sundry income.
2. The over collection of R356 167 in respect of rendering of services is due to more applications received due to the Request For Proposal application process being implemented.
3. The over collection of R389 018 in respect of interest received is due to an increase in interest rates, an increase in revenue and the 2014/2015 surplus payable to WCG withheld until after the AGSA audit.
4. Only 50% (R5 244 000) of the total grant (R10 488 000) was requested from the WCG, due to the increase in own revenue and cost containment measures issued by the National Treasury.
5. The saving of R3 903 545 under Personnel expenditure is due to vacant posts: CFO, Auditors, Admin staff, Law Enforcement Officer & Board Members. These posts are all in the process of being filled. Although the Board Members are appointed by the WCG, the Board is responsible for their remuneration.
6. The overspend on finance cost is a direct result of adopting GRAP 25 with the resultant interest burden of accruing for long term employee benefits.
7. The saving of R5 169 065 under operating expenses is mostly due to cost containment measures and relates to savings of travel & subsistence, enhancement fees, provision for legal fees, audit fees, Responsible Gambling Awareness Program and professional services.
8. The underspending of R315 328 under capital expenditure is pertaining to the purchase of computer hardware, due to the Rand/Dollar exchange rate fluctuations.

Notes to the Annual Financial Statements for the year ended 31 March 2016

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.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated.

1.1 Going concern assumption

The annual financial statements have, based on the approval by the MEC for the retention of **R4 000 000 (2015: R9 368 000)** of the 2015/2016 fiscal year retained surplus to finance the budgeted shortfall in the 2016/2017 budget, been prepared on a going concern basis.

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 judgement 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 judgements 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, the surplus makes judgements 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 judgement 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.

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.

Property, plant and equipment is initially measured at cost.

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

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.

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 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:

Item	Depreciation Method	Average useful Life
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 residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

In assessing the remaining useful lives and residual values of property, plant and equipment, management have made judgements based on historical evidence as well as the current condition of property, plant and equipment under its control.

Reviewing the useful life of an asset on an annual basis does not require the Board to amend the previous estimate unless expectations differ from the previous estimate.

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.

1.4 Intangible assets

Intangible assets 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.

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

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.

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.

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

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.

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.

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

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 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 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 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 as expense or revenue, 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 right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of 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.

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

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

1.10 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 22.

1.11 Commitments

Items are classified as commitments when the Board 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 Board – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.12 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 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.

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

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 section 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.

1.13 Revenue from non-exchange transactions

Government grants

This represents grants from government to meet budget obligations.

The grant is recognised as revenue at the time it is received.

1.14 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.

1.15 Comparative figures

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

1.16 Unauthorised, irregular, fruitless and wasteful expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

In terms of section 55(2)(b)(i) of the Public Finance Management Act, 1999 the financial statements must include particulars of any unauthorised, irregular, fruitless and wasteful expenditure.

All unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 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.

1.18 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.

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.19 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.

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Board 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 2015): Presentation of Financial Statements	1 April 2015	Not material.
GRAP 2 (as amended 2015): Cash Flow Statements	1 April 2015	Not material.
GRAP 3 (as amended 2015): Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2015	Not material.
GRAP 13 (as amended 2015): Leases	1 April 2015	Not material.
GRAP 17 (as amended 2015): Property, Plant and Equipment	1 April 2015	Not material.
GRAP 19 (as amended 2015): Provisions, Contingent Liabilities and Contingent Assets	1 April 2015	Not material.
GRAP 21 (as amended 2015): Impairment of Non-cash-generating Assets	1 April 2015	Not material.
GRAP 23 (as amended 2015): Revenue from Non-exchange Transactions	1 April 2015	Not material.
GRAP 24 (as amended 2015): Presentation of Budget Information in Financial Statements	1 April 2015	Not material.
GRAP 25 (as amended 2015): Employee Benefits	1 April 2015	Not material.
GRAP 26 (as amended 2015): Impairment of Cash-generating Assets	1 April 2015	Not material.
GRAP 31 (as amended 2015): Intangible Assets	1 April 2015	Not material.
GRAP 104 (as amended 2015): Financial Instruments	1 April 2015	Not material.

