

# Western Cape Gambling and Racing Board



Annual Report 2018/19



Western Cape  
Gambling and  
Racing Board

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**Annual Report  
2018/19**

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# PART A



General Information

# Part A: General Information

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## 1. BOARD GENERAL INFORMATION

NAME:	Western Cape Gambling and Racing Board
PHYSICAL ADDRESS:	100 Fairway Close Parow Cape Town 7500 Republic of South Africa
POSTAL ADDRESS:	P O Box 8175 Roggebaai 8012
TELEPHONE NUMBER/S:	+27 21 480 7400
EMAIL ADDRESS:	ceo@wcgrb.co.za
WEBSITE ADDRESS:	www.wcgrb.co.za
EXTERNAL AUDITORS:	Auditor-General of South Africa
BANKERS:	Nedbank
BOARD SECRETARY:	Heinrich Brink

## 2. LIST OF ABBREVIATIONS/ACRONYMS

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

## Part A: General Information

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

### 3. FOREWORD by the CHAIRPERSON

#### Introduction

It gives me great pleasure to present the Western Cape Gambling and Racing Board's Annual Report for the 2018/2019 financial year.

The Board, in holding with its proud record honoured its mandate and achieved the majority of its targets. The Board's activities included having processed 8 335 licence applications, conducting 1 306 assessments at licence holders, resolved 6 patron disputes and assisted punters with 16 self-exclusions.

The Board engages with License Holders and the recipients of their various CSI initiatives to ensure that the License Holders are addressing the needs of the various recipients and that recipients are utilising the CSI initiatives for the benefit of the communities in which they operate. For the year under review, the Board engaged with 4 entities assisted by the CSI initiatives.

The Board engages punters who require assistance as problem gamblers. To this effect the Board has processed 16 self-exclusions for the year and 3 upliftments. At this stage licence holders process unit specific exclusions, which assist punters who have gambling problems.

The process and national register for self-excluded individuals has not yet been finalised nationally, which forces the Board to initiate its own procedures in the interim.

#### Board Members

The Board has an authorised membership of seven members. At the time of writing this report, the Board had five appointed members.

Three of the current Board members' terms have been extended for one year following their expiry terms in March 2019. The Western Cape Provincial Treasury is assisting the Minister with the appointment of Board members to ensure a full Board compliment as the vacancies place pressure on the Board to continuously achieve a quorum.

My term as Board member and Chairperson has been confirmed until December 2020. Messrs Bassuday and Faku and Ms Gantana's terms were extended until March 2020.

Ms Magazi was appointed as a Board member for one year until June 2019 and her term has been extended until June 2020.

Ms Gantana resigned as a Board member effective 1 June 2019 when she was appointed as Accounting Officer: Provincial Treasury Western Cape.

#### Board Awareness Programmes

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

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



*Mr D Lakay*

# Part A: General Information

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## Illegal Gambling

The Board investigated 60 cases of illegal gambling for the year under review of which 20 were positive cases resulting in the arrest of the alleged guilty persons, and the confiscation of devices, there were 40 investigations which had negative results and going forward there will be a different approach adopted by the Board which will effectively reduce the number investigations where the results is likely to be negative.

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

## Legislative Amendments

The Board submitted its annual tariff increases in regulatory fees in line with CPI index, which was effected 1 April 2019.

## Challenges

The Board's challenges are motivated by its constraints. They include:  
Vacancies on its Board, which places pressure on its effectiveness to honour its scheduled meetings and consequently its mandate and affecting licence holders as scheduled events, are postponed.

## Accommodation

The Board relocated to new premises on the 23 April 2019 and has settled well into the premises.

## Broad Based Black Economic Empowerment

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

## Medium Term Goals

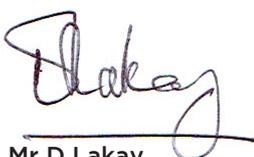
The Board embarked on research into the use of "player cards" to assist with responsible gambling. The Board has completed the initial phase of information gathering and structuring and will continue in the new financial year with developing the process for comment and review.

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

## General

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

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



Mr D Lakay

Chairperson of the Board

Western Cape Gambling and Racing Board

31 August 2019

### 4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

I am pleased to hereby present an overview of the Western Cape Gambling and Racing Board's performance for the financial year ended 31 March 2019.

For the year under review, the Board fully achieved fifteen and partially achieved two of its seventeen approved targets. A full disclosure of these targets is set out on pages 22 to 32.

The Board's financial performance resulted in a trading surplus of R9 430 750 with a resultant R1 337 451 being remittable to the Western Cape Provincial Treasury (WCPT).

Statutory income of exclusivity and LPM operator fees has since expired with the loss of exclusivity fees being addressed by the WCPT since 2008 and the loss of the LPM Operator fee being addressed by the WCPT since 2017. This matter is currently still being addressed by the WCPT.

In order to defray the loss of this income, the WCPT budgeted for a transfer of R26 864 068 to the Western Cape Gambling and Racing Board for the year under review.

The Board's revenue and expenditure budget is prepared by the Office, recommended by the Board, reviewed by the Western Cape Provincial Treasury and authorised by the Western Cape Minister for Finance.

The approved revenue budget of the WCGRB was R62 459 505 with own revenue of R35 595 437. Actual own revenue generation for the year under review was R37 575 992 being 5.6% above the budgeted amount. Reasons for the variances are highlighted in the financial statements.

The Board's approved expenditure budget was R57 487 565 for Opex and R4 796 940 for Capex. Actual expenditure was R55 939 596 for Opex and R1 790 690 for Capex. Reasons for the variances are highlighted in the financial statements.

The Board, in keeping with its principle of sound fiscal governance, succeeded in honouring its mandate while keeping its expenditure within its approved budget and effecting savings on the total expenditure budget.

During the year, the Board continued to ensure that all its procurement was processed with the strongest fiscal governance in mind and accordingly, all procurement followed the Board's SCM prescripts.

Based on the fact that the Board receives a grant from the Western Cape government and based on the prescript in the WCGRA, the Board repays a formula calculated excess funds into the Western Cape Provincial Fiscus following the audit on its financial performance. For the year under review this amounted to R1 337 451.

The result of this is that the Board discloses a low net asset value. Despite the low net asset value disclosed in its financial statements, the Board is still considered a going-concern with its current assets exceeding its current liabilities and some of its current liabilities being provisions.

The Board also has the mandate of collecting gambling taxes for the Western Cape Provincial Fiscus and to this end, collected Gambling and Betting Taxes for the Western Cape Provincial Fiscus in the amount of R624 591 303 being R85 574 303 in excess of the WCPT's set budget of R539 017 000.

Taxes collected and paid to Kenilworth Racing (Pty) Ltd amounted to R22 755 560.



*Mr P Abrahams*

## Part A: General Information

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In addition, collections of licence fees and gambling penalties for the Western Cape Provincial Fiscus amounted to R4 135 688.

The major challenges to the Board is to become financially self-sufficient. The Board's own revenue is based on statutory fees with any change being subject to a legislative amendment. In this regard, the Western Cape Provincial Treasury is in the process of seeking to amend the legislation to increase the revenue of the Board.

The Board has relocated its office accommodation on 23 April 2019. The challenges previously reported on lack of accommodation has now been addressed.

It is hereby confirmed that the findings raised by the Auditor-General in the 2017/18 review has been satisfactory addressed and so attested to by the Auditor-General in the 2018/19 review.

It is with gratitude that the Board hereby acknowledge the contribution of the Minister Dr IH Meyer for his leadership and encouragement, the Standing Committee on Finance, the Standing Committee on Public Accounts for their oversight and inputs to enhance the Board's achievements and infrastructure, the Board Members for their oversight, guidance and leadership in ensuring that the Board is able to achieve its mandate, Audit Committee for oversight and advice and ensuring proper governance and technically sound accounting practices, the Western Cape Provincial Treasury Officials for their input and guidance and the Board employees for their dedicated services and contribution in making 2018/19 a successful year.



**Mr P Abrahams**  
**Chief Executive Officer**  
**Western Cape Gambling and Racing Board**  
**31 August 2019**

### 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.

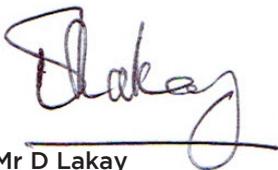
The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made on this information. The accounting authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance 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 2019.



**Mr P Abrahams**  
Chief Executive Officer  
Western Cape Gambling and Racing Board  
31 August 2019



**Mr D Lakay**  
Chairperson of the Board  
Western Cape Gambling and Racing Board  
31 August 2019

## 6. STRATEGIC OVERVIEW

### 6.1 Vision

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

### 6.2 Mission

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

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

### 6.3 Values

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

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

### 7. LEGISLATIVE MANDATES

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

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

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

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

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

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

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

#### **Financial Intelligence Centre Act, 2001 (Act 38 of 2001), as amended ("FIC Act")**

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

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

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

#### **Labour Relations Act, 1995 (Act 66 of 1995) as amended ("LRA")**

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

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

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

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

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

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

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

# Part A: General Information

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

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

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

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

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

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

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

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

## **Skills Development Act, 1998 (Act 97 of 1998)**

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

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

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

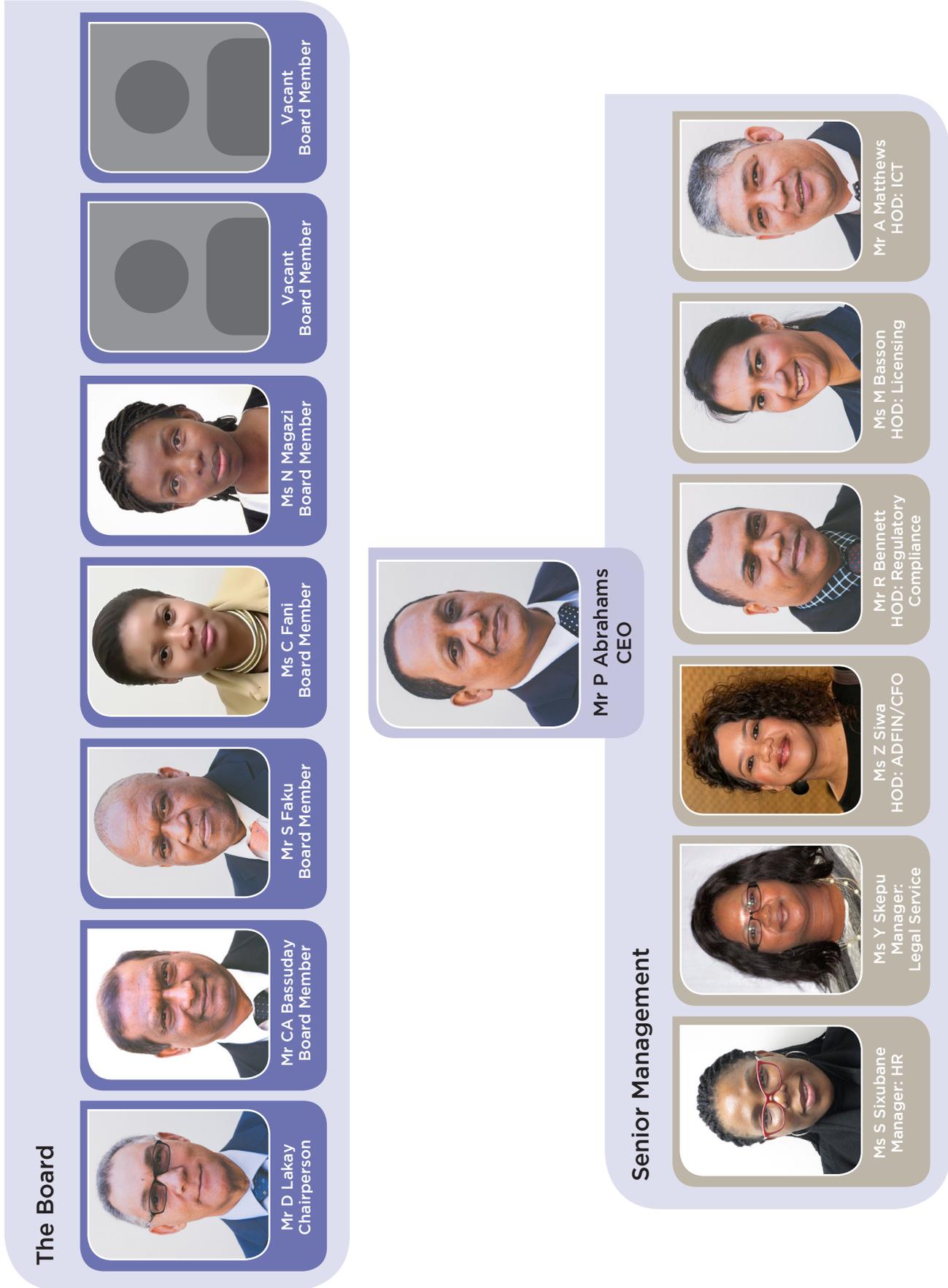
## **The Constitution of the Republic of South Africa, (Act 108 of 1996)**

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

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

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

8. ORGANISATIONAL STRUCTURE As at 31 August 2019



## Part A: General Information

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# PART B



Performance Information

## 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against pre-determined objectives is included in the report to management, with findings being reported under the Pre-determined Objectives heading in the Report on other legal and regulatory requirements section of the Auditor's Report.

Refer to page 72 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 2019, the legal gambling and racing industry in the Western Cape comprised of:

- 5 licensed casinos;
- 2 licensed LPM Route operators;
- 43 licensed bookmakers;
- 1 licensed totalisator;
- 640 licensed premises; (432 LPM premises, 54 totalisator premises and 154 bookmaker premises);
- 6 040 licensed gambling devices; and
- 7 195 employee licences

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

The Board continues to receive licence applications for LPM sites, Bookmakers and Bookmaker Premises and Totalisator Premises.

As the location of the afore-mentioned premises are often more than not located in a community where the residential dwellings are in close proximity, public participation is part of the process.

In receiving comments and objections relating to advertised licence applications, should the nature of such objections be levelled against either the premises/site or the applicant wishing to hold an interest in the gambling operation, it may warrant the calling of a public hearing to further facilitate the public participation and application consideration process.

The Board has to review a number of aspects when considering an application for a licence and in so doing has to weigh the interest of the community against the opportunity to operate a lawful business that is subject to a high degree of regulation.

The Board takes into account a number of aspects when considering an application for a licence, including the financial, personal and criminal history through the probity investigations conducted on all applicants for licences and findings of suitability. In addition to this, applications are advertised for public comment and where objections bring to light adverse information pertaining the Applicant for a licence or the suitability of the premises for licensing or any person holding a financial interest of 5% or more in the Applicant, the Board convenes a public hearing. The public hearing constitutes an open forum for members of the public and interested parties to present evidence to the Board and for the Applicant to interrogate the information placed before the Board. All submissions, including any written objections and comment is considered in the Board's adjudication processes prior to the final determination on the outcome of an application.

The Board directed that the requisite research be done and the necessary regulatory process and Rules be crafted so as to enable the future rollout of Type B and C licences. This will include amongst others, a review and recommendations pertaining the CSI, BEE and corporate requirements that will constitute the pre-requisites

for persons and entities interested in applying for these categories of LPM site licences. Any decision to rollout these licences will be preceded by a public participation process as envisaged in PAJA. This process commenced pursuant to the maturity of the LPM sector in the Western Cape, interest shown by relevant stakeholders and the potential benefits to communities, previously disadvantaged persons, small and medium enterprises and the economy of the Province.

In addition, such applications will have due consideration for the current economic climate, the socio-economic aspects relative to the area where the LPM applicant is located. Other regulatory bodies must also grant approval based on their area of responsibility, such as the National Gambling Board and the relevant municipal authority.

The period under review saw phenomenal growth in both sportsbetting and numbers betting. There has also been a legal challenge pertaining the legal permissibility of certain derivatives of Numbers betting. The application has since been withdrawn, this may however still remain an issue that a Court may have to declare the correct legal position. There has been concerns expressed by the National Lotteries Commission with respect to bookmakers making this offering available to the public. The Board anticipates that the NLC may lodge a court application in respect of this offering which will impact bookmakers nationally and not only the licensed bookmakers in the Western Cape. The Board has been engaging the Lotteries Commission on this subject-matter.

