



# ANNUAL REPORT 2012/13

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GAUTENG GAMBLING BOARD



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## FOREWORD BY THE MEC



The health of both international and local economies continues to grow and recover at a slow pace. The tax revenue collected for the year under review has shown an increase of 10,09% year on year, increasing from R701,367 to R772,179 million.

The regulation and control of gambling is a concurrent function between National and Provincial spheres of government. The Policy Council is responsible for the formulation of gambling policy in the Republic. It is constituted by the National Minister for Trade and Industry and the members of the Executive Council responsible for gambling in the various Provinces. We are looking forward to the contribution towards the formulation of the new gambling policy in the Republic arising out of the Gambling Review Commission process.

One of the inevitable consequences of legalising gambling is that a smaller percentage of the people

who consume gambling products do so with negative consequences or develop problem gambling. In order to counter this phenomenon the Board intensified its responsible gambling campaign to highlight the dangers associated with gambling. This was done in a simple, compelling and persuasive manner by employing a multifaceted promotional mix of integrated marketing and communication elements which created a positioning that is meaningful and engaging to the target audience.

I am encouraged by the Board's commitment to foster and maintain a good working relationship with the executive authority.

In the next financial year, the Board must discharge its mandate with regards to the following:

- Increased monitoring of BBBEE compliance
- Ensure compliance with legislative framework
- Efficient and effective regulation of gambling
- Contribution to eradication of poverty

I wish to express my sincere appreciation for the sterling work done by my predecessor the late MEC Nkosiphenduli Kolisile, the Board, management and staff in the execution of the Gauteng Gambling Board mandate of regulating and controlling gambling in the Province on behalf of the Provincial Government.

A handwritten signature in black ink, appearing to read 'Eric Xayiya', written over a horizontal line.

**MEC: Eric Xayiya**  
Department of Economic Development



PART A  
**GENERAL INFORMATION**



## 2. LIST OF ABBREVIATIONS/ACRONYMS

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<b>AGSA</b>	Auditor-General of South Africa
<b>BBBEE</b>	Broad Based Black Economic Empowerment
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>EME</b>	Exempted Micro Enterprise
<b>GENERIC</b>	Large Enterprise
<b>MEC</b>	Member of Executive Council
<b>MTEF</b>	Medium-term Expenditure Framework
<b>PFMA</b>	Public Finance Management Act
<b>QSE</b>	Qualifying Small Enterprise
<b>SCM</b>	Supply Chain Management
<b>SMME</b>	Small, Medium and Micro Enterprises
<b>TR</b>	Treasury Regulations

## 3. STRATEGIC OVERVIEW

### 3.1. Vision

“To be a leading and innovative regulator in the gambling industry.”

### 3.2. Mission

“To regulate the industry in a transparent, fair, equitable and competent manner for the benefit of all stakeholders.”

### 3.3. Values

In driving the vision, the employees will have to subscribe to the following principal values:

- **Integrity:** We are committed to be trustworthy, honest and transparent in dealing with our stakeholders.
- **Consistency:** We strive to treat all our stakeholders in a fair and equitable manner at all times.
- **Empowerment:** We are committed to the principles of empowerment and transformation.
- **Service excellence:** We are committed to provide our services in a responsible, competent and considerate manner in response to the needs of our stakeholders and the gambling industry in general.
- **Teamwork:** We strive to work together as a team, from the Board to all levels of staff.
- **Performance recognition:** We are committed to provide employees with the opportunity to perform to the best of their ability, and encourage and reward their hard work and productivity.
- **Consultative:** We strive to consider relevant stakeholders’ input in decision-making in the spirit of cooperative governance.
- **Commitment:** We are committed to the achievement of our goals.
- **Employee-centricity:** To recognise our employees as our most valuable resource.