2.2 Standards and interpretations issued, but not yet effective

At the date of authorisation of the financial statements for the year ended 31 March 2016, the following standards were issued but not yet effective:

Management is of the opinion that the impact of the application of the standards will be as follows:

GRAP 20: Related Parties

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

This statement will not have an effect on the financial position, performance or disclosure of the Board as the statement will not apply to the Board.

GRAP 108: Statutory Receivables

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 109: Accounting by Principals and Agents

The impact of the amendment is not material.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This statement will not have an effect on the financial position, performance or disclosure of the Board as the statement will not apply to the Board.

All applicable standards will be adopted at its effective date.

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

	2016 R	2015 R
3. Cash and cash equivalents		
Petty cash	4 000	4 000
Bank balances	6 404 487	8 882 800
Short-term deposits	-	10 000 000
	6 408 487	18 886 800

Cash and cash equivalents in the cash flow statement

Cash and cash equivalent - Trust funds (securities)	9 001 493	8 550 635
Cash and cash equivalent - Trust funds (trusts)	9 156 189	8 017 784
Cash and cash equivalent - ILSF Housing allowance	35 100	-
Cash and cash equivalents (per above)	6 408 487	18 886 800
	24 601 269	35 455 219

4. Inventories

Stationery and computer consumables on hand	30 191	34 552
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5. Trade and other receivables from exchange transactions

Amounts due in respect of trading operations	1 747 785	1 218 249
Amounts due in respect of other activities	1 143 461	174 083
	2 891 246	1 392 332

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The amounts are subject to the Board's standard credit terms and are due within a maximum of either 30 days or 60 days after month end depending on the class of debtor. Interest has not been charged on these accounts.

Fines imposed by the CEO can be appealed to the Board and these amounts are collected after the appeal process has run its course which has the effect of some fines remaining outstanding past the standard credit terms of 30 days or 60 days.

Trade and other receivables can be analysed as follows:

Neither past nor due	2 874 521	1 391 887
Past due but not impaired	16 725	445
Past due and impaired	-	-
	2 891 246	1 392 332

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	2 773 959	1 391 006
Group 2	100 562	881
Group 3	-	-
	2 874 521	1 391 887

Past due but not impaired	16 725	445
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Trade and other receivables past due but not impaired

At 31 March 2016, trade and other receivables of R 16 725 (2015: R 445) 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 for the year ended 31 March 2016 (continued)

	2016 R	2015 R
The ageing of amounts past due but not impaired is as follows:		
90 days past due	16 725	445

Credit risk

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 **R9 156 189** (2015: R8 017 784) 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.

6. Trust funds

Trust funds (securities)	8 991 493	7 983 010
Trust funds (trusts)	9 077 985	8 003 959
Total	18 069 478	15 986 969
Add: Amount (payable) / receivable to/from current account		
Securities	10 000	567 625
Trusts	78 204	13 825
	18 157 682	16 568 419

Currently disclosed in the financial statements

Current assets

Trust funds (securities)	9 001 493	8 550 635
Trust funds (trusts)	9 156 189	8 017 784
Total	18 157 682	16 568 419

Current liabilities

Trust funds (securities)	9 001 493	8 550 635
Trust funds (trusts)	9 156 189	8 017 784
Total	18 157 682	16 568 419

7. Cash and cash equivalents - ILSF housing fund

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

Employees who assumed duty after 27 May 2015 and are approved to access the housing allowance for rental purposes will have the full value of R1200 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 2015 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 R1200 paid into ILSF.

Such employees will be requested to make a choice between option 1 and 2 with the implementation date being 1 April 2016.

As at 31 March 2016 the balance of the ILSF was R35 100 (2015 : R0.00).