There has been a decline in the reported activities relating to illegal gambling in comparison to that of the previous year which could be as a result of greater awareness of legalised gambling in the communities by the Board coupled with the increased efforts of the local SAPS officials.

The Board makes provision for an online filing system of gambling tax returns for the betting industry and an electronic system for the casino and LPM sectors which enhances the Board's capability of reconciling tax returns as well as the conduct of the subsequent audit.

The Board continues with its steadfast approach in applying its policies and procedures and while technological advancement in the industry do pose challenges to the Board from time to time with respect to requests from licence holders, the Board will not compromise on enforcing compliance at all times. This approach is well known to the industry role players who are at times have no hesitancy to approach the courts when Board decisions do not appear to be favourable to their business.

In instances where non-compliance has been identified, the approach of the Board is not, as matter of course, to impose financial penalties without considering all factors and providing the licence holder an opportunity to provide reasons for non-compliance as well as measures to ensure compliance. There are various factors in this regard that the Board will take into account including, but not limited to the following:

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

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

A request by one of the licence holders to consider junket operations in the Western Cape has led to Provincial Treasury commissioning the services of a company to conduct research and report on, *inter alia*:

- the various options for junket operations in various jurisdictions;

## Part B: Performance Information

- the potential economic benefits and risks;
- tax model in order to optimise potential revenue for the province; and
- economic model of potential benefits.

A junket operator can be defined as a person or corporate body that provides complimentary trips to a casino where the punter undertakes to wager an agreed minimum amount during the stay at the establishment. The junket operator will enter into an agreement with the casino operator for a fixed fee. The first draft of this report has already been circulated for comment and the final report will be completed by December 2019.

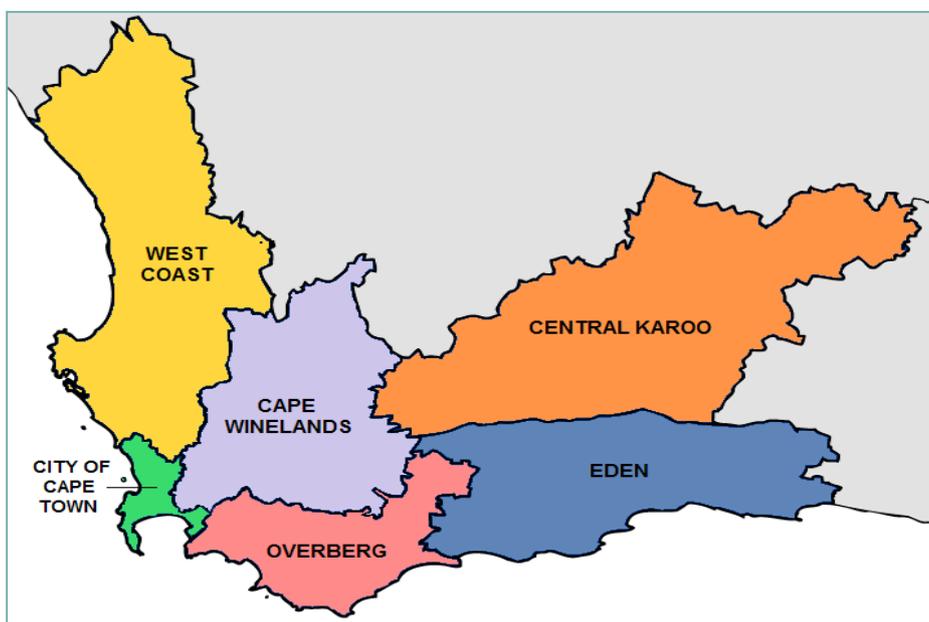
The betting industry has become very innovative in terms of the contingencies on which they wish to offer bets and the latest requests have been in request of casino type games. While there are different options in terms of the manner that the games are to be made available, the Board has at this stage opted that such approvals cannot be granted based on the information at our disposal.

The two Route Operators were each awarded 1 000 LPMs to place in qualifying premises as a form of secondary entertainment to existing patrons of such establishments. The Board currently only permit what is commonly referred to as Type A LPMs, where a Route Operator can place up to 5 LPMs in a site. It took both Operators roughly 15 years to roll out the allotted quota of machines, as site licence application goes through a probity and public comment process, and often involves the convening of a public hearing. On request from the two Route Operators, the Board awarded an additional 500 machines to each Operator for the rollout of the same Type A LPM sites. The same probity and public participation processes would apply to this second allotment.

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

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

### Western Cape Municipal Boundaries



Geographical Spread of Licensed Gambling Operations						
Premises	1 City of Cape Town	2 Eden	3 Cape Winelands	4 Overberg	5 West Coast	6 Central Karoo
Casinos - 5	1	1	1	1	1	0
LPM Sites - 432	285	43	43	22	38	1
Bookmakers - 154	134	7	11	0	2	0
Totalisator - 54	45	2	4	0	3	0

### 2.2 Organisational environment

During the year under review, three of the Board's members' terms of office came to an end. The Executive Authority consequently extended their terms of office for one further year. In addition, the chairperson was appointed for a two-year term effective 11 December 2018 whilst another member's term was extended for a further year effective from 11 June 2019.

It resulted in the Western Cape Gambling and Racing Board having only six of its authorised seven Board members appointed. This, together with the Board's quorum of five members to hold a Board meeting caused for the Board to juggle its Board meetings and using alternative methods to ensure that the Board's mandate was honoured.

The Board also contended with delayed implementation of its resolutions and studies due to stakeholder intervention and decisions. This resulted in the Board losing credibility with the industry and tarnished the Board's reputation within the industry causing the Board to repeatedly having to explain itself to the industry.

The on-off delay in securing and fitment of alternate accommodation caused not only a spike in employee demotivation and frustration but also with Board members' impatience on the fruition of their resolution on this matter.

Having gone through an Organisational Design review of some administrative posts which were deemed to have remained the same, these employees not being willing to accept any duties outside of their agreed job descriptions and those activities were removed from their daily routine and alternative procedures were implemented to ensure the completion of those functions.

In order to ensure the successful completion of its mandate, Board members and the executive committee had to keep employees motivated and inspired. It is pleasing to know that despite all of the aforementioned, the Board achieved its mandate and successfully fulfilled the majority of its targets for the year under review.

### 2.3 Key policy developments and legislative changes

The Board is still addressing challenges faced with the implementation of the licence conditions imposed on licensees in terms of the revised B-BBEE Codes. These conditions are reviewed annually and different conditions are imposed to the extent that it is necessary and reasonable to do so in the interest of maximising the empowerment and uplift of persons intended to benefit from the government's transformation objectives. The legal challenge to the Board's authority to impose conditions to foster and give effect to broad-based empowerment has been argued in the Western Cape High Court and judgement has been reserved therein.

## Part B: Performance Information

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During the period under review, the Portfolio Committee on Trade and Industry held public and stakeholder hearings to consider inputs on the Draft National Gambling Amendment Bill. The scope of the Bill was substantially reduced and limited to addressing the reconfiguration of the National Gambling Board, the expansion of the national central electronic management system to other modes of gambling and addressing the governance issues affecting the National Policy Council.

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

### 2.4 Strategic Outcome Oriented Goal

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

### 3. PERFORMANCE INFORMATION BY PROGRAMME

#### 3.1 Programme 1: Board and Administration

##### Programme Purpose

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

##### Programme Description

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

##### Strategic Objective

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

##### Programme Structure

The approved 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, Administrator: HR, the Board Secretary and 10 approved support staff.

The programme is structured into the following sub-programmes:

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

##### Strategic objectives, performance indicators planned targets and actual achievements

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

## Part B: Performance Information

### Sub-Programme 1.1: Board

#### Strategic Objective

Sub-Programme 1.1: Board					
Strategic Objective Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Number of Board meetings at which resolutions are adopted and licence applications are considered.	11	13	14	+1	4 March 2019 <i>ad-hoc</i> Board meeting to deliberate on the Audit Committee candidates it interviewed on that day.

#### Key performance indicators and their targets and actual achievements

Sub-Programme 1.1: Board							
Performance Indicator	Actual Achievement 2015/16	Actual Achievement 2016/17	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Number of meetings to give effect to statutory mandate.	45	49	49	42	44	+2	<ul style="list-style-type: none"> <li>25 June 2018 <i>ad-hoc</i> LPM Committee meeting on the AFS of two Trusts of a licensee.</li> <li>4 March 2019 <i>ad-hoc</i> Board meeting to deliberate on the Audit Committee candidates it interviewed on that day.</li> </ul>

#### Strategy to overcome areas of underperformance

There are no areas of underperformance.

#### Changes to planned targets

There were no changes to the planned targets during the 2018/19 financial year.

## Sub-Programme 1.2: Executive Strategic Objective

Sub-Programme 1.2: Executive					
Strategic Objective Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Number of interventions to positively promote awareness of the Board.	4	4	4	-	None

## Key performance indicators and their targets and actual achievements

Sub-Programme 1.2: Executive							
Performance Indicator	Actual Achievement 2015/16	Actual Achievement 2016/17	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Number of awareness programmes participated in.	3	4	9	4	4	-	None
Percentage of Board resolutions given effect by CEO within 1 month.	New PI	99%	100%	95%	93% (150 out of 162)	-2%	Third parties' availability for meetings. Events surpassing resolutions.
Number of operators monitored for compliance with CSI commitments.	New PI	New PI	7	4	4	-	None

### Strategy to overcome areas of underperformance

Amend Technical Indicator Description Tables that only resolutions that can be actioned within thirty days encountered as actionable.

### Changes to planned targets

There were no changes to the planned targets during the 2018/19 financial year.

## Part B: Performance Information

### Sub-Programme 1.2.1: Legal Services

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

#### Strategic Objective

Sub-Programme 1.2.1: Legal Services					
Strategic Objective Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Number of legal opinions drafted.	49	48	48	-	None

#### Key performance indicators and their targets and actual achievements

Sub-Programme 1.2.1: Legal Services							
Performance Indicator	Actual Achievement 2015/16	Actual Achievement 2016/17	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Conduct research into the legal aspects of introducing a compulsory player card system in the Western Cape – • Report – drafting; • Review; and • Dissemination	New PI	New PI	1	1	1	-	None
Review the Western Cape Gambling and Racing Act, 1996 (“the Act”) and where appropriate, draft proposed amendments.	1	2	N/A	1	1	-	None

#### Strategy to overcome areas of underperformance

There are no areas of underperformance.

#### Changes to planned targets

There were no changes to the planned targets during the 2018/19 financial year.

### Sub-Programme 1.2.2: Human Resources

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

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

#### Strategic Objective

Sub-Programme 1.2.2: Human Resources					
Strategic Objective Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Number of material HR audit findings.	0	0	0	-	None

#### Key performance indicators and their targets and actual achievements

Sub-Programme 1.2.2: Human Resources							
Performance Indicator	Actual Achievement 2015/16	Actual Achievement 2016/17	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Number of Regulatory reports timeously submitted to Department of Labour.	1	1	1	1	1	-	None
Number of reports on the implementation of the HR Plan.	New PI	New PI	4	4	4	-	None
Percentage of performance reviews completed timeously.	New PI	New PI	50%	95% (142)	49% (70 out of 142)	-46%	Board changed review period from 01 April- 31March in line with PGWC. Reviews are to be performed in Q1 2019.

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.

## Part B: Performance Information

### Strategy to overcome areas of underperformance

Target to be moved to the first and third quarters for the 2019/20 APP.

### Changes to planned targets

There were no changes to the planned targets during the 2018/19 financial year.

### Sub-Programme 1.3: Administration and Finance

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

### Strategic Objective

Sub-Programme 1.3: Administration and Finance					
Strategic Objective Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Audit opinion obtained from AGSA for previous financial year.	Unqualified audit report without material findings	Unqualified audit report without material findings	Unqualified audit report without material findings	-	None

### Key performance indicators and their targets and actual achievements

Sub-Programme 1.3: Administration and Finance							
Performance Indicator	Actual Achievement 2015/16	Actual Achievement 2016/17	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Number of financial reports to stakeholders.	N/A	33	33	33	33	-	None
Percentage of prior year external audit recommendations implemented.	New PI	New PI	New PI	100%	100%	-	None

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 underperformance

There are no areas of underperformance.

### Changes to planned targets

There were no changes to the planned targets during the 2018/19 financial year.

### Linking performance with budgets

Programme Name	2018/19			2017/18		
	Budget R	Actual Expenditure R	(Over)/Under Expenditure R	Budget R	Actual Expenditure R	(Over)/Under Expenditure R
Board and Administration	23 327 766	21 781 191	1 546 575	19 688 136	19 367 691	320 445

The underspending of R1.5 million is mainly due to an amount budgeted for moving cost, which was not utilised as the Board only moved to its new premises subsequent to 31 March 2019 (financial year-end).

### 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 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Number of licence applications with recommendations submitted to the CEO and/or the Board for consideration.	8 354	7 700	8 335	+635	Target is set on an average processed over 3-year period. Auto-renewals i.e. new employee licences issued within 6 months of the expiry of the Operator they are employed with, are issued with a renewed licence in the same year.

## Part B: Performance Information

### Key performance indicators and their targets and actual achievements

Programme 2: Licensing							
Performance Indicator	Actual Achievement 2015/16	Actual Achievement 2016/17	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Percentage of new applications in respect of employee licences (key and gambling) received processed within 30 days of receipt.	81%	92%	90% (2 193 out of 2 433)	87%	90% (2 114 out of 2 347)	+3%	Fewer applications requiring additional information or further investigation were processed in the period under review. An increase in applicants holding multiple licences requires that only one probity be conducted; hence, the turnaround time for processing the further licences is faster, hence exceeding the target set.
Percentage of renewal applications received processed within the 3-month renewal period.	98%	99%	99% (5 568 out of 5 632)	97%	99% (5 807 out of 5 865)	+2%	Less instances of outstanding information or requests for further information related to employee applications, hence the majority of applications processed timely.

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

#### Strategy to overcome areas of underperformance

There are no areas of underperformance.

#### Changes to planned targets

There were no changes to the planned targets during the 2018/19 financial year.

### Linking performance with budgets

Programme Name	2018/19			2017/18		
	Budget R	Actual Expenditure R	(Over)/Under Expenditure R	Budget R	Actual Expenditure R	(Over)/Under Expenditure R
Licensing	13 665 498	13 737 602	(72 104 )	12 708 563	12 889 858	(181 295)

The Licensing Department has incurred expenditure in line with the budget for the year under review.

### Programme 3: Regulatory Compliance

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

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

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

Generally, the level of Compliance of licence holders are at an acceptable level, however, there are continuous efforts to continuously review processes and systems to enhance such levels of compliance.

#### Strategic Objective

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

Programme 3: Regulatory Compliance					
Strategic Objective Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
The level of compliance determined resulting from on-site assessments conducted at licensed establishments.	90%	90%	95%	+5%	Better understanding of Boards expectations and training of staff.

## Part B: Performance Information

### Key performance indicators and their targets and actual achievements

Programme 3: Regulatory Compliance							
Performance Indicator	Actual Achievement 2015/16	Actual Achievement 2016/17	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Number of compliance assessments conducted at licensed gambling premises.	1 161	1 202	1 227	1 300	1 306	+6	Conducted additional FIC compliance inspections, as the Board is still a supervisory body.
Percentage of investigations conducted timely for all allegations of illegal gambling received by the Board.	New PI	100%	100%	95%	100%	+5%	More effective use of resources.

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

#### Strategy to overcome areas of underperformance

There are no areas of underperformance.

#### Changes to planned targets

There were no changes to the planned targets during the 2018/19 financial year.

#### Linking performance with budgets

Programme Name	2018/19			2017/18		
	Budget R	Actual Expenditure R	(Over)/Under Expenditure R	Budget R	Actual Expenditure R	(Over)/Under Expenditure R
Regulatory Compliance	16 450 631	16 232 344	218 287	15 644 514	15 444 351	200 163

The underspending of the budget relates mainly to vacancies at year-end. The Board is in the process of recruitment of suitable candidates.