### 3.4. Strategic outcome-orientated goals

For the period under review the Board had the following strategic outcomes:

- Increased monitoring of BBBEE compliance
- Ensure compliance with legislative framework
- Efficient and effective regulation of gambling
- Promotion of responsible gambling
- Enhance organisational performance, by providing an enabling environment
- Financial accountability and compliance to prescribed financial regulations and guidelines
- Contribution to eradication of poverty





## 4. LEGISLATIVE AND OTHER MANDATES

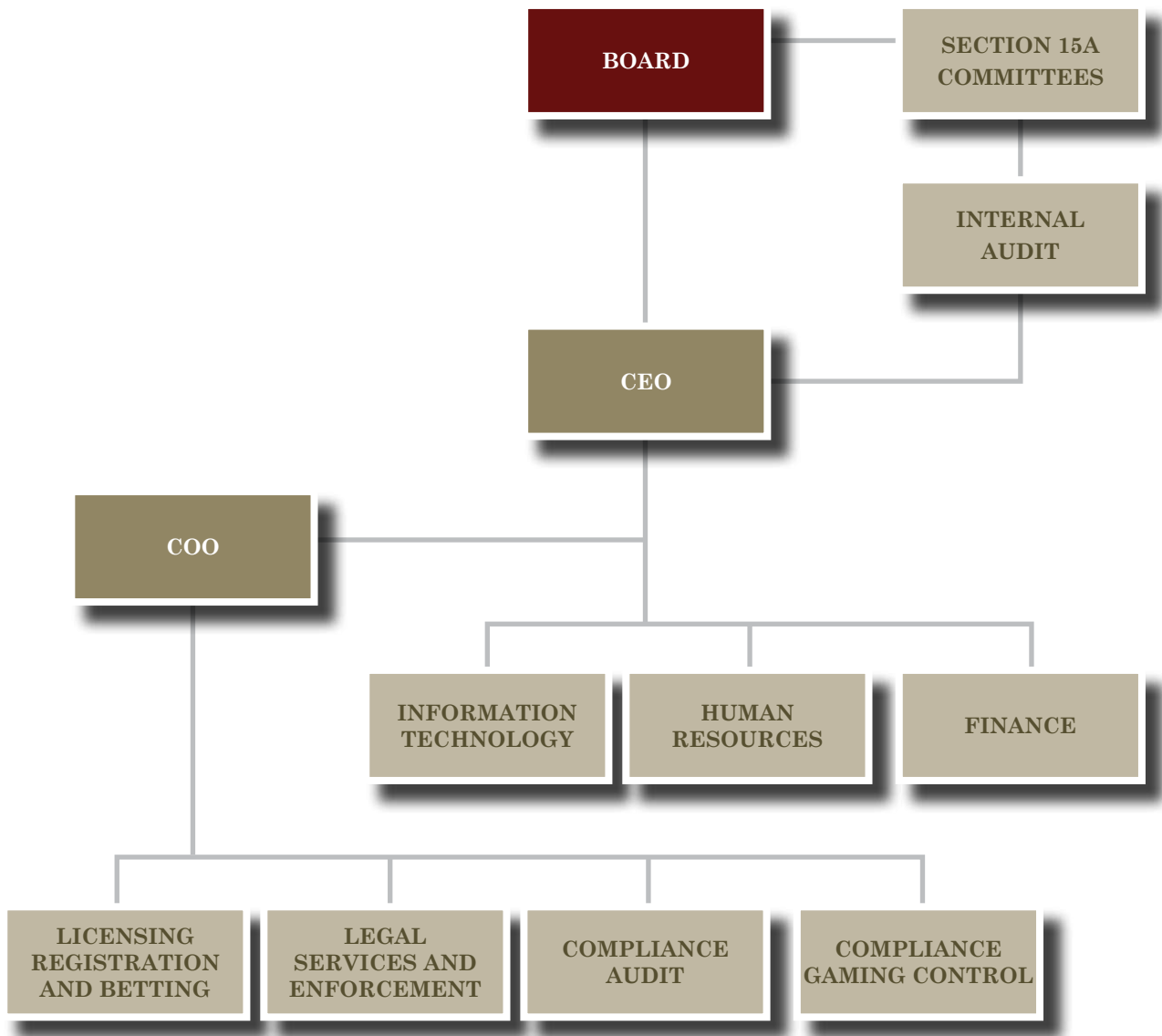
The Gauteng Gambling Board is a statutory body, established in terms of Section 3 of the Gauteng Gambling Act, No. 4 of 1995, as amended.