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

8. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost / Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Motor vehicles	230 000	(203 739)	26 261	230 000	(175 218)	54 782
Equipment & furniture	3 361 110	(2 692 054)	669 056	3 300 187	(2 517 068)	783 119
Computers	4 053 067	(2 005 600)	2 047 467	2 753 764	(2 010 183)	743 581
Computer accessories	668 360	(589 861)	78 499	598 245	(487 311)	110 934
Assets less than R5000	519 861	(312 628)	207 233	455 984	(265 629)	190 355
Leased assets	6 987	(1 745)	5 242	27 180	(20 774)	6 406
Total	8 839 385	(5 805 627)	3 033 758	7 365 360	(5 476 183)	1 889 177

Reconciliation of property, plant and equipment - 2016

	Opening Balance	Additions	Disposals	Depreciation	Total
Motor vehicles	54 782	-	-	(28 521)	26 261
Equipment & furniture	783 119	132 793	(5 415)	(241 441)	669 056
Computers	743 581	2 064 645	(1 968)	(758 791)	2 047 467
Computer accessories	110 934	70 115	-	(102 550)	78 499
Assets less than R5000	190 355	88 319	(8 958)	(62 483)	207 233
Leased assets	6 406	-	-	(1 164)	5 242
	1 889 177	2 355 872	(16 341)	(1 194 950)	3 033 758

Reconciliation of property, plant and equipment - 2015

	Opening Balance	Additions	Disposals	Depreciation	Total
Motor vehicles	32 969	-	-	21 813	54 782
Equipment & furniture	541 727	511 623	(7 011)	(263 220)	783 119
Computers	1 413 138	241 333	(24 385)	(886 505)	743 581
Computer accessories	239 296	62 713	(310)	(190 765)	110 934
Assets less than R5000	250 948	29 068	(9 352)	(80 309)	190 355
Leased assets	8 721	6 987	-	(9 302)	6 406
	2 486 799	851 724	(41 058)	(1 408 288)	1 889 177

Fully depreciated PPE still in use

	Equipment & Furniture	Computers	Computer Accessories	Assets less than R5000	Total
Gross carrying amount	1 733 565	1 429 509	535 533	119 433	3 818 040

The above-mentioned items of Property, Plant & Equipment are fully depreciated and still in use. The useful lives and depreciation method were appropriately estimated based on information available at previous reporting dates. These assets were scheduled to be replaced, but due to the current economic climate and cost containment measures enforced by National and Provincial Government the Board is unable to replace the assets.

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

9. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated Amortisation and Accumulated Impairment	Carrying Value	Cost / Valuation	Accumulated Amortisation and Accumulated Impairment	Carrying Value
Computer software	61 275	(20 936)	40 339	61 275	(14 808)	46 467

Reconciliation of intangible assets - 2016

	Opening Balance	Amortisation	Total
Computer software	46 467	(6 128)	40 339

Reconciliation of intangible assets - 2015

	Opening Balance	Amortisation	Total
Computer software	52 595	(6 128)	46 467

10. Trade and other payables

	2016 R	2015 R
Trade payables	1 889 807	2 104 026
WCG and WP Racing Club taxes and levies	3 573 749	8 124 964
Finance lease obligations	1 869	5 359
	5 465 425	10 234 349

11. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the Year	Total
Provisions	849 524	1 129 866	(849 524)	1 129 866

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the Year	Total
Provisions	1 454 712	54 812	(660 000)	849 524

12. Employee benefit obligations

	2016 R	2015 R
Accrual for leave pay	1 073 635	1 038 049
Accrual for bonus	437 918	364 082
Subtotal	1 511 553	1 402 131
Current portion of long service awards	201 000	95 000
ILSF: Housing allowance	35 100	-
	1 747 653	1 497 131

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

	2016 R	2015 R
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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	$(1/12) \times \text{Annual Salary} = 8.33\%$

Long service benefits are 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 is payable upon completion of subsequent 10 yearly intervals, i.e. 20, 30 or 40 years of service. The conversion is based on a 12 months working year and therefore the benefits awarded can be expressed as follows: completion of 10 years in service. The actuaries have converted the benefit into a percentage of the employee's annual salary.