## Programme 4: Information and Communication Technology

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

### Strategic Objective

To provide innovative and practical ICT solutions to the WCGRB both on a strategic and functional level.

Programme 4: Information and Communication Technology					
Strategic Objective Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Minimum Information systems uptime over 350 days.	98.31%	95.9%	99.86%	+3.96%	Improvement due to improved infrastructure management.

### Key performance indicators and their targets and actual achievements

Programme 4: Information and Communication Technology							
Performance Indicator	Actual Achievement 2015/16	Actual Achievement 2016/17	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target for 2018/19	Comment on variances
Number of events to maintain current information technology systems, hardware, software and network infrastructure.	3 764 *(5 138)	**13 032	**13 312	16 400	18 418	+2 018	Deviation due to the deployment of additional Licence Automation system and production software.
Number of preventative and knowledge empowerment activities conducted.	71	66	65	64	71	+7	Deviation due to the development sessions of Licence automation system.

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

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

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

ICT human resources are skilled through continual learning via formal, informal or self-study means. This methodology ensure appropriate knowledge are gained to support and enable the Office of the Board in achieving the envisaged value of implemented ICT solutions.

## Part B: Performance Information

### Strategy to overcome areas of underperformance

There are no areas of underperformance.

### Changes to planned targets

There were no changes to the planned targets during the 2018/19 financial year.

### Linking performance with budgets

	2018/19			2017/18		
Programme Name	Budget R	Actual Expenditure R	(Over)/Under Expenditure R	Budget R	Actual Expenditure R	(Over)/Under Expenditure R
Information and Communication Technology	9 015 610	6 957 220	2 058 390	6 229 536	4 580 167	1 649 369

An amount of R3.4 million was budgeted for the Licensing Automation Project of which R2.3 million was expensed for the year under review. The remaining amount of R1.1 million was recognised as a pre-paid expense and is therefore recognised as an asset as at 31 March 2019. The remaining underspending of R1 million relates mainly to computers, rental of equipment and employee related costs (as a result of a vacancy at year-end). Savings were realised in communication and travel and subsistence.

## 4. REVENUE COLLECTION

Sources of revenue	2018/19			2017/18		
	Estimate Amount R	Actual Amount Collected R	(Over)/ Under Collection R	Estimate Amount R	Actual Amount Collected R	(Over)/ Under Collection R
a) Application fees	1 714 427	2 332 661	(618 234)	1 401 497	1 803 792	(402 295)
b) Investigation fees	26 378 263	27 618 936	(1 240 673)	26 410 730	26 093 990	316 740
c) (Loss) or gain on actuarial valuations	-	559 000	(559 000)	-	(120 000)	120 000
d) Interest	1 050 000	1 088 562	(38 562)	930 000	1 007 738	(77 738)
e) Inspector charge outs	6 452 747	7 608 454	(1 155 707)	5 821 522	6 936 904	(1 115 382)
f) Transfers	26 864 068	26 864 068	-	19 707 000	19 707 000	-
g) Profit on disposal of Assets	-	-	-	-	45 785	(45 785)
h) Services in-kind	-	2 985 924	(2 985 924)	-	1 510 272	(1 510 272)
i) Miscellaneous	-	1 116 780	(1 116 780)	-	180 568	(180 568)
<b>Total</b>	<b>62 459 505</b>	<b>70 174 385</b>	<b>(7 714 880)</b>	<b>54 270 749</b>	<b>57 166 049</b>	<b>(2 895 300)</b>

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

Services in-kind represent the benefit obtained in respect of occupying a building free of charge managed by the Department of Transport and Public Works.

## Part B: Performance Information

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# PART C



Governance

# Part C: Governance

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## 1. INTRODUCTION

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

## 2. EXECUTIVE AUTHORITY

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

## 3. THE ACCOUNTING AUTHORITY - THE BOARD

### Introduction

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

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

### The role of the Board is as follows:

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

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

- 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;
- Invite applications for licences in terms of the Act;
- Receive, investigate and consider 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;
- Detect illegal gambling activities and assist relevant government agencies in the prosecution thereof;
- Administer, calculate and collect taxes and levies due to the provincial fiscus and all statutory fees as prescribed by the Act;
- Attend regulatory forums and conferences in order to keep abreast of the latest developments of the industry; and
- 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;
- Generally, exercise all powers and perform the functions specified in the Act and any conferred by any other law.

### Board Charter

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

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
<b>Mr CA Bassuday</b>	Board Member	1 April 2016	31 March 2019	B.Proc. LLB LLM	Law	Board member: Western Cape Gambling & Racing Board	14	14	Horsing Committee	4	4	27 of 28
	Board member term extended	1 April 2019	31 March 2020	PG Diploma in Criminal Justice & Forensic Auditing					Human Capital Committee	4	4	
									Licensing Committee LPM Committee	[5] 5	1 of 1 4	
<b>Mr S Faku</b>	Board Member	1 April 2016	31 March 2019	Master of Science degree	Governance Strategy	Board member: Western Cape Gambling & Racing Board	14	13	Casino Committee	4	3	27 of 29
	Board member term extended	1 April 2019	31 March 2020	Bachelor of Education (Hons) Bachelor of Arts Senior Teachers Diploma Human Resources Programme Graduate Diploma in Company Direction Housing Finance Course Real Estate NQF 5 Qualification Leadership In Local Government	Human Resource Development Education Real Estate	Board member: Office of Homeloans Disclosure Audit Committee Chairman: Department of Human Settlements Audit & Risk committee member: Department of Education, Eastern Cape Audit, Risk and Compliance Committee member: Engineering Council of South Africa			Human Capital Committee Licensing Committee LPM Committee	4 5 [5]	4 5 2 of 2	

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

# Part C: Governance

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	
						Non-Executive Director and Shareholder: Stonevest Property Group PIC, SEIIFSA Investment Impact Fund: Trustee/ Committee Member (2019-current) National Agric. Marketing Council: Board Member and Chairman of HR Committee Cape Peninsula University of Technology: Member of Governance and Physical Infrastructure Committees National Human Settlement Department.: Audit and Risk Committee Chairman							

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 C Fani	Board Member	17 May 2017	16 May 2020	Bachelors Public Administration B.Admin Honours	Public Management, Policy Analysis and Development	Western Cape Gambling & Racing Board Western Cape Cultural Commission	14	14	Casino Committee	[4]	1 of 1	28 of 29
									Finance & IT Committee	[4]	1 of 1	
									Human Capital Committee	4	4	
									Horsing Committee	4	4	
Ms JD Gantana	Board member term extended Resigned	10 March 2016 10 March 2019	9 March 2019 9 March 2020 1 June 2019	Baccalaureus Atrium Higher Diploma in Education Hon BA (Psychology) Masters in Business Leadership	Financial Management	Western Cape Gambling & Racing Board	14	8	Licensing Committee	[5]	1 of 4	13 of 26
									Finance & IT Committee	4	4	
									Horsing Committee	4	0	

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

## Part C: Governance

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
<b>Mr D Lakay</b>	Board Member	10 Dec 2014	10 Dec 2017	B.Com Accounting	Accounting and Financial Management	Western Cape Gambling & Racing Board	14	14	Finance & IT Committee	4	4	32 of 32
	Board member term extended and appointed as Board Chair	11 Dec 2017	10 March 2018			Non-executive Director of Western Cape Economic Development Partnership (a Not-for-profit company)			Casino Committee	4	4	
	Board Chair-person & member term extended	11 March 2018	10 Dec 2018						Horsing Committee	[4]	1 of 1	
									LPM Committee	5	5	
									Board's representative (non-voting) to the Audit Committee	4	4	
<b>Ms N Magazi</b>	Board Member	15 June 2018	14 June 2019	Bachelor of Commerce (Financial Accounting)	Financial Management	Western Cape Gambling and Racing Board	[14]	10 of 11	Fin & IT Committee	[4]	2 of 3	18 of 20
	Board member term extended	11 June 2019	10 June 2020	Postgraduate Diploma in Development Finance	Auditing and Accounting				Casino Committee	[4]	3 of 3	
					Project Management Development Finance and Social Investment				LPM Committee	[5]	3 of 3	

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

External Audit Committee Members

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	Total No. of meetings attended
<b>Mr MR Burton</b>	Audit Committee member and Chairperson	1 Mar 2019	28 Feb 2022	B. Compt. Hons CA(SA)	Auditing Accounting Corporate Governance Risk Management Strategic Management Financial Management	Cape Nature Board SAMSA Board WCBS NPC Board LC Messaris (Pty) Ltd Cullinan Holdings Ltd	Audit Committee	[4]	1 of 1
<b>Mr G Harris</b>	Audit Committee: Independent non-executive member Audit Committee Chairperson Term as Audit Committee member only extended for three months	29 Feb 2016 17 Feb 2018 1 March 2019	28 Feb 2019 28 Feb 2019 31 May 2019	B. Com Hons CA(SA) F.Inst.D	Governance Risk Management Audit Committee HR Finance	Booyco Engineering (Pty) Ltd SABS Commercial SOC Limited Roots of Modern Human Behaviour Foundation GB Business Catalysts (Pty) Ltd trading as KLOP Accelerator Novelquip (Pty) Ltd trading as Multipit Empowerment Through Enterprise Trust - Shonaquip	Audit Committee	4	4

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

## Part C: Governance

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	Total No. of meetings attended
<b>Mr R Kingwill</b>	Audit Committee: Independent non-executive member	17 Feb 2018	16 Feb 2021	B. Com CTA CA(SA)	Strategic Planning Corporate Governance Performance Management	Centre for Genomic & Proteomic Research Western Cape Liquor Authority On Demand Investments CC Parel Vallei Advanced Education Trust Somerset West Country Club NPC Furtherance of Golf Nomads Foundation	Audit Committee	4	4
<b>Mr C Whittle</b>	Audit Committee: Independent non-executive member	29 Feb 2016	28 Feb 2019	B.Com, PGDA, CA(SA)	Financial Management Accounting Auditing Financial Analysis Risk Management	Willemse (Pty) Ltd	Audit Committee	[4]	3 of 3

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

Committee	No. of meetings held	No. of members	Name of members
Board	14	6	<p><b>Mr DT Lakay</b> (Chairperson) [Extended term as Board member and Chairperson expired on 10 December 2018] [Reappointed as Board member and Chairperson until 10 December 2020.]</p> <p><b>Mr CA Bassuday</b> (Member) [Board member term expired on 31 March 2019] [Term extended until 31 March 2020]</p> <p><b>Mr S Faku</b> (Member) [Board member term expired on 31 March 2019] [Term extended until 31 March 2020]</p> <p><b>Ms C Fani</b> (Member)</p> <p><b>Ms JD Gantana</b> (Member) [Board member term expired on 9 March 2019] [Term extended until 9 March 2020]</p> <p><b>Ms N Magazi</b> (Member) [Appointed as Board member from 15 June 2018 until 14 June 2019]</p>
Audit Committee	4	3	<p><b>Mr MR Burton</b> (Chairperson) [Appointed as Audit Committee member on 11 December 2018 and as Audit Committee Chairperson, with Chairmanship and term running concurrently, from 1 March 2019 until 28 February 2022.]</p> <p><b>Mr G Harris</b> (External non-executive member) [Appointed as Committee Chairperson, with Chairmanship and term running concurrently, from 17 February 2018 until 28 Feb 2019] [Only term as Audit Committee member extended until 31 May 2019]</p> <p><b>Mr C Whittle</b> [Appointed to Committee on 29 February 2016 and term expired on 28 Feb 2019]</p> <p><b>Mr R Kingwill</b> (External non-executive member) [Appointed to Committee on 17 February 2018 until 16 February 2021]</p> <p><b>Mr D Lakay</b> (Board member) [Board's representative (non-voting) to the Audit Committee.] [Term as Board member expires on 10 Dec 2020.]</p>
Casino Committee	4	3	<p><b>Mr D Lakay</b> (Chairperson)</p> <p><b>Mr S Faku</b> (Member)</p> <p><b>Ms C Fani</b> (Member) [Appointed as Committee member from 27 March 2018, until 26 June 2018]</p> <p><b>Ms N Magazi</b> [Appointed as Committee member from 26 June 2018]</p>
Finance & IT Committee	4	3	<p><b>Ms Gantana</b> (Chairperson)</p> <p><b>Ms C Fani</b> (Member) [Appointed as Committee member from 27 March 2018, until 26 June 2018]</p> <p><b>Mr D Lakay</b> (Member)</p> <p><b>Ms N Magazi</b> [Appointed as Committee member from 26 June 2018]</p>

Committee	No. of meetings held	No. of members	Name of members
Horsing Committee	4	3	<p><b>Mr CA Bassuday</b> (Chairperson)</p> <p><b>Ms JD Gantana</b> (Member)</p> <p><b>Mr DT Lakay</b> (Member) [Appointed as Committee member from 27 March 2018, until 26 June 2018]</p> <p><b>Ms C Fani</b> (Member) ) [Appointed as Committee member from 26 June 2018]</p>
Human Capital Committee	4	3	<p><b>Mr S Faku</b> (Chairperson)</p> <p><b>Mr CA Bassuday</b> (Member)</p> <p><b>M C Fani</b> (Member)</p>
Licensing Committee	5	3	<p><b>Ms C Fani</b> (Chairperson)</p> <p><b>Mr S Faku</b> (Member)</p> <p><b>Mr CA Bassuday</b> (Member) [Ceased to be a Committee member from 26 June 2018]</p> <p><b>Ms JD Gantana</b> [Appointed as Committee member from 26 June 2018] [Term as Board member expired on 9 March 2019]</p>
LPM Committee	5	3	<p><b>Ms N Magazi</b> (Member) [Appointed as Committee member from 26 June 2018] [Appointed as Committee Chairperson from 30 October 2018]</p> <p><b>Mr D Lakay</b> (Member) [Committee Chairperson until 30 Oct 2018]</p> <p><b>Mr C Bassuday</b> (Member)</p> <p><b>Mr S Faku</b> (Member) [Ceased to be a Committee member from 26 June 2018]</p>

### Board Remuneration Arrangements

#### Board meetings:

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

The remuneration for Board meetings held at the offices is a fixed amount of **R4 999.36**, irrespective of the length of the meeting, and is all inclusive of preparation time and travel time. Board members are reimbursed for kilometres traveled.

#### 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 **R624.92** per hour.
- This remuneration is payable up to the equivalent of a maximum of 8 hours, plus kilometres travelled.
- The practice is for members to indicate to the Secretary at the start of each meeting what had been their preparation time for a particular meeting.
- The kilometres travelled in instances where the routes varied from the usual route to the office of the Board, are also given to the Board Secretary individually.

#### CHAIRPERSON

Board meetings: **R6 433.92** per meeting.

Board committees and other events: **R804.24** per hour up to a maximum of 8 hours.

#### Vice Chairperson

Board meetings: **R4 999.36** per meeting.

Board committees and other events: **R624.92** per hour up to a maximum of 8 hours.

#### Acting as Chairperson

Board meetings: **R5 601.52** per meeting.

Board committees and other events: **R700.19** per hour up to a maximum of 8 hours.

## Part C: Governance

### BOARD MEMBER REMUNERATION

	Remuneration - Board meetings	Remuneration - Committee meetings and Other*	Remuneration - Conference attendances	Subsistence allowance	Other re-imbursments	Total member remuneration
Name	R	R	R	R	R	R
Mr D Lakay (Chairperson)	83 640.96	242 264.40	57 905.28	28 794.15	16 174.18	428 778.97
Mr CA Bassuday	64 991.68	80 824.21	43 691.04	13 356.84	4 417.40	207 281.17
Mr S Faku**	59 992.32	104 986.50	19 997.44	3 024.50	-	188 000.76
Ms C Fani	59 992.32	73 375.97	19 997.44	3 342.72	1 392.19	158 100.64
Ms JD Gantana	-	-	-	28 794.15	58.83	28 852.98
Ms N Magazi	44 994.24	73 688.48	19 997.44	3 342.72	7 242.67	149 265.55
<b>Total</b>	<b>313 611.52</b>	<b>575 139.56</b>	<b>161 588.64</b>	<b>80 655.08</b>	<b>29 285.27</b>	<b>1 160 280.07</b>

\*Include ad-hoc meetings outside Board and Committee meetings, for example - meetings with Provincial Treasury and the Minister for Finance, as well as time spent on other Board matters.