Valuation of assets

The long service awards liability of the Board is unfunded. No dedicated assets have been set aside to meet this liability.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	435 000	458 000
Benefits paid	(95 902)	(91 481)
Net expense recognised in the statement of financial performance	148 902	68 481
The amounts recognised in the statement of financial position	488 000	435 000

Long service awards

Current liability	201 000	95 000
Non-current liability	287 000	340 000
	488 000	435 000

Net expense recognised in the statement of financial performance

Current service cost	72 000	85 000
Interest cost	31 000	39 000
Actuarial loss/(gain)	45 902	(55 519)
	148 902	68 481

Key assumptions used

Discount Rate	8,67%	7,39%
CPI (Consumer Price Inflation)	6,80%	5,56%
Normal Salary Increase Rate	7,80%	6,56%
Net Effective Discount Rate	0,81%	0,78%

Promotional Salary Increase Rates Age Band	Percentage
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0%

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

Early Retirement

A table setting out the assumed rates of early retirement is set out below:

Age Band	Decrement for Males NRA 65	Decrement for Females NRA 65
20 -54	0%	0%
55 - 59	5%	10%
60 - 64	5%	10%
65	100%	100%

Withdrawal Decrements

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

Age Band	Withdrawal Rates Male	Withdrawal Rates Female
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

Mortality Rates: Mortality before retirement has been based on the SA 85-90 mortality tables.

Normal Retirement Age: The normal retirement age for all active employees was assumed to be 65 years.

Withdrawal rate:

The effect of 20% p.a. change in the assumed level of withdrawal rates is as follows:

	-20%	Valuation Assumption	+20%
Total Accrued Liability	R 489 000	R 488 000	R 487 000
Current Service Cost	R 87 000	R 87 000	R 87 000
Interest Cost	R 42 000	R 42 000	R 42 000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees. The effect of 1% p.a. change in the normal salary inflation assumption is as follows:

	1% point decrease	Current valuation	1% point increase
Total Accrued Liability	R 477 000	R 488 000	R 499 000
Current Service Cost	R 84 000	R 87 000	R 91 000
Interest Cost	R 41 000	R 42 000	R 43 000

The liability amounts for the current and previous reporting period are as follows:

Present value of obligation **R488 000 (2016) & R435 000 (2015)**

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

13. Members' emoluments

Executive

2016

	Salary	Retirement Fund	Bonus	Other	Total
Chief Executive Officer 1	451 326	18 393	26 951	128 459	625 129
Manager: Legal services	844 188	45 074	70 833	401 934	1 362 029
HOD; Admin & Finance	453 473	23 994	21 068	44 664	543 199
HOD: Licensing	844 188	45 074	70 833	36 890	996 985
HOD: Compliance	855 154	42 884	72 974	55 437	1 026 449
HOD: Information Technology	452 130	24 619	15 631	1 093	493 473
Manager: Human Resources	670 000	35 798	55 546	433 312	1 194 656
Chief Executive Officer 2	499 746	27 424	56 665	4 358	588 193
	5 070 205	263 260	390 501	1 106 147	6 830 113

2015

	Salary	Retirement Fund	Bonus	Other	Total
Chief Executive Officer 1	1 010 035	54 572	61 084	48 763	1 174 454
Manager: Legal services	789 417	42 057	55 407	57 939	944 820
HOD; Admin & Finance	858 255	46 488	70 854	34 080	1 009 677
HOD: Licensing	788 890	42 584	64 799	22 081	918 354
HOD: Compliance	800 832	43 771	66 757	80 747	992 107
HOD: Racing and Betting	189 755	9 769	22 896	36 860	259 280
HOD: Information Technology	647 223	34 927	55 805	49 573	787 528
Manager: Human Resources	598 874	31 987	49 031	19 510	699 402
	5 683 281	306 155	446 633	349 553	6 785 622

Board members

2016

	Members' Fees	Other	Total
Ms A Lapoorta	215 950	5 421	221 371
Mr D Polivin	126 013	8 059	134 072
Mr TC Arendse	198 019	19 368	217 387
Mr D Fredericks	222 258	9 412	231 670
Mr DT Lakay	215 411	21 492	236 903
Mr H Malila	-	9 342	9 342
Dr P Voges	4 382	26	4 408
	982 033	73 120	1 055 153

2015

	Members' Fees	Other	Total
Ms A Lapoorta	200 739	17 477	218 216
Mr D Polivin	209 655	17 730	227 385
Mr TC Arendse	186 829	17 321	204 150
Mr D Fredericks	207 294	18 811	226 105
Mr DT Lakay	25 960	1 976	27 936
Mr H Malila	-	21 722	21 722
Ms US Deglon	157 667	21 363	179 030
Ms I Du Plessis	-	3 011	3 011
	988 144	119 411	1 107 555

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

	2016 R	2015 R
Chief Executive Officer 1 - contract ended 31 August 2015 & Chief Executive Officer 2 - contract commenced 1 October 2015.		
14. Finance lease obligation		
Finance lease arrangements		
Minimum lease payments under finance leases.		
At the statement of financial position date, the Board had outstanding commitments under non-cancellable leases which fall due as follows:		
Minimum lease payments due		
- within one year	1 920	3 840
- in second to fifth year inclusive	-	1 920
	1 920	5 760
less: future finance charges		
- within one year	(51)	(350)
- in the second to fifth year inclusive	-	(51)
	1 869	5 359

The Board leases cellular phones and electronic tablets on fixed term contracts. The leases were classified as finance leases because all of the risks and rewards of ownership have substantially been transferred to the Board. The average term of these contracts is two years.

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	127 660	150 512
- in second to fifth year inclusive	132 908	7 323
	260 568	157 835

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

15. 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 128 182 (2015: R2 642 993) represents contributions payable to the fund as specified in the rules of the fund.

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

	2016 R	2015 R
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16. 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 Provincial Treasury	Taxes and levies as reflected in note 17.
Members of the Board	Fees for attendance of meetings as reflected in note 13.
Executive Management of the Board	Remuneration as reflected in note 13.
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.
Department of the Premier	The Board received corporate services free of charge from Enterprise Risk Management and Legal Services.

17. Taxes and levies collected during the year

Provincial taxes

Casino	423 366 361	409 061 070
Horse racing	58 293 998	50 917 960
Limited payout machines	89 885 556	76 004 555
	571 545 915	535 983 585

Levies

Casino	2 452 540	2 211 154
Horse racing	360 979	294 405
Limited payout machines	557 960	567 420
	3 371 479	3 072 979

Interest, fines and penalties

Casino	13 925	29 300
Horse racing	29 425	103 083
Limited payout machines	184 723	248 164
	228 073	380 547

Total collected

	575 145 467	539 437 111
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Distributable to:

Provincial Government Western Cape	557 648 757	522 835 558
National Responsible Gambling Programme	126 246	89 905
Kenilworth Racing	17 370 464	16 511 648
	575 145 467	539 437 111

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

	2016 R	2015 R
18. Cash (used in) generated from operations		
(Deficit)/surplus	(3 196 433)	5 069 178
Adjustments for:		
Depreciation - tangible assets	1 194 951	1 408 285
Amortisation - intangible assets	6 128	6 128
(Gain)/loss on sale of assets and liabilities	(2 617)	26 052
Movements in provisions	280 342	(605 188)
Changes in working capital:		
Inventories	4 361	(7 237)
Trade and other receivables from exchange transactions	(1 498 913)	(697 183)
Prepayments	(151 147)	60 620
Trade and other payables	(4 768 923)	7 992 712
Employee benefits	197 522	36 881
Surplus payable to WCG	4 529 610	(6 236 834)
	(3 405 119)	7 053 414