\*\*Board member resides outside of the Province of the Western Cape and is remunerated on an 8-hour basis for Committee meetings to take into account preparation time, attendance time as well as traveling time.

### BOARD MEMBER TRAVEL ABROAD

#### Conference: IAGA Conference Macau, Hong Kong - 12 to 18 May 2018

Benefits derived from attendance: The conference is attended by regulatory and industry gaming advisors across the globe. The benefits derived from attendance is the presentations and engagements on a wide array of regulatory matters, including technological developments, responsible gambling E-sports. The delegation also arranged an orientation into the VIP gaming area and discussion with one of Macau's biggest junket / VIP Gaming casino operators.

Name	Designation	Travel & Accommodation R	Air Tickets R	Conference fees R	Subsistence Allowance R	Fees R	Other R	Total R
Mr CA Bassuday	Board member	19 093.03	11 180.40	6 343.14	10 014.12	23 693.60	-	70 324.29
<b>Total</b>		<b>19 093.03</b>	<b>11 180.40</b>	<b>6 343.14</b>	<b>10 014.12</b>	<b>23 693.60</b>	<b>-</b>	<b>70 324.29</b>

### Conference: GRAF Conference, Botswana - 26 to 30 August 2018

Benefits derived from attendance:

1. Understanding how a regulator can effect material change to the legislation and the industry in an existing environment.
2. Appreciating the benefits of having the Lotteries and Gambling in a country under one legislation.
3. Appreciating the need for regulators to build and maintain capacity with respect to technical standards and systems due to the rapid change in the industry.
4. Determining that gambling standards to be drafted in a more adaptive manner rather than prescriptive to promote unhindered operation of the business.
5. Concluding that the lack of or failure to regulate online gambling creates more issues with illegal gambling as well as problem.
6. Became aware of the latest offerings which we need to prepare for: virtual games, eGaming, loot boxes and blockchain.
7. Latest trends with respect to problem gambling, consumer data protection and money laundering.
8. Made presentations on the risks relating to the increase in gambling tax as well as the socio economic benefits of regulated gambling.

Name	Designation	Travel & Accommodation R	Air Tickets R	Conference fees R	Subsistence Allowance R	Fees R	Other R	Total R
Mr CA Bassuday	Board member	8 636.72	11 910.00	3 340.00	3 342.72	19 997.44	-	47 226.88
Mr S Faku	Board member	9 298.72	6 254.18	3 340.00	3 024.50	19 997.44	-	41 914.84
Ms C Fani	Board member	8 636.72	11 910.00	3 340.00	3 342.72	19 997.44	-	47 226.88
Ms JD Gantana	Board member	8 636.72	11 910.00	3 340.00	3 342.72	-	-	27 229.44
Ms M Magazi	Board member	8 636.72	11 910.00	3 340.00	3 342.72	19 997.44	-	47 226.88
Mr D Lakay	Board chairperson	8 636.72	11 910.00	3 340.00	3 342.72	25 735.68	-	52 965.12
<b>Total</b>		<b>52 482.32</b>	<b>65 804.18</b>	<b>20 040.00</b>	<b>19 738.10</b>	<b>105 725.44</b>	<b>-</b>	<b>263 790.04</b>

## Part C: Governance

### Conference: IAGR Conference, Copenhagen, Denmark - 15 to 22 September 2018

Benefits derived from attendance: The attendance at this conference allowed the Board to share certain of our own jurisdictional experiences, especially that relating to Social Investment by licensees. Insights into the advances in sports/online betting and in particular the technological advances made by many jurisdictions, more so in the move to regulate online gambling by many jurisdictions.

Name	Designation	Travel & Accommodation R	Air Tickets R	Conference fees R	Subsistence Allowance R	Fees R	Other R	Total R
<b>Ms Gantana</b>	Board member	23 178.00	10 667.68	11 718.77	25 451.43	-	-	71 015.88
<b>Mr D Lakay</b>	Board chairperson	23 178.00	10 667.68	11 718.77	25 451.43	32 169.60	-	103 185.48
<b>Total</b>		<b>46 356.00</b>	<b>21 335.36</b>	<b>23 437.54</b>	<b>50 902.86</b>	<b>32 169.60</b>	<b>-</b>	<b>174 201.36</b>

Conference	Travel & Accommodation R	Air Tickets R	Conference fees R	Subsistence Allowance R	Fees R	Other R	Total R
<b>IAGA Conference Macau, Hong Kong</b>	19 093.03	11 180.40	6 343.14	10 014.12	23 693.60	-	70 324.29
<b>GRAF Conference Botswana</b>	52 482.32	65 804.18	20 040.00	19 738.10	105 725.44	-	263 790.04
<b>IAGR Conference Copenhagen, Denmark</b>	46 356.00	21 335.36	23 437.54	50 902.86	32 169.60	-	174 201.36
<b>Total</b>	<b>117 931.35</b>	<b>98 319.94</b>	<b>49 820.68</b>	<b>80 655.08</b>	<b>161 588.64</b>	<b>-</b>	<b>508 315.69</b>

## STAFF TRAVEL ABROAD

**Conference: IAGA Conference, Macau, Hong Kong - 12 to 18 May 2018**

Benefits derived from attendance: The conference is attended by regulatory and industry gaming advisors across the globe. The benefits derived from attendance is the presentations and engagements on a wide array of regulatory matters, including technological developments, responsible gambling E-sports. The delegation also arranged an orientation into the VIP gaming area and discussion with one of Macau's biggest junket / VIP Gaming casino operators.

Name	Designation	Travel & Accommodation R	Air Tickets R	Conference fees R	Subsistence Allowance R	Fees R	Other R	Total R
<b>Ms Y Skepu</b>	Manager - Legal Services	23 025.35	11 180.40	6 343.14	13 249.98	-	-	53 798.87
<b>Mr W Bowers</b>	Manager - HR	21 684.62	15 513.40	6 333.97	13 249.98	-	-	56 781.97
<b>Total</b>		<b>44 709.97</b>	<b>26 693.80</b>	<b>12 677.11</b>	<b>26 499.96</b>	<b>-</b>	<b>-</b>	<b>110 580.84</b>

## Part C: Governance

### Conference: GRAF Conference, Botswana - 26 to 30 August 2018

Benefits derived from attendance:

1. Understanding how a regulator can effect material change to the legislation and the industry in an existing environment.
2. Appreciating the benefits of having the Lotteries and Gambling in a country under one legislation.
3. Appreciating the need for regulators to build and maintain capacity with respect to technical standards and systems due to the rapid change in the industry.
4. Determining that gambling standards to be drafted in a more adaptive manner rather than prescriptive to promote unhindered operation of the business.
5. Concluding that the lack of or failure to regulate online gambling creates more issues with illegal gambling as well as problem.
6. Became aware of the latest offerings which we need to prepare for: virtual games, eGaming, loot boxes and blockchain.
7. Latest trends with respect to problem gambling, consumer data protection and money laundering.
8. Made presentations on the risks relating to the increase in gambling tax as well as the socio economic benefits of regulated gambling.

Name	Designation	Travel & Accommodation R	Air Tickets R	Conference fees R	Subsistence Allowance R	Fees R	Other R	Total R
<b>Ms M Basson</b>	HOD - Licensing	10 427.90	3 867.72	3 340.00	4 149.80	-	-	21 785.42
<b>Mr R Bennett</b>	HOD - Regulatory Compliance	22 824.86	3 877.72	3 340.00	4 149.80	-	-	34 192.38
<b>Mr W Bowers</b>	Manager - HR	10 427.90	11 400.90	3 340.00	4 164.44	-	-	29 333.24
<b>Mr A Matthews</b>	HOD - ICT	10 427.90	3 877.72	3 340.00	4 149.80	-	-	21 795.42
<b>Ms Z Siwa</b>	HOD:ADFIN/CFO	10 427.90	3 981.22	3 340.00	3 989.73	-	-	21 738.85
<b>Ms Y Skepu</b>	Manager - Legal Services	10 427.90	3 877.70	3 340.00	4 149.84	-	-	21 795.44
<b>Total</b>		<b>74 964.36</b>	<b>30 882.98</b>	<b>20 040.00</b>	<b>24 753.41</b>	<b>-</b>	<b>-</b>	<b>150 640.75</b>

### Conference: IAGR Conference, Copenhagen, Denmark - 15 to 22 September 2018

Benefits derived from attendance: The attendance at this conference allowed the Board to share certain of our own jurisdictional experiences, especially that relating to Social Investment by licensees. Insights into the advances in sports/online betting and in particular the technological advances made by many jurisdictions, more so in the move to regulate online gambling by many jurisdictions.

Name	Designation	Travel & Accommodation R	Air Tickets R	Conference fees R	Subsistence Allowance R	Fees R	Other R	Total R
Ms M Basson	HOD - Licensing	23 178.00	10 667.68	11 718.77	25 451.43	-	-	71 015.88
Ms Z Siwa	HOD:ADFIN/ CFO	23 178.00	10 667.68	11 718.77	25 451.43	-	-	71 015.88
<b>Total</b>		<b>46 356.00</b>	<b>21 335.36</b>	<b>23 437.54</b>	<b>50 902.86</b>	<b>-</b>	<b>-</b>	<b>142 031.76</b>

Conference	Travel & Accommodation R	Air Tickets R	Conference fees R	Subsistence Allowance R	Fees R	Other R	Total R
IAGA Conference Macau, Hong Kong	44 709.97	26 693.80	12 677.11	26 499.96	-	-	110 580.84
GRAF Conference, Botswana	74 964.36	30 882.98	20 040.00	24 753.41	-	-	150 640.75
IAGR Conference Copenhagen, Denmark	46 356.00	21 335.36	23 437.54	50 902.86	-	-	142 031.76
<b>Total</b>	<b>166 030.33</b>	<b>78 912.14</b>	<b>56 154.65</b>	<b>102 156.23</b>	<b>-</b>	<b>-</b>	<b>403 253.35</b>

## Part C: Governance

### STANDING COMMITTEE RESOLUTIONS RESULTING FROM THE 2017/18 ANNUAL REPORT

STANDING COMMITTEE ON PUBLIC ACCOUNTS		
Date of resolution	Details	Implementation progress
14 December 2018	That the Entity, or the Department of the Premier, provide the Committee with the scope of the audit function when contracting external auditors as internal auditors by any Entity of the Western Cape Government. Furthermore, it is requested that the Entity, or Department of the Premier, provide it with the payment schedule against which the external auditing companies are invoiced and, ultimately, paid.	Request awaited.
14 December 2018	That the Entity briefs the Committee on the Board Remuneration Agreements, including the payment of board members' salaries which is expected to be in alignment to the prescription of the Department of Public Service and Administration (DPSA).	Awaiting meeting date.
14 December 2018	That the Entity provides, in all future annual reports, a financial breakdown which should be associated to the number of meetings which are attended by the board and committee members of the Entity.	Annual Report updated.
14 December 2018	That the Entity studies and follows the layout of the Annual Report of the Department of Transport and Public Works for the 2016/17 financial year when reporting on its financial information.	In progress.
14 December 2018	That the Entity develops and implements a mechanism which would ensure that the Board, at its level, consider initiating various CSI programmes.	In progress.

### 4. RISK MANAGEMENT

Risk is an inherent part of any venture and organisation. Risk management is therefore a necessity to ensure the success of any organisation.

Risks are assessed annually together with the Annual Performance Plan and the setting of targets. Risk are reviewed on a quarterly basis for successful implication of mitigating controls and emerging risks.

The Board's appointed risk management officer is vested in the senior administrative officer in the office of the Chief Financial Officer. The appointed officer has extensive experience in risk management having been in the employ of external audit and internal audit.

The Risk Management Committee consists of the full Executive Committee with the risk register being considered a living document and reviewed at least on a quarterly basis.

The Board's sub-committee, Finance and Information Technology Committee reviews the risk and risk register with specific emphasis placed on emerging risks. The Audit Committee serves as the Risk Committee with oversight of among other, the risks of the Board. The Risk Committee is assisted by the outsourced Internal Audit Functionary and reports to the Board.

### 5. INTERNAL CONTROL

The Board does not have an insourced Internal Control Unit but outsources this function to firms with appropriate experience and holders of professional membership with the Institute of Internal Auditors or the South African Institute of Chartered Accountants. For the year under review the firm was MVI Incorporated.

### 6. INTERNAL AUDIT AND AUDIT COMMITTEE

The Board's risk management oversight has been delegated to the Audit and Risk Committee with the purpose of assisting the Board in discharging its duties per the PFMA.

In this regard, the Audit and Risk Committee oversees that:

- Policies are in place to identify, mitigate and control risks;
- A system of review of both risks and internal control systems are in place;
- A system of identifying emerging risks and evaluating existing controls;
- An effective system of internal control exists; and
- All uninsured risks are appropriately reviewed and managed.

The outsourced Internal Audit Functionary reports administratively to the CEO and functionally to the Audit and Risk Committee.

## Part C: Governance

The Audit Committee members' meeting attendance were:

Name of member	Number of meetings attended
1. Mr M Burton [Appointed as new Audit Committee member and Audit Committee Chairperson from 1 March 2019 until 28 February 2022]	1 of 1
2. Mr G Harris [Chairperson] [Term as Audit Committee member and Audit Committee Chairperson expired 28 February 2019.] [Term as Audit Committee member extended until 31 May 2019]	4 of 4
3. Mr R Kingwill	4 of 4
4. Mr C Whittle [Term as Audit Committee member expired on 28 February 2019.]	3 of 3

Name	Qualifications	Internal or external	If internal, position in the Board	Date appointed	Date Resigned	No. of Meetings attended
<b>M Burton</b>	B. Compt. Hons CA(SA)	External	Not applicable	1 March 2019	Not applicable	1
<b>G Harris</b>	B. Com Hons CA(SA)	External	Not applicable	1 March 2019	Not applicable	4
<b>R Kingwill</b>	B.Com CTA CA(SA)	External	Not applicable	17 February 2018	Not applicable	4
<b>C Whittle</b>	B.Com, PGDA, CA(SA)	External	Not applicable	29 February 2016	Not applicable	3

## 7. COMPLIANCE WITH LAWS AND REGULATIONS

The Board implements policies and processes to ensure compliance with all relevant compliance laws and regulations.

The Board has identified the laws and regulations which it is obliged to comply with and has implemented a framework to ensure compliance by all of its staff with all these laws and regulations.

The Board's Legal Services Department subscribes to various online Law Services Institutions which provides notifications of new or amended legislation and provides a platform for identifying judgments in various court cases. The Legal Department identifies and changes via these subscriptions and notifies employees of the change and any analysis thereof.

For the 2018/19 financial year, the Board was not sanctioned for any contraventions of any Laws or regulations.

### 8. FRAUD AND CORRUPTION

The Board has implemented a Fraud and Anti-corruption policy which is regularly reviewed. The procedures include a national hotline and an anonymous reporting box.

The Board's Fraud and Anti-Corruption Committee is set to review any reported incidences of fraud and the Board's Governance officer reports on any reported incidences to the Finance and Information Technology Committee and the Audit and Risk Committee.

For the year under review, no incidences of fraud or corruption was reported vis any of the Board's vehicles for reporting them.

### 9. MINIMISING CONFLICT OF INTEREST

The WCGRB Board members, at the beginning of each fiscal year, completes and provide a listing of all interests that might conflict with their duties as Board Members.

At the beginning of each board or committee meeting, Board members make a declaration on any conflict of interest they may have with any matter on the agenda.

For any conflict of interest, Board Members must notify the chair and either recuse themselves or participate in the discussion if the Board concludes that no material conflict exists.