19. 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	5 465 425	10 234 349
Trust Funds (securities)	9 001 493	8 550 635
Trust Funds (trust)	9 156 189	8 017 784

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 2016, 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	6 408 487	18 886 800
Trade and other receivables	2 891 246	1 392 332
Trust Funds (securities)	9 001 493	8 550 635
Trust Funds (trust)	9 156 189	8 017 784

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.

20. Government grant

The Board received a grant from the Western Cape Government of 5 244 000 10 406 000

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.

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

		2016 R	2015 R
21. Financial instrument			
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	6 408 487	18 886 800
Trade and other receivables	Financial Instruments at amortised cost	2 891 246	1 392 332
Trust Funds (securities)	Financial Instruments at amortised cost	9 001 493	8 550 635
Trust Funds (trust)	Financial Instruments at amortised cost	9 156 189	8 017 784
ILSF Housing fund	Financial Instruments at amortised cost	35 100	-
Total Financial Assets		27 492 515	36 847 551
Financial liability			
Financial Instruments at amortised cost:	Classification		
Trade and other payables	Financial Instruments at amortised cost	5 465 425	10 234 349
Trust Funds (securities)	Financial Instruments at amortised cost	9 001 493	8 550 635
Trust Funds (trust)	Financial Instruments at amortised cost	9 156 189	8 017 784
Total Financial Liabilities		23 623 107	26 802 768
22. Contingencies			
The CCMA has made a judgement in favour of the previous CEO (Dr Matsapola) regarding his perception that his employment contract would be renewed. The Board was ordered to pay him R1 129 866 as compensation (see provision on Statement of Financial Position). The Board has reviewed the judgement and took a decision to take the matter to the Labour Court. A court date is currently awaited. The amount pertaining to the legal fees cannot be accurately estimated.			
23. Commitments			
Authorised operational expenditure			
Commitments contracted as at 31 March			
Maintenance indoor plants		72 000	8 621
Cleaning services building		19 338	250 356
Hygiene services		2 569	38 831
Storage services		20 792	98 762
Employee wellness		33 222	109 666
Publications		153 414	255 690
Pest control services		8 892	2 782
ICT services		415 912	537 340
		726 139	1 302 048
Contractual operating commitments are included to provide meaningful information to the users.			
24. Operating revenue			
Board inspectors' charge out		5 945 396	5 968 628
Exclusivity fees		-	1 715 072
Investigation fees		20 762 302	20 715 901
Licence application fees		2 106 070	2 677 410
Operator's fee		5 842 264	5 347 610
		34 656 032	36 424 621

Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

	2016 R	2015 R
25. Other expenses		
Advertising	33 592	323 229
Auditors remuneration	1 263 971	1 441 894
Bank charges	16 367	14 300
Consulting and professional fees	127 645	535 581
Consumables	91 479	82 534
Entertainment	45 899	37 899
Insurance	339 869	282 719
Conference & membership fees	220 291	332 214
Levies	311 322	283 157
Publications	11 596	17 488
Motor vehicle expenses	27 950	27 734
Recruitment costs	250 031	178 564
Courier services	830	9 864
Printing and stationery	387 919	293 337
Security services	28 397	8 666
Computer software annual licences	488 552	398 349
Staff welfare	30 000	-
Telephone and communications	623 854	621 964
Training	123 960	135 702
Postage	4 496	2 379
Repairs and maintenance	674 633	574 134
Services - Transcriptions / Translations	85 157	8 712
Rental of equipment	352 062	349 762
	5 539 872	5 960 182

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

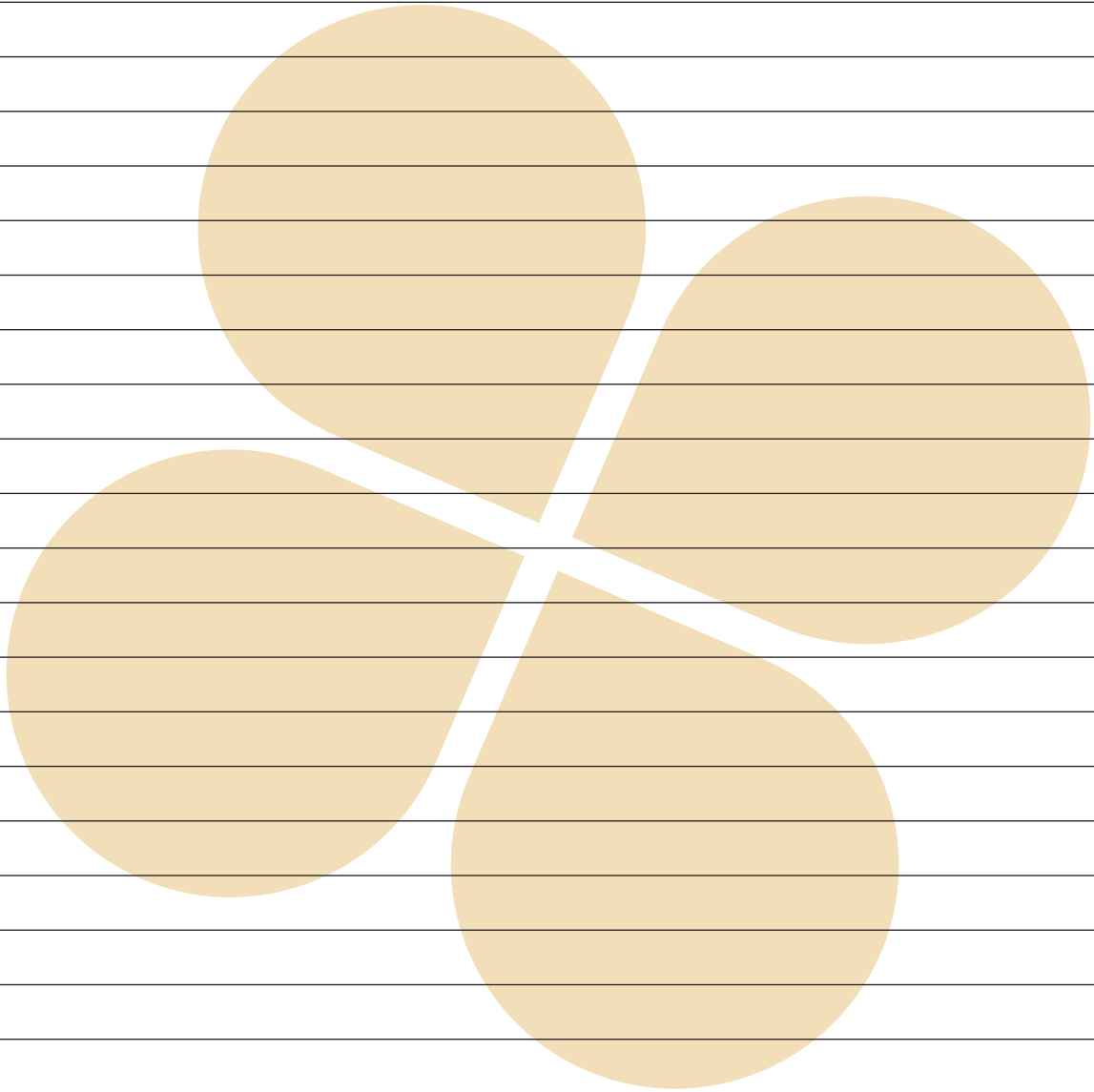
- (a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- (b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- (c) 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.

27. Events after the reporting date

No adjusting events have occurred after the reporting date.



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