Employees are also required to declare and conflict of interest at Board and committee meetings and on any discussion, interview and decision meetings of the office.

No member of staff may receive any gifts from any licence holder, any service provider or prospective licence holder or service provider. Should a gift be delivered, it must be declared and returned to the giver. This policy has been practiced for the past number of years. For the year under review, two gifts were delivered to the Board with one having been returned and the other awaiting collection by the giver.

The Board's assurance provider, the Auditor-General of South Africa, audits this aspect with an independent investigation of any business-related conflict and reports accordingly thereon.

### 10. CODE OF CONDUCT

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

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

The Code of Conduct is readily available to all employees and Board members online via the Board's intranet to which every individual has access. At the commencement of employment of a new employee and the appointment of Board members, the Code forms part of the induction pack, which all individuals are required to sign receipt of. Compliance with the Code of Conduct is strictly enforced and monitored and any breaches thereof are dealt with in terms of the Board's disciplinary code and procedure.

### 11. ORGANISATIONAL ETHICS

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

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

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

### 12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

### 13. CHIEF EXECUTIVE OFFICER

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

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

### 14. COMPANY SECRETARY

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

### 15. SOCIAL RESPONSIBILITY

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

The Board also established the Western Cape Responsible Gambling Forum to address the potential ills of gambling. The Board has partnered with various governmental social institutions and presents at the various community outreach programmes to educate the communities on the Board and the social ills of gambling.

### 16. CORPORATE CITIZENSHIP

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

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

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

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

The Board oversees and monitors, on an ongoing basis, how the consequences of the entity's activities and output affects its status as a responsible corporate citizen.

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

### 17. STAKEHOLDER RELATIONSHIPS

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

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

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

## Part C: Governance

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

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

### 18. REMUNERATION

Section 9(2)(a) of the WCGRA empowers the seven-member Board to determine the terms and conditions of the Board's employees. This authority has however been subsumed elsewhere with the Executive Authority dictating the remuneration structure of the Board employees and so enforced by the Western Cape Provincial Treasury.

The Board has also been instructed to align all its policies with that of the WCPT employees despite the fact that as the Board is not employed in compliance with the DPSSA nor has a PERSAL number, many of the WCPT benefits cannot be implemented at the Board.

### 19. TECHNOLOGY AND INFORMATION

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

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

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

Planned areas of future focus include the following:

- Digitised Automated Licence Application Process
- Modernised Board Website
- Upgrade of all necessary systems and applications.

## 20. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2019.

### 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 2018/19 financial year, 4 meetings were held.



*Mr M Burton,  
Chairperson of Audit Committee*

Name of member	Number of meetings attended
1. Mr M Burton [Appointed as new Audit Committee member and Audit Committee Chairperson from 1 March 2019 until 28 February 2022]	1 of 1
2. Mr G Harris [Chairperson] [Term as Audit Committee member and Audit Committee Chairperson expired 28 February 2019.] [Term as Audit Committee member extended until 31 May 2019]	4 of 4
3. Mr R Kingwill	4 of 4
4. Mr C Whittle [Term as Audit Committee member expired on 28 February 2019]	3 of 3

### Audit Committee Responsibility

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

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

### Meetings

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

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

# Part C: Governance

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## The Effectiveness of Internal Control

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

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

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

From the various reports of the Internal Auditors and the Audit Report on the Annual Financial Statements, including the management report of the Auditor-General, it was noted that except for the matters of Material Misstatement on the Annual Financial Statements identified, no other matters were reported indicating any material deficiencies in the system of internal control nor any deviations therefrom. Accordingly, we can report that, other than the disclosure errors in the Annual Financial Statements, that the system of internal control for the period under review was efficient and effective.

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

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

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

- Review of draft Annual Financial Statements 2017-2018 and 2018-2019
- Review of Performance Information on Predetermined Objectives (PDO's)
- Follow-up work on previous internal and external audit findings
- Asset verification
- Review of IT Department
- Review of the Regulatory Compliance Department
- Review of the Board activities
- Review of Chief Executive Officer's office
- Review of the Licensing Department
- Review of the Adfin Department
- Review of the Legal Division
- Review of HR Division

## In-Year Management and Quarterly Report

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

## Finance Function

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

### Combined Assurance

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

The internal audit plan is compiled using a risk-based methodology, in consultation with management. In addition, internal and external auditors work in a collaborative manner. For the 2019 financial year, the Committee has considered the risks presented by management, evaluated and approved the plans of the internal audit function and the external auditors, and the outcome of the audit work performed.

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

### Evaluation of Financial Statements

We have:

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

### Internal auditors

The Committee has considered the independence and effectiveness of the internal audit function. The Committee has reviewed and approved the internal audit charter and the internal audit plan for 2019 and is satisfied, through the declarations made by the internal auditors, that the assurances provided to the Committee are aligned to the Code of Ethics of the Institute of Internal Auditors.

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

### External auditors

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

The Committee approved the audit strategy and external audit fees for the 2019 audit. The Committee has also evaluated the performance and conduct of the external auditors for the reporting period and is satisfied with the quality of the external audit function.

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

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



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



# PART D



Human Resource Management

# Part D: Human Resource Management

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## 1. INTRODUCTION

The Board has an approved staff structure of seventy-four employees with sixty-nine positions filled and five posts vacant as at 31 March 2019.

The Human Resource Division provides services and support to the Board and its office on recruitment, talent retention, performance management, industrial relations, staff development, staff wellness and Human Resources and related policy development.

The payroll administration function resides with the Department: Administration and Finance.

During the year under review, the division assisted with:

- The alignment of the Board's HR related policies with that of the WCPT;
- The recruitment of three employees;
- The administration of two formal disciplinary processes;
- The conducting of four grievance processes;
- The administration and procurement of one-hundred and two training interventions;
- The processing of four terminations;
- The preparation and submission of the Employment Equity reports to the DoL;
- The administration and procurement of an employee wellness break-a-way;
- The conducting of staff interaction and debate on conflict management; and
- The conducting and reporting on four EE Committee and OHASA Committee meetings.

Annual salary reviews and increases were advised to the Board by the WCPT in accordance with the instruction of the Executive Authority which came into effect for 1 April 2019.

Performance management bonuses were awarded to employees after the performance assessments were completed. The reported performance bonus of R 231 632 was awarded to sixty-eight employees resulting in a simple average of R3 406.35 per employee as a performance bonus for the year under review. Long service awards were made to four employees in recognition of their length of service to the Board.

The Board continues in its attempts to enhance staff morale and with its practise to offer quarterly staff-funded socials as a means for the various departments to interact and so foster better working relations and camaraderie. Surveys among the Board's employees have indicated a marked increase in staff morale and motivation.

The HR practices are designed to ensure a work-life balance for its employees with quasi-flexi time working hours and employee plus family wellness programmes via ICAS.

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

### Personnel Cost by programme

Programme	#Total Expenditure for the entity (R' 000)	Personnel Expenditure (R' 000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R' 000)
Administration*	21 781	13 611	62%	40	340
Compliance	16 232	14 849	91%	25	594
Licensing	13 738	13 158	96%	23	572
IT	6 957	2 538	36%	5	508
<b>TOTAL</b>	<b>58 708</b>	<b>44 156</b>	<b>75%</b>	<b>93</b>	<b>475</b>

\*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	Personnel Expenditure (R' 000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R' 000)
Top Management	1 422	3%	1	1 422
Senior Management	7 012	17%	6	1 169
Professional qualified	9 571	23%	13	736
Skilled	18 995	46%	33	576
Semi-skilled	4 671	11%	16	292
Unskilled	-	0%	-	-
<b>TOTAL</b>	<b>41 672</b>		<b>69</b>	<b>604</b>

\* Excludes Board members' remuneration of R1 050 340, housing allowance of R755 003, remuneration of temporary workers of R442 844 and net salary accruals/provisions of R176 793.

## Part D: Human Resource Management

### Performance Rewards

Level	Performance rewards (R' 000)	Personnel Expenditure (R' 000)	% of performance rewards to total personnel cost
Top Management	10	1 422	0.70%
Senior Management	39	7 012	0.56%
Professional qualified	55	9 571	0.57%
Skilled	103	18 995	0.54%
Semi-skilled	25	4 671	0.54%
Unskilled	-	-	-
<b>TOTAL</b>	<b>232</b>	<b>41 672</b>	<b>0.56%</b>

\* Excludes Board members' remuneration of R1 050 340, housing allowance of R755 003, remuneration of temporary workers of R442 844 and net salary accruals/provisions of R176 793.

### Training Costs

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Average training cost per employee (R'000)
Board	1 116	-	0.00%	-	-
Executive	6 841	93	1.35%	8	12
Administration & Finance	5 654	43	0.75%	10	4
Compliance	14 849	318	2.14%	29	11
Licensing	13 158	148	1.12%	49	3
IT	2 538	62	2.45%	6	10
<b>TOTAL</b>	<b>44 156</b>	<b>663</b>	<b>1.50%</b>	<b>102</b>	<b>7</b>

### Employment and vacancies

Programme	2017/18 No. of Employees	2018/19 Approved Posts	2018/19 No. of Employees	2018/19 Vacancies	% of vacancies
Administration	8	9	8	1	11%
Executive	7	7	6	1	14%
Management	7	7	7	-	-
Compliance	22	25	23	2	8%
Licensing	22	22	22	-	-
IT	4	4	3	1	25%
<b>TOTAL</b>	<b>70</b>	<b>74</b>	<b>69</b>	<b>5</b>	<b>7%</b>

Level	2017/18 No. of Employees	2018/19 Approved Posts	2018/19 No. of Employees	2018/19 Vacancies	% of vacancies
Top Management	1	1	1	-	-
Senior Management	6	6	6	-	-
Professional qualified	13	13	13	-	-
Skilled	34	36	33	3	8%
Semi-skilled	16	18	16	2	11%
Unskilled	-	-	-	-	-
<b>TOTAL</b>	<b>70</b>	<b>74</b>	<b>69</b>	<b>5</b>	<b>7%</b>

## Part D: Human Resource Management

### Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	-	-	1
Senior Management	6	-	-	6
Professional qualified	10	-	-	10
Skilled	31	2	3	30
Semi-skilled	22	1	1	22
Unskilled	-	-	-	-
<b>TOTAL</b>	<b>70</b>	<b>3</b>	<b>4</b>	<b>69</b>

### Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	3	75%
Dismissal	1	25%
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
<b>Total</b>	<b>4</b>	<b>100%</b>

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

## Labour Relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal Warning	-
Written Warning	-
Final Written Warning	1
Dismissal	1
<b>TOTAL</b>	<b>2</b>

## Equity Target and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	1	1	-	-	-	-	-
Senior Management	-	-	3	2	-	-	-	-
Professional qualified	2	2	2	2	1	-	4	1
Skilled	5	7	9	10	-	-	2	3
Semi-skilled	-	2	2	4	-	-	1	1
Unskilled	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>7</b>	<b>12</b>	<b>17</b>	<b>18</b>	<b>1</b>	<b>0</b>	<b>7</b>	<b>5</b>

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	-	-	-	-	-	-	-
Senior Management	-	1	3	2	-	1	-	-
Professional qualified	-	1	2	2	-	-	2	-
Skilled	5	6	12	12	-	1	-	3
Semi-skilled	2	3	8	4	1	-	2	2
Unskilled	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>7</b>	<b>11</b>	<b>25</b>	<b>20</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>5</b>

## Part D: Human Resource Management

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	-	-	-	-
Senior Management	-	-	-	-
Professional qualified	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	-	-	-	1
Unskilled	-	-	-	-
<b>TOTAL</b>	-	-	-	<b>1</b>

# PART E



## Financial Information

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

#### Report on the audit of the financial statements

##### Opinion

1. I have audited the financial statements of the Western Cape Gambling and Racing Board set out on pages 78 to 117, which, comprise the statement of financial position as at 31 March 2019, the statement of financial performance, the statement of changes in net assets, the cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Western Cape Gambling and Racing Board as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

##### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants, parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Emphasis of matter

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

##### Restatement of corresponding figures

7. As disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2019.

##### Taxes and levies collected

8. As disclosed in note 24 to the financial statements, taxes and levies are collected and distributed to other entities and institutions.

### Responsibilities of the accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the Western Cape Gambling and Racing Board's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

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

### Report on the audit of the annual performance report

#### Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2 - licensing	27 - 29
Programme 3 - regulatory compliance	29 - 30

# Part E: Financial Information

## Report of the Auditor-General

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16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes.

### Other matters

18. I draw attention to the matters below.

#### Achievement of planned targets

19. Refer to the annual performance report on pages 27 to 30 for information on the achievement of planned targets for the year and explanations provided for the under or overachievement of targets.

## Report on the audit of compliance with legislation

### Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
21. The material finding on compliance with specific matters in key legislations are as follow:

#### Annual financial statements and annual report

22. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.
23. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

27. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
28. I have nothing to report in this regard.

### Internal control deficiencies

29. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the performance report and the findings on compliance with legislation included in this report.
30. Management did not implement adequate processes to ensure accurate and complete financial statements that comply with the SA Standards of GRAP.

*Auditor-General*

Cape Town  
31 July 2019



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Regulating gaming industry
<b>Business address</b>	100 Fairway Close Parow Cape Town Republic of South Africa 7500
<b>Postal address</b>	PO Box 8175 Roggebaai 8012
<b>Bankers</b>	Nedbank
<b>Auditors</b>	Auditor General (SA)
<b>Secretary</b>	Heinrich Brink
<b>Board members</b>	Mr DT Lakay Mr CA Bassuday Mr S Faku Ms C Fani Ms J Gantana Ms N Magazi

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Index

The statements set out below comprise the Western Cape Gambling and Racing Board's annual financial statements presented to the Provincial Legislature:

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**PA Abrahams**  
Chief Executive Officer

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Statement of Financial Position as at 31 March 2019

	Note(s)	2019 R	2018 Restated R
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	11 438 679	8 299 853
Inventories	4	53 681	81 797
Prepayments	5	1 393 506	413 142
Receivables from exchange transactions	6	1 792 056	602 655
Cash and cash equivalents Trust funds (securities)	7	10 994 620	10 581 011
Cash and cash equivalents Trust funds (trust)	7	9 725 366	10 560 415
Cash and cash equivalents ILSF Housing Fund	8	229 158	142 762
		<b>35 627 066</b>	<b>30 681 635</b>
<b>Non Current Assets</b>			
Property, plant and equipment	9	3 275 445	2 719 079
Intangible assets	10	404 592	62 483
Prepayments	5	79 953	213 885
		<b>3 759 990</b>	<b>2 995 447</b>
<b>Total Assets</b>		<b>39 387 056</b>	<b>33 677 082</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trust funds (securities)	7	10 994 620	10 581 011
Trust funds (trust)	7	9 725 366	10 560 415
Trade and other payables	11	10 622 772	12 857 160
Employee benefits	12	2 671 699	2 507 196
		<b>34 014 457</b>	<b>36 505 782</b>
<b>Non Current Liabilities</b>			
Employee benefits	12	3 735 000	3 627 000
<b>Total Liabilities</b>		<b>37 749 457</b>	<b>40 132 782</b>
<b>Net Assets</b>		<b>1 637 599</b>	<b>(6 455 700)</b>

## Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

### Statement of Financial Performance for the year ended 31 March 2019

	Note(s)	2019 R	2018 Restated R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Investment income	13	1 088 562	1 007 738
Operating revenue	14	37 560 051	34 834 686
Sundry income	15	1 116 780	180 568
Gain on disposal of assets		-	45 785
Actuarial gains	12	559 000	-
<b>Total revenue from exchange transactions</b>		<b>40 324 393</b>	<b>36 068 777</b>
<b>Revenue from non exchange transactions</b>			
Transfer revenue			
Government grant	16	26 864 068	19 707 000
Services in kind	17	2 985 924	1 510 272
<b>Total revenue from non exchange transactions</b>		<b>29 849 992</b>	<b>21 217 272</b>
<b>Total revenue</b>		<b>70 174 385</b>	<b>57 286 049</b>
<b>Expenditure</b>			
Actuarial losses	12	-	120 000
Amortisation: Intangible assets	10	10 751	9 923
Depreciation: Property, plant and equipment	9	685 310	1 524 969
Elimination of illegal gambling operations		109 470	108 410
Employee related costs	18	44 155 724	44 843 397
Finance costs		322 146	277 016
Legal fees		828 332	561 529
Loss on disposal of assets and liabilities		143 974	-
Other expenses	19	12 071 561	7 545 195
Rental		153 488	119 076
Travel and subsistence		2 262 879	2 127 965
<b>Total expenditure</b>		<b>(60 743 635)</b>	<b>(57 237 480)</b>
<b>Surplus for the year</b>		<b>9 430 750</b>	<b>48 569</b>

## Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

### Statement of Changes in Net Assets for the year ended 31 March 2019

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	3 488 163	3 488 163
Adjustments		
Correction of error (see note 33)	(6 455 700)	(6 455 700)
<b>Balance at 01 April 2017 as restated</b>	<b>(2 967 537)</b>	<b>(2 967 537)</b>
Surplus for the year	48 569	48 569
Surplus paid to Western Cape Government	<b>(3 536 732)</b>	<b>(3 536 732)</b>
Total changes	(3 488 163)	(3 488 163)
<b>Restated Balance at 01 April 2018</b>	<b>(6 455 700)</b>	<b>(6 455 700)</b>
Surplus for the year	9 430 750	9 430 750
Surplus payable to Western Cape Government	(1 337 451)	(1 337 451)
Total changes	8 093 299	8 093 299
<b>Balance at 31 March 2019</b>	<b>1 637 599</b>	<b>1 637 599</b>

## Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

### Cash Flow Statement for the year ended 31 March 2019

	Note(s)	2019 R	2018 Restated R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxes and levies collected		651 708 672	617 016 987
Sale of goods and services		36 370 650	36 116 553
Government grant		26 864 068	19 707 000
Interest income		1 088 562	1 007 738
Sundry Income		116 780	180 568
		<b>716 148 732</b>	<b>674 028 846</b>
<b>Payments</b>			
Employee costs		(43 645 221)	(41 645 149)
Suppliers		(12 760 906)	(8 274 428)
Finance costs		(1 146)	(16)
Taxes and levies distributed		(651 240 995)	(617 340 091)
		<b>(707 648 268)</b>	<b>(667 259 684)</b>
<b>Net cash flows from operating activities</b>	25	<b>8 500 464</b>	<b>6 769 162</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(1 437 830)	(1 037 007)
Proceeds from sale of property, plant and equipment	9	52 177	85 504
Purchase of other intangible assets	10	(7 860)	(5 168)
Capitalised development costs	10	(345 000)	-
		<b>(1 738 513)</b>	<b>(956 671)</b>
<b>Net cash flows from investing activities</b>		<b>(1 738 513)</b>	<b>(956 671)</b>
<b>Cash flows from financing activities</b>			
Net receipts and payments for trust funds		(421 440)	2 419 802
Surplus payable to Western Cape Government redeemed		(3 536 732)	(6 235 546)
		<b>(3 958 172)</b>	<b>(3 815 744)</b>
<b>Net cash flows from financing activities</b>		<b>(3 958 172)</b>	<b>(3 815 744)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2 803 779</b>	<b>1 996 747</b>
Cash and cash equivalents at the beginning of the year		29 584 041	27 587 294
<b>Cash and cash equivalents at the end of the year</b>	3	<b>32 387 823</b>	<b>29 584 041</b>

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sundry income	-	-	-	116 780	116 780	1
Rendering of services	34 545 437	-	34 545 437	36 370 650	1 825 213	2
Interest received	1 050 000	-	1 050 000	1 088 562	38 562	
<b>Total revenue from exchange transactions</b>	<b>35 595 437</b>	<b>-</b>	<b>35 595 437</b>	<b>37 575 992</b>	<b>1 980 555</b>	
<b>Revenue from non exchange transactions</b>						
<b>Transfer revenue</b>						
Government grant	29 342 000	(2 477 932)	26 864 068	26 864 068	-	
<b>Total revenue</b>	<b>64 937 437</b>	<b>(2 477 932)</b>	<b>62 459 505</b>	<b>64 440 060</b>	<b>1 980 555</b>	
<b>Expenditure</b>						
Personnel	(44 186 275)	-	(44 186 275)	(43 645 221)	541 054	3
Finance costs	-	-	-	(1 146)	(1 146)	
Operating expenses	(15 954 222)	2 652 932	(13 301 290)	(12 293 229)	1 008 061	4
<b>Total expenditure</b>	<b>(60 140 497)</b>	<b>2 652 932</b>	<b>(57 487 565)</b>	<b>(55 939 596)</b>	<b>1 547 969</b>	
<b>Net operating receipts/(payments)</b>	<b>4 796 940</b>	<b>175 000</b>	<b>4 971 940</b>	<b>8 500 464</b>	<b>3 528 524</b>	
Acquisition of property, plant and equipment	(4 796 940)	(175 000)	(4 971 940)	(1 790 690)	3 181 250	5
<b>Net receipts/(payments)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 709 774</b>	<b>6 709 774</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 709 774</b>	<b>6 709 774</b>	

### Statement of Comparison of Budget and Actual Amounts

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The budget is approved on a cash basis by functional classification. The approved budget covers the period from 1 April 2018 to 31 March 2019.

The budget and the accounting base differ. The financial statements are prepared on the accrual basis using a classification on the nature of the expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis. Refer to note 38 for a reconciliation of actual results to adjusted actuals for budget comparison as well as explanations regarding the changes between the approved and final adjusted budget.

Refer to note 37 for the reconciliation between net surplus per approved budget and net surplus as per the statement of financial performance.

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

#### Explanations for variances

1. The Board does not budget for sundry income.
2. It is difficult to accurately budget for the Board's own revenue as applications received are based on industry demands. New licence applications received and processed exceeded projected figures. Board inspector charge out fees as well as investigation fees are based on the number of new applications as well as licence renewals in a particular year. Provision is made for an annual inflationary adjustment which comes into effect on April, 1st each year.
3. The underspending to the amount of R541 054 relates to vacancies at year end. The Board is in the process of recruitment of suitable candidates.
4. The underspending is mostly due to cost containment measures and relates to communication, travel and subsistence, cleaning, maintenance and non professional fees.
5. The final adjusted budget in respect of the Licensing Automation Projected amounted to R3.375 million. An amount of R345 000 was capitalised in respect of GRAP 31: Intangible assets for the year under review. In terms of GRAP 31, the Board is unable to capitalise research cost in respect of internally generated intangible assets. An amount of R460 000 was recognised as research cost in respect of the automation project and was therefore recognised as an operating expense in the financial statements. Furthermore, the Board paid an amount of R2.6 million in respect of licence fees specifically in respect of the automation project. As licence fees are payable on an annual basis, the Board was unable to capitalise licence fees. An amount of R1.5 million was recognised as software upgrade fees as operating expenditure in the current year. The remaining amount of R1 million in respect of licence fees was recognised as prepaid expenditure. In the original budget, the total costs in respect of the automation project was budgeted for as capital expenditure. Actual expenditure incurred consisted of capital as well as operating expenditure.

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), 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.

#### 1.1 Going concern assumption

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

#### 1.2 Significant judgments and sources of estimation uncertainty

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

##### **Impairment of trade receivables**

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

##### **Fair value estimation**

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

##### **Provisions and contingencies**

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

##### **Property, plant and equipment and intangible assets**

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

##### **Post retirement benefits**

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

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

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

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non current assets that are held for use in the production or supply of goods or services or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Motor vehicles	Straight line	4 – 10 years
Equipment & furniture	Straight line	2 – 25 years
Computers	Straight line	3 – 25 years
Computer accessories	Straight line	2 – 15 years
Leased assets	Straight line	2 – 6 years

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

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

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

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

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 29).

Repairs and maintenance disclosed in Note 29 to the financial statements represents actual costs incurred paid or payable to third parties.

### 1.4 Intangible assets

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

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

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

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

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

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

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

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

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	Average 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

### 1.5 Financial instruments (continued)

#### 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:

<b>Class</b>	<b>Category</b>
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 Fund	Financial asset measured at amortised cost
<b>Class</b>	<b>Category</b>
Trade and other payables	Financial liability measured at amortised cost
Trust funds (securities)	Financial liability measured at amortised cost
Trust funds (trust)	Financial liability 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.

#### Subsequent measurement of financial assets and financial liabilities

The entity 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 entity 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.

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

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### 1.5 Financial instruments (continued)

#### 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.

#### Finance leases – lessee

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

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

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

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

#### Operating leases – lessee

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

### 1.8 Inventories

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

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

Inventories are initially measured at cost.

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

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

### 1.9 Impairment of cash generating assets

Cash generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash generating assets or non cash generating assets, are as follows:

Cash generating assets are assets held with the primary objective of generating a commercial return. Non cash generating assets are those assets other than cash generating assets.

#### Identification

When the carrying amount of a cash generating asset exceeds its recoverable amount, it is impaired.

The Board assesses at each reporting date whether there is any indication that a cash generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

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### 1.10 Employee benefits

#### Short term employee benefits

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

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

#### Long term employee benefits

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

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

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

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

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

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

#### Retirement benefits

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

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

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

#### Post Retirement benefits

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

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

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

### 1.10 Employee benefits (continued)

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

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

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

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

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

### 1.11 Provisions and contingencies

Provisions are recognised when:

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

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

### 1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

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

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

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### 1.13 Revenue from exchange transactions (continued)

#### Measurement

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

Revenue is recorded on the accrual basis to the extent that it is probable that economic benefits will flow to the entity and the revenue can be reliably measured.

#### Investment income

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

#### Operating revenue consists of:

##### *Board inspectors' charge out*

This represents the hourly charge out rate for board inspectors performing probities and application investigations.

The revenue is recognised on invoice for the hours the inspectors performed the duties of probity and investigations.

##### *Exclusivity fees*

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

##### *Investigation fees*

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

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

##### *Licence application fees*

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

The revenue is recognised on invoice at time of application.

##### *Operator's fee*

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

### 1.14 Revenue from non exchange transactions

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

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

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

#### Services in kind

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

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

### 1.15 Borrowing costs

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

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

### 1.16 Trust funds

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

### 1.17 Comparative figures

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

### 1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

### 1.19 Irregular expenditure

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

- (a) the PFMA; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in the Western Cape Government..

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

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

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

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

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

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

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### 1.20 Budget information

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

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

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

### 1.21 Related parties

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

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

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

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

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

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.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.22 Events after reporting date

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

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

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

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

#### 1.23 Materiality

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

#### 1.24 Tax collections

The Western Cape Gambling and Racing Act, 1996 (Act 4 of 1996) provides for the imposition of statutory taxes and fees payable by licence holders, as well as administrative penalties for non compliance. The Board collects gambling taxes and levies on gambling transactions on behalf of the Western Cape Provincial Government and other beneficiaries. Taxes are collected and paid over to the Provincial Government and other beneficiaries on a cash basis. Tax collections are disclosed in Note 24 to the financial statements

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

Standard/Interpretation	Effective date: Years beginning on or after	Expected Impact:
GRAP 1 (as amended 2018): Presentation of Financial Statements	1 April 2018	Not material.
GRAP 2 (as amended 2018): Cash Flow Statements	1 April 2018	Not material.
GRAP 3 (as amended 2018): Accounting Policies, Changes in Accounting Estimates and Errors 1 April 2016	1 April 2018	Not material.
GRAP 9 (as amended 2018): Revenue from Exchange Transactions	1 April 2018	Not material.
GRAP 12 (as amended 2018): Inventories	1 April 2018	Not material.
GRAP 13 (as amended 2018): Leases	1 April 2018	Not material.
GRAP 14 (as amended 2018): Events After the Reporting Date	1 April 2018	Not material.
GRAP 17 (as amended 2018): Property Plant and Equipment	1 April 2018	Not material.
GRAP 18 (as amended 2018): Segment Reporting	1 April 2018	Not material.
GRAP 19 (as amended 2018): Provisions, Contingent Liabilities and Contingent Assets	1 April 2018	Not material.
GRAP 21 (as amended 2018): Impairment of Non cash generating Assets	1 April 2018	Not material.
GRAP 23 (as amended 2018): Revenue from Non exchange Transactions	1 April 2018	Not material.
GRAP 24 (as amended 2018): Presentation of Budget Information in Financial Statements	1 April 2018	Not material.
GRAP 25 (as amended 2018): Employee Benefits	1 April 2018	Not material.
GRAP 26 (as amended 2018): Impairment of Cash generating assets	1 April 2018	Not material.
GRAP 31 (as amended 2018): Intangible Assets	1 April 2018	Not material.
GRAP 104 (as amended 2018): Financial Instruments	1 April 2018	Not material.

## Notes to the Annual Financial Statements

### 2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2019 or later periods:

Standard/Interpretation	Expected Impact
GRAP 20: Related Party Disclosures	This standard will not have an effect on the financial statements as the Board currently subscribes to the requirements of this standard.
GRAP 32: Service Concession Arrangements: Grantor	No such transactions are expected in the foreseeable future.
GRAP 108: Statutory Receivables	The expected impact on the financial statements is not significant.
GRAP 109: Accounting by Principal and Agents	The expected impact on the financial statements is not significant.
IGRAP 17: Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset	No such transactions are expected in the foreseeable future.
IGRAP 18: Recognition and Derecognition of Land	No such transactions are expected in the foreseeable future.
IGRAP 19: Liabilities to Pay Levies	No such transactions are expected in the foreseeable future.

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>3. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Petty cash	4 000	4 000
Bank balances	11 434 679	8 295 853
	<b>11 438 679</b>	<b>8 299 853</b>
<b>Cash and cash equivalents in the cash flow statement consist of:</b>		
Trust funds (securities)	10 994 620	10 581 011
Trust funds (trusts)	9 725 366	10 560 415
ILSF Housing Fund	229 158	142 762
Cash and cash equivalents (per above)	11 438 679	8 299 853
	<b>32 387 823</b>	<b>29 584 041</b>
<b>4. Inventories</b>		
Stationery and computer consumables on hand		
	53 681	81 797
Inventories recognised as an expense during the year	125 453	71 997
<b>5. Prepayments</b>		
Membership fees	5 914	5 330
Security services	-	819
Software upgrade fees	1 450 384	620 723
Subscription fees	17 006	-
TV Licence fees	155	155
	<b>1 473 459</b>	<b>627 027</b>
<b>As disclosed in the statement of financial position</b>		
Prepayments: current assets	1 393 506	413 142
Prepayments: non current assets	79 953	213 885
	<b>1 473 459</b>	<b>627 027</b>

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>6. Receivables from exchange transactions</b>		
Amounts due in respect of trading operations	1 626 634	583 151
Amounts due in respect of other activities	165 422	19 504
	<b>1 792 056</b>	<b>602 655</b>

### Disaggregation of trade and other receivables

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

As at 31 March 2019, the Board does not have any receivables in respect of non exchange transactions.

### Trade and other receivables can be analysed as follows:

Neither past nor due	1 690 263	580 632
Past due but not impaired	101 793	22 023
Past due and impaired	-	-
	<b>1 792 056</b>	<b>602 655</b>

### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to internal credit ratings.

### Counterparties without external credit rating

Group 1	1 690 263	580 632
Group 2	-	-
Group 3	-	-
	<b>1 690 263</b>	<b>580 632</b>

*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.*

### Trade and other receivables past due but not impaired

At 31 March 2019, trade and other receivables of R101 793 (2018: R 22 023) 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.

The ageing of amounts past due but not impaired is as follows:

31 - 60 days past due	101 784	20 869
91 days and over past due	9	1 154
	<b>101 793</b>	<b>22 023</b>

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>7. Trust funds</b>		
Trust funds (securities)	10 994 620	10 581 011
Trust funds (trusts)	9 589 121	10 462 395
<b>Total</b>	<b>20 583 741</b>	<b>21 043 406</b>
<b>Add: Amount (payable) / receivable to/from current account</b>		
Trusts	136 245	98 020
	<b>20 719 986</b>	<b>21 141 426</b>
<b>Currently disclosed in the financial statements</b>		
<b>Current assets</b>		
Trust funds (securities)	10 994 620	10 581 011
Trust funds (trusts)	9 725 366	10 560 415
<b>Total</b>	<b>20 719 986</b>	<b>21 141 426</b>
<b>Current liabilities</b>		
Trust funds (securities)	10 994 620	10 581 011
Trust funds (trusts)	9 725 366	10 560 415
<b>Total</b>	<b>20 719 986</b>	<b>21 141 426</b>

### 8. Cash and cash equivalents Individual Linked Savings Facility

The individual linked savings facility is established in terms of clauses 4.5.6.3 and 4.5.6.4 of the PSCBC Resolution 7 of 2016.

Accumulated savings shall only be accessed for the purpose of acquiring homeownership, building and/or improving a home acquired for ownership.

Individual linked savings facility	229 158	142 762
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### 9. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Motor vehicles	1 170 644	(298 111)	872 533	677 320	(217 090)	460 230
Equipment & furniture	2 108 245	(1 729 085)	379 160	3 850 013	(3 009 080)	840 933
Computers	4 578 285	(2 729 744)	1 848 541	3 866 915	(2 664 346)	1 202 569
Computer accessories	856 805	(683 342)	173 463	860 904	(648 470)	212 434
Leased assets	6 987	(5 239)	1 748	6 987	(4 074)	2 913
<b>Total</b>	<b>8 720 966</b>	<b>(5 445 521)</b>	<b>3 275 445</b>	<b>9 262 139</b>	<b>(6 543 060)</b>	<b>2 719 079</b>

## Notes to the Annual Financial Statements

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Motor vehicles	460 230	493 324	-	(81 021)	872 533
Equipment & furniture	840 933	7 328	(185 160)	(283 941)	379 160
Computers	1 202 569	935 244	(9 086)	(280 186)	1 848 541
Computer accessories	212 434	1 934	(1 905)	(39 000)	173 463
Leased assets	2 913	-	-	(1 165)	1 748
	<b>2 719 079</b>	<b>1 437 830</b>	<b>(196 151)</b>	<b>(685 310)</b>	<b>3 275 445</b>

#### Reconciliation of property, plant and equipment 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Motor vehicles	42 422	447 320	-	(29 512)	460 230
Equipment & furniture	1 156 983	56 368	(2 539)	(369 879)	840 933
Computers	1 764 872	469 688	(36 164)	(995 827)	1 202 569
Computer accessories	278 401	63 630	(1 013)	(128 584)	212 434
Leased assets	4 077	-	-	(1 164)	2 913
	<b>3 246 755</b>	<b>1 037 006</b>	<b>(39 716)</b>	<b>(1 524 966)</b>	<b>2 719 079</b>

### 10. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	453 817	(49 225)	404 592	100 957	(38 474)	62 483

#### Reconciliation of intangible assets 2019

	Opening balance	Additions	Development costs	Amortisation	Total
Computer software	62 483	7 860	345 000	(10 751)	404 592

#### Reconciliation of intangible assets 2018

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

#### Development costs

Included in the carrying value of development costs at 31 March 2019 is an amount of R345 000 related to a development project for a new licensing automation process. The Board has incurred research expenses of R460 000 which are included in consulting and professional fees in the statement of financial performance. Development in respect of the new licensing automation project has started in September 2018 and no delays have been encountered.

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>11. Trade and other payables</b>		
Trade payables	7 576 969	8 079 753
WCG and Kenilworth Racing taxes and levies	1 708 352	1 240 675
Surplus payable to WCG	1 337 451	3 536 732
	<b>10 622 772</b>	<b>12 857 160</b>
<b>12. Employee benefit obligations</b>		
Accrual for leave pay	1 855 059	1 667 470
Accrual for bonus	564 482	540 964
Subtotal	2 419 541	2 208 434
Current portion of long service awards	-	150 000
Current portion of Post Retirement Medical Aid	23 000	6 000
ILSF: Housing allowance	229 158	142 762
	<b>2 671 699</b>	<b>2 507 196</b>

### Long service awards

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

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

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

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

The table below sets out the Long Service Award policy:

Long Service Award		
Years Serviced	Employed before 23 March 2017	Employed after 23 March 2017
10 years	A cash amount equal to the monthly benefit salary of the employee at his/her 10 year anniversary	None
20 years	R 10 951	R 10 951
30 years	R 21 901	R 21 901
40 years	R 29 202	R 29 202

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>12. Employee benefit obligations (continued)</b>		
<b>Valuation of assets</b>		
The long service awards liability of the board is unfunded. No dedicated assets have been set aside to meet this liability.		
<b>Post retirement medical aid plan</b>		
Employees of the Board participate on a medical scheme of their choosing. The Board shall continue to provide a medical assistance subsidy of 75% of medical scheme contributions if an employee:		
<ul style="list-style-type: none"> <li>• Exited or exits the service of the Board because of retirement (including early retirement), death or dismissal on account of incapacity due to ill health or injury;</li> <li>• Has attained at least fifty (50) years of age;</li> <li>• Has remained a principal member of a registered medical scheme for twelve (12) months immediately before the date he/she exited the service of the Board;</li> <li>• If an employee or former employee die(s) and his or her spouse becomes the principal member of a registered medical scheme, then the spouse becomes eligible to receive the subsidy.</li> </ul>		
The subsidy as at 1 April 2019 was R2 602 per month (R2 397 per month on 1 April 2018) and is expected to increase by 5.2% on 1 January 2020.		
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	3 783 000	654 884
Benefits paid	(175 000)	(218 884)
Net expense recognised in the statement of financial performance	150 000	3 347 000
<b>The amounts recognised in the statement of financial position</b>	<b>3 758 000</b>	<b>3 783 000</b>
<b>Accrued Liability</b>		
<b>Long Service Award</b>		
Current liability	-	150 000
Non current liability	559 000	448 000
<b>Post Retirement Medical Aid</b>		
Current liability	23 000	6 000
Non current liability	3 176 000	3 179 000
	<b>3 758 000</b>	<b>3 783 000</b>
<b>Net expense recognised in the statement of financial performance</b>		
<b>Current service cost - LSA</b>	98 000	91 000
<b>Current service cost - PRMA</b>	290 000	245 000
Past service cost - PRMA	-	2 614 000
Interest cost - LSA	41 000	46 000
<b>Interest cost - PRMA</b>	280 000	231 000
Actuarial (gains) losses - LSA	(3 000)	24 000
Actuarial (gains) losses - PRMA	(556 000)	96 000
	<b>150 000</b>	<b>3 347 000</b>

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

### 12. Employee benefit obligations (continued)

#### Key assumptions used

	31 March 2019	31 March 2018
<b>Post Retirement Medical Aid</b>		
Discount Rate	9.81%	8.78%
Healthcare Cost Inflation	7.44%	7.37%
Subsidy Cap Inflation	6.94%	6.87%
<b>Long Service Awards</b>		
Discount Rate	8.47%	7.68%
Salary Inflation	5.95%	6.26%
<b>Demographic Assumptions</b>		
Pre retirement Mortality	SA85 90 (Light)	SA85 90 (Light)
Post retirement Mortality	PA (90) rated down 2 years and 1% annual improvement from 2006	PA (90) rated down 2 years and 1% annual improvement from 2006 (PRMA)
Expected Retirement Age	63 years	63 years
Percentage Married (Actives)	85%	85%
Husband and Wife Age Difference	3 years	3 years
Continuance Assumption	80%	80%

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

Discount Rate	The discount rate was based on the yield of long term government bonds, converted to annual effective rates, given that the high quality corporate bond market in South Africa is not very deep.
Price Inflation	Considering the difference between the yields on long term nominal bonds and inflation linked bonds, long term price inflation rates of 5.94% and 4.95% for the PRMA and LSA liabilities respectively are implied.
Medical Contribution Increase Rate	Given past trends, medical aid contribution inflation is expected to exceed general price inflation. A margin of 1.50% above price inflation has been applied for future medical aid contribution increases. A long term medical aid contribution increase rate of 7.44% per annum was therefore assumed at the current valuation date.
Normal Salary Inflation	A normal salary inflation of 1.00% in excess of price inflation has been assumed. For the LSA valuation this was assumed to be 5.95% per annum. The medical aid subsidy cap was assumed to increase by normal salary inflation of 6.94% per annum.
Normal Retirement Age	The Normal Retirement Age is 65 years. The valuation has assumed that members will retire at the age of 63 years to allow for early retirements.

## Notes to the Annual Financial Statements

## 12. Employee benefit obligations (continued)

**Promotional Salary Increase Rates**

The following promotional salary increases were assumed:

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

**In service Employee Withdrawal**

Allowance for withdrawals was made based on age, as summarised in the table below:

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

**Sensitivity Analysis**

The results of the valuation are dependent on the assumptions used. The tables below outline firstly how the accrued liability as at 31 March 2019 is impacted by changes in the assumptions and secondly how the income statement expenses (interest and service cost) are impacted by changes in assumptions.

**Post Retirement Medical Aid**

In Service and Continuation Members	Accrued Service Liabilities as at 31 March 2019	% Increase/Decrease
<b>No change in assumptions</b>	R3 199 000	
<b>Discount Rate</b>		
Increased by 1% p.a.	R2 592 000	(19.0%)
Reduced by 1% p.a.	R4 010 000	25.4%
<b>Medical Inflation</b>		
Increased by 1% p.a.	3 199 000	0.0%
Reduced by 1% p.a.	3 023 000	(5.5%)
<b>Retirement Age</b>		
Increased by 1 year	R2 971 000	(7.1%)
Reduced by 1 year	R3 415 000	6.8%

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

### 12. Employee benefit obligations (continued)

In Service and Continuation Members	Income Statement Expenses for the Year Ending 31 March 2020	% Increase/Decrease
<b>No change in assumptions</b>	R577 000	
<b>Discount Rate</b>		
Increased by 1% p.a.	R488 000	(15.4%)
Reduced by 1% p.a.	R691 000	19.8%
<b>Medical Inflation</b>		
Increased by 1% p.a.	R577 000	0.0%
Reduced by 1% p.a.	R542 000	(6.1%)
<b>Retirement Age</b>		
Increased by 1 year	R555 000	(3.8%)
Reduced by 1 year	R599 000	3.8%

### Long Service Awards

In Service Members	Accrued Service Liabilities as at 31 March 2019	% Increase/Decrease
<b>No change in assumptions</b>	R559 000	
<b>Discount Rate</b>		
Increased by 1% p.a.	R527 000	(5.8%)
Reduced by 1% p.a.	R595 000	6.4%
<b>Salary Inflation</b>		
Increased by 1% p.a.	R593 000	6.1%
Reduced by 1% p.a.	R529 000	(5.4%)
<b>Withdrawal Assumption</b>		
No withdrawals	R760 000	36%
Withdrawal rate doubled	R431 000	(22.9%)

In Service Members	Income Statement Expenses for the Year Ending 31 March 2020	% Increase/Decrease
<b>No change in assumptions</b>	R132 000	
<b>Discount Rate</b>		
Increased by 1% p.a.	R131 000	(0.8%)
Reduced by 1% p.a.	R134 000	1.6%
<b>Salary Inflation</b>		
Increased by 1% p.a.	R140 000	6.1%
Reduced by 1% p.a.	R125 000	(5.3%)
<b>Withdrawal Assumption</b>		
Increased by 1% p.a.	R186 000	40.9%
Reduced by 1 year	R98 000	(25.8%)

## Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

### Notes to the Annual Financial Statements

#### 12. Employee benefit obligations (continued)

##### Other disclosures

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

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	3 758 000	3 783 000	654 884	488 000	435 000
Experience adjustments on plan liabilities (actuarial loss/(profit))	(559 000)	120 000	229 406	45 902	(55 519)

##### Non Current Employee Benefits

	2019 R	2019 R
Long Service Awards	559 000	598 000
Post Retirement Medical Aid	3 199 000	3 185 000
Subtotal	3 758 000	3 783 000
Less: Current Liability	(23 000)	(156 000)
	<b>3 735 000</b>	<b>3 627 000</b>

#### 13. Investment revenue

##### Interest revenue

Bank	1 088 562	1 007 738
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#### 14. Operating Revenue

Board Inspectors Charge out	7 608 454	6 936 904
Investigation fees	27 618 936	26 093 990
Licence application fees	2 332 661	1 803 792
	<b>37 560 051</b>	<b>34 834 686</b>

#### 15. Sundry Income

Parking income	30 200	23 843
Other miscellaneous income	86 580	149 717
Discount received	1 000 000	7 008
	<b>1 116 780</b>	<b>180 568</b>

#### 16. Government Grant

Western Cape Government	26 864 068	19 707 000
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The grant was to assist in funding the loss of the Casino Exclusivity Fee as well as the Limited Payout Machine Operator Fees and had no conditions attached to it. The grant was recognised in surplus / deficit on receipt thereof.

#### 17. Services in kind

Services in kind benefit revenue	2 985 924	1 510 272
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The Western Cape Gambling and Racing Board occupied a building at no cost managed by the Department of Transport and Public Works. This building is located at 68 Orange Street, Gardens.

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	Note(s)	2019 R	2018 R
<b>18. Employee related costs</b>			
Basic salary		32 882 920	31 397 076
Bonus		2 670 557	2 692 427
Medical aid company contributions		2 484 849	4 941 935
UIF		129 199	129 191
Leave pay		691 174	713 441
Defined contribution plans		4 149 012	3 921 538
Travel, motor car, accommodation, subsistence and other allowances		130 980	110 200
Overtime payments		40 273	64 088
Long service awards		98 432	91 157
Acting allowances		16 977	-
Transport allowance		47 562	38 872
Housing benefits and allowances		813 789	743 472
		<b>44 155 724</b>	<b>44 843 397</b>
<b>19. Other expenses</b>			
Advertising		24 658	8 721
Auditors remuneration	(a)	1 739 689	1 488 419
Bank charges		18 009	15 837
Computer software annual licences	(b)	2 167 438	590 310
Conference & membership fees		325 373	330 781
Consulting and professional fees		544 834	126 378
Consumables		119 912	176 482
Courier services		1 337	-
Entertainment		54 117	73 356
Insurance		407 651	388 526
Levies		391 653	364 164
Recruitment costs		15 070	48 482
Rental of equipment		344 111	363 465
Repairs and maintenance	29	407 275	419 204
Responsible Gambling Awareness	(c)	508 064	66 650
Postage		4 335	4 330
Printing and stationery		331 042	255 802
Publications		2 700	3 696
Security services		13 595	10 019
Services in kind		2 985 924	1 510 272
Services Transcriptions / Translations		136 831	78 329
Staff welfare		187 270	217 012
Telephone and communications		677 280	627 959
Training		663 393	377 001
		<b>12 071 561</b>	<b>7 545 195</b>

(a) External audit fees amounted to R1 253 500 for the year whereas R486 189 was paid to the internal auditors.

(b) Annual licence fees to the amount of R1 498 365 was paid in respect of the Licensing Automation Project.

(c) The Board spent R483 056 in respect of a radio advert promoting responsible gambling during the December holidays.

## Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

### Notes to the Annual Financial Statements

#### 20. Member's emoluments

##### Executive

##### 2019

	Salary	Retirement Fund	Bonus	Other	Total
Chief Executive Officer	1 195 397	63 909	82 703	80 878	1 422 887
Manager: Legal services	1 032 101	54 735	69 125	133 328	1 289 289
HOD: Admin & Finance	916 208	48 588	75 202	57 045	1 097 043
HOD: Licensing	1 032 101	54 735	69 125	96 406	1 252 367
HOD: Compliance	1 155 057	56 662	71 214	48 723	1 331 656
HOD: Information Technology	943 902	50 057	63 218	6 748	1 063 925
Manager: Human Resources	957 169	42 279	64 378	64 707	1 128 533
	<b>7 231 935</b>	<b>370 965</b>	<b>494 965</b>	<b>487 835</b>	<b>8 585 700</b>

##### 2018

	Salary	Retirement Fund	Bonus	Other	Total
Chief Executive Officer	1 116 147	59 345	92 780	46 811	1 315 083
Manager: Legal services	959 445	50 727	70 432	24 963	1 105 567
HOD: Admin & Finance	851 422	45 300	47 164	20 615	964 501
HOD: Licensing	959 445	50 727	70 432	8 484	1 089 088
HOD: Compliance	988 445	52 260	72 561	39 666	1 152 932
HOD: Information Technology	877 441	46 392	64 412	5 655	993 900
Manager: Human Resources	894 186	48 689	65 740	11 947	1 020 562
	<b>6 646 531</b>	<b>353 440</b>	<b>483 521</b>	<b>158 141</b>	<b>7 641 633</b>

##### Board members

##### 2019

	Members' fees	Other fees	Total
Mr DT Lakay	383 811	44 968	428 779
Mr CA Bassuday	189 507	17 774	207 281
Mr S Faku	184 976	3 025	188 001
Ms C Fani	153 366	4 735	158 101
Ms J Gantana	-	28 853	28 853
Ms N Magazi	138 680	10 585	149 265
	<b>1 050 340</b>	<b>109 940</b>	<b>1 160 280</b>

##### 2018

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

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>21. Operating leases</b>		
<b>Operating lease arrangements</b>		
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	152 889	169 299
In the second to fifth year	156 190	61 915
	<b>309 079</b>	<b>231 214</b>
Operating lease payments represent rentals payable by the Board for equipment hire.		
<b>22. Retirement benefit plan</b>		
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 R4 149 012 (2018: R3 921 538) represents contributions payable to the fund as specified in the rules of the fund.		
<b>23. Related parties</b>		
Relationships		
Western Cape Provincial MEC for Finance Dr IH Meyer	No direct transactions	
Western Cape Provincial Head Official Mr Z Hoosain	No direct transactions	
Western Cape Provincial Government	Government grant as reflected in note 16	
Western Cape Provincial Treasury	Taxes and levies as reflected in note 24	
Members of the Board	Fees for attendance of meetings as reflected in note 20	
Executive Management of the Board	Remuneration as reflected in note 20	
Western Cape Provincial Department of Transport and Public Works	The Board occupies a building at no cost managed by the Department as reflected in note 17.	
Department of the Premier	The Board received corporate services free of charge from Enterprise Risk Management and Legal Services.	
<b>Related party balances</b>		
<b>Amounts payable to related parties</b>		
Western Cape Provincial Treasury	2 681 855	4 446 412
Amounts payable to Provincial Treasury relate to licence fees, taxes payable as well as the cash surplus as at 31 March 2019.		
<b>Amounts included in Trade receivables regarding related parties</b>		
Dr P Voges	-	5 860

## Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

### Notes to the Annual Financial Statements

	2019 R	2018 R
<b>24. Taxes and levies collected during the year</b>		
<b>Provincial taxes</b>		
Casino	428 481 241	423 545 890
Horse racing	93 154 513	75 455 341
Limited payout machines	125 711 109	113 951 493
	<b>647 346 863</b>	<b>612 952 724</b>
<b>Levies</b>		
Casino	2 194 246	2 106 980
Horse racing	1 064 996	955 013
Limited payout machines	784 077	730 793
	<b>4 043 319</b>	<b>3 792 786</b>
<b>Interest, fines and penalties</b>		
Casino	566	4 627
Horse racing	38 524	-
Limited payout machines	279 400	266 850
	<b>318 490</b>	<b>271 477</b>
<b>Total collected</b>	<b>651 708 672</b>	<b>617 016 987</b>
<b>Distributable to:</b>		
Provincial Government Western Cape	628 726 991	595 653 041
National Responsible Gambling Programme	226 121	132 424
Kenilworth Racing	22 755 560	21 231 522
	<b>651 708 672</b>	<b>617 016 987</b>
<b>25. Cash generated from operations</b>		
Surplus	9 430 750	48 569
<b>Adjustments for:</b>		
Depreciation tangible assets	685 310	1 524 966
Amortisation intangible assets	10 751	9 923
Loss/(Gain) on sale of assets	143 974	(45 785)
<b>Changes in working capital:</b>		
Inventories	28 116	(36 938)
Receivables from exchange transactions	(1 189 401)	1 281 867
Prepayments	(846 432)	(44 665)
Trade and other payables	(35 107)	435 977
Employee benefits	272 503	3 595 248
	<b>8 500 464</b>	<b>6 769 162</b>
<b>26. Risk management</b>		
Financial risk management		
The Board's activities expose it to a variety of financial risks: credit risk and liquidity risk.		

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>26. Risk management (continued)</b>		
<b>Liquidity risk</b>		
<p>The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and funding facilities.</p>		
<p>The Board's financial liabilities is payable within a period of twelve (12) months.</p>		
<p>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. As at 31 March 2019, management did not consider there to be any significant concentration of risk which had not been adequately provided for.</p>		
<p>Maximum exposure to liquidity risk at reporting date</p>		
Trade and other payables	10 622 772	12 857 160
Trust Funds (securities)	10 994 620	10 581 011
Trust Funds (trust)	9 725 366	10 560 415
<b>Credit risk management</b>		
<p>Credit risk is managed on a group basis.</p>		
<p>Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Board only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party</p>		
<p>Trade receivables comprise a widespread customer (licensees) base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.</p>		
<p>The amount presented in the statement of financial position is net of allowances for doubtful debt receivables, estimated by management based on prior experience and the current economic environment.</p>		
<p>The Board holds R9 725 366 (2018: R10 560 415) in trust from debtors and is able to withdraw funds from the trust accounts for amounts due to the Board.</p>		
<p>Consequently, the majority of the Board's trade and other receivables are secured by the trust accounts in possession of the Board.</p>		
<p>The Board holds no specific collateral for its credit risk exposure other than the trust accounts. For the year under review the Board has not renegotiated the credit terms of any of its licensees.</p>		
<p>As at 31 March 2019, management did not consider there to be any significant concentration of risk which had not been adequately provided for.</p>		
<p>Maximum exposure to credit risk at reporting date</p>		
Cash and cash equivalents	11 438 679	8 299 853
Trade and other receivables	1 792 056	602 655
Trust funds (securities)	10 994 620	10 581 011
Trust funds (trust)	9 725 366	10 560 415
ILSF Housing Fund	229 158	142 762

## Notes to the Annual Financial Statements

		2019 R	2018 R
<b>26. Risk management (continued)</b>			
<b>Interest rate management</b>			
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.			
<b>Fair value of financial instruments</b>			
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.			
<b>27. Financial instruments</b>			
In accordance with GRAP104.45 the financial liabilities and assets of the board are classified as follows:			
<b>Categories of financial instruments</b>			
<b>Financial Assets</b>			
<b>Financial Instruments at amortised cost:</b>	Classification		
Cash and Cash equivalents	Financial Instruments at amortised cost	11 438 679	8 299 853
Trade and other receivables	Financial Instruments at amortised cost	1 792 056	602 655
Trust Funds (securities)	Financial Instruments at amortised cost	10 994 620	10 581 011
Trust Funds (trust)	Financial Instruments at amortised cost	9 725 366	10 560 415
ILSF Housing fund	Financial Instruments at amortised cost	229 158	142 762
<b>Total Financial Assets</b>		<b>34 179 879</b>	<b>30 186 696</b>
<b>Financial liabilities</b>			
<b>Financial Instruments at amortised cost:</b>	Classification		
Trade and other payables	Financial Instruments at amortised cost	10 622 772	12 857 160
Trust Funds (securities)	Financial Instruments at amortised cost	10 994 620	10 581 011
Trust Funds (trust)	Financial Instruments at amortised cost	9 725 366	10 560 415
<b>Total Financial Liabilities</b>		<b>31 342 758</b>	<b>33 998 586</b>

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>28. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for and authorised by Board</b>		
• Licensing Automation Project	2 615 100	-
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Maintenance indoor plants	-	39 600
• Cleaning services building	-	18 926
• Hygiene services	-	3 214
• Storage services	84 000	168 000
• Pest control services	-	2 964
• Employee wellness	104 469	188 045
• ICT services	5 817 724	978 418
• Insurance	26 084	-
• Security	8 180	-
	<b>6 040 457</b>	<b>1 399 167</b>

Contractual capital commitments represent the Licensing Automation Project.

Contractual operating commitments are included to provide meaningful information to the users. An amount of R5.3 million is included in operating commitments in respect of the Licensing Automation Project.

### 29. Repairs and maintenance

Repairs and maintenance Building	266 493	263 995
Repairs and maintenance Equipment	140 782	155 209
	<b>407 275</b>	<b>419 204</b>

### 30. 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 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

#### 31. Events after the reporting date

The Western Cape Gambling and Racing Act (Act 4 of 1996) imposed a LPM Operator Fee on Route Operators. Per the prescripts of the Act, the Operator Fee is leviable for ten years which expired in 2014. The Board inadvertently continued to levy the fee which the two Route Operators willingly paid. Accordingly, the fee was paid for three years after the expiry of the ten year period. The Board reached an out of Court settlement with both Route Operators post year end and the parties duly signed settlement agreements confirming that same was resolved and brought to finality.

A Labour Court Application was served on the Board on 13 June 2018 by the Applicant, at which point, the Applicant was still an employee of the Board. The Applicant alleged that she has suffered an Occupational Detriment as per the Protected Disclosures Act 26 of 2000; that the Board had unfairly discriminated against her and has committed an unfair labour practice. The Board opposed the application. In addition, on a separate matter, the employee issued process to challenge her dismissal in the CCMA, which the Board also opposed. The parties has since settled both matters amicably through an out of Court settlement, which has been signed post year end.

#### 32. Contingent Liabilities

A Review Application was served on the Board, as the First Respondent, on 22 November 2017. The Applicants applied to the Western Cape High Court, Cape Town for the review, setting aside and declaring unlawful and invalid the Board's decision to impose B-BBEE conditions of licence on the Applicants as licence holders. Further, that the Court award costs against any party opposing the Application.

An application was served on the Chairperson of the Board and the Board, respectively, as the First and Second Respondents, on 25 March 2019. The Applicant seeks an Interdict, requesting that the Board refrains from implementing its decision to allocate 1000 LPMs to the existing Route Operators proportionately pending the outcome of the Review Application; furthermore, the Applicant seeks an order that the Board's decision as aforementioned be reviewed and set aside. Further that the Board and any other opposing party pays the costs of the Applicant.

An Application was served on the Board, as the First Respondent, on 8 February 2019. The Applicants are requesting a Declaratory Order, declaring that Freeplay credits do not constitute a "drop" for the purpose of the computation of adjusted gross revenue and does not form part of the taxable revenue per Section 64 of the Act read with Schedule III, ordering that the Second Respondent refund the Applications in relation to taxes paid. Alternatively that the First Respondent offset the referenced amounts against the Applicants' future liability to pay gambling tax; that the parties are to pay their own legal costs; that the Second Respondent pay the Applicant's costs if they oppose the Application.

#### 33. Prior period error

The Western Cape Gambling and Racing Act imposed a LPM Operator Fee on Route Operators. Per the prescripts of the Act, the Operator Fee was leviable for ten years which expired in 2014. The Board inadvertently continued to levy the fee which the Route Operators willingly paid. Accordingly, the fee was paid for three years after the expiry of the ten year period. In terms of section 11(d) of the Prescription Act, the period of prescription of debt shall be three years in respect of any other debts. This overpayment is the subject of the correction of error to the amount of R6 455 700. The R6 455 700 represents the amount paid by the Route Operators in the 2016/17 financial years which did not prescribe by 31 March 2019.

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>33. Prior period error (continued)</b>		
The correction of the error resulted in adjustments as follows:		
<b>Statement of financial position</b>		
Net Assets at 1 April as previously stated	-	3 488 163
Increase in accounts payable	(6 455 700)	(6 455 700)
	<b>(6 455 700)</b>	<b>(2 967 537)</b>
<b>Statement of Financial Performance</b>		
Surplus/(deficit) for the year as previously stated	48 569	4 329 284
Decrease in operating revenue	-	(6 455 700)
	<b>48 569</b>	<b>(2 126 416)</b>

### 34. Change in estimate

An assessment has been made of the useful lives of the Board's property, plant and equipment effective 31 March 2019.

Management is of the opinion that the useful lives of the assets are in line with the current circumstances.

The re assessment of useful lives led to a decrease in depreciation as the changes were applied prospectively.

The effect in the current year is an increase in net surplus of R 626 098, resulting in a future decrease in net surplus of R 796 256 over the next two years.

### 35. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	24 275	-
Fruitless and wasteful expenditure written off as irrecoverable during the year	(24 275)	-
	<b>-</b>	<b>-</b>

Provincial Treasury requested the Board to make travel arrangements for one of their senior officials to attend the Gaming Regulators Africa Forum Conference in Botswana in August 2018. Payments were made in respect of conference fees, accommodation and traveling costs. Subsequent to the payment of these costs the official could no longer attend the conference due to other work commitments. The amount is irrecoverable and was written off as such during the year under review. Going forward, the Board will no longer make travel arrangements on behalf of Provincial Treasury, or any other institution, to avoid possible fruitless and wasteful expenditure.

### 36. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance	9 430 750
<b>Adjusted for:</b>	
Depreciation tangible assets	685 310
Amortisation intangible assets	10 751
Loss/(Gain) on the sale of assets	143 974
Changes in inventories	28 116
Changes in receivables	(1 189 401)
Changes in prepayments	(846 432)
Changes in payables	(35 107)
Changes in employee benefits	272 503
<b>Net surplus per approved budget</b>	<b>8 500 464</b>

## Notes to the Annual Financial Statements

## 37. Budget differences

**Differences between budget and actual amounts basis of preparation and presentation**

The amounts in the annual 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.

	<b>Actual (accrual basis)</b>	<b>Adjustments</b>	<b>Adjusted to comparable basis (cash)</b>	<b>Notes on adjustments</b>
Investment income	1 088 562	-	1 088 562	Change in accounts receivable
Operating revenue	37 560 051	(1 189 404)	36 370 650	Non cash item
Sundry income	1 116 780	(1 000 000)	116 780	Non cash item
Actuarial gains	559 000	(559 000)	-	Non cash item
Services in kind	2 985 924	(2 985 924)	-	
Government grant	26 864 068	-	26 864 068	
<b>Total revenue</b>	<b>70 174 385</b>	<b>(5 734 328)</b>	<b>64 440 060</b>	
	-	-	-	
Personnel	(44 155 724)	510 503	(43 645 221)	Changes in employee benefits
Finance costs	(322 146)	321 000	(1 146)	Non cash item
Operating expenses	(16 265 765)	3 972 536	(12 293 229)	Accruals, changes in inventories and prepayments, non cash items
<b>Total expenditure</b>	<b>(60 743 635)</b>	<b>4 804 039</b>	<b>(55 939 596)</b>	
	-	-	-	
<b>Net operating receipts/ (payments)</b>	<b>9 430 750</b>	<b>(930 289)</b>	<b>8 500 464</b>	
Acquisition of property, plant and equipment	(1 790 690)	-	(1 790 690)	
<b>Net receipts/(payments)</b>	<b>7 640 060</b>	<b>(930 289)</b>	<b>6 709 774</b>	

**Changes from the approved budget to the final budget**

Government grant - In terms of the PFMA, the Board is not allowed to budget for a deficit. The government grant was reduced based on the adjustments made to the expenditure budget.

Operating expenditure - An amount of R3.14 million was budgeted in respect of rental expenditure. It was subsequently confirmed that Public Works will be responsible to pay the Board's rental expenditure. An amount of R1.8 million, originally planned for rental expenditure, was retained to make provision for moving costs. Savings were also identified for conference fees as well as legal fees and therefore the budget was adjusted accordingly.

Acquisition of property, plant and equipment - The tender in respect of the Licensing automation project was awarded in August 2018. The actual costs were therefore known at that stage and the budget was adjusted accordingly.

# Part E: Financial Information

Western Cape Gambling and Racing Board: Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

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