Further, the Board also discharges its mandate in terms of the following legislation:

- National Gambling Act, 2004 (No. 7 of 2004).
- Gauteng Gambling Act, No. 4 of 1995, as amended.
- Financial Intelligence Centre Act, 2001.
- Public Finance Management Act, No. 1 of 1999, as amended.

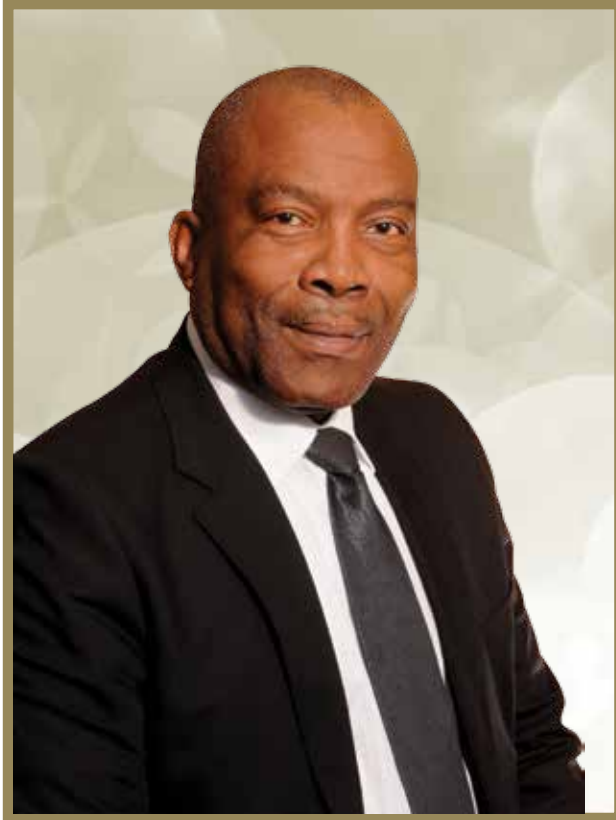


## 5. ORGANISATIONAL STRUCTURE



*Note: The Secretary of the Board reports directly to the Board.*

## 6. FOREWORD BY THE CHAIRPERSON



It is with mixed feelings that I report on the Board's activities during the period under review. This year has been one of the most challenging years in the history of the organisation. Firstly, it was with sadness that we learnt of the tragic passing away of our MEC, Nkosiphendule Kolisile who was lost to us on 20 July 2013 in a tragic car accident that also claimed the lives of two of his personal staff. May they rest in peace.

Secondly, the Board has had a sharp difference of opinion with the shareholder representative, MEC Dorothy Mahlangu regarding the relocation of its premises from Bramley to the city centre. Unfortunately, this matter could not be resolved amicably and was therefore referred to the court for adjudication. The details of this dispute are fully set out in the report.

Even though the Supreme Court of Appeal granted judgement in favour of the Board on this matter the Board is committed towards fostering and maintaining a construc-

tive relationship with the new MEC and will initiating place strategies to avoid a similar occurrence.

One of the main root causes that may have contributed significantly towards the impasse, is the ambiguous legislative provisions in the founding legislation, relating to the delineation of powers between the Board and the MEC. In this regard the Board will be submitting proposed legislative amendments to clearly define the roles and responsibilities, and to align the legislation to best governance principles espoused in King III.

The health of both international and local economies continues to recover and is starting to show signs of growth, albeit at a slow pace. Despite this, the gaming tax revenue collected by the GGB has increased year-on-year by 10,096% from R701,367m to R772,179m.

It is a regrettable truth that, while the majority of Gauteng residents gamble with little or no adverse consequences, the percentage of people affected by problem gambling is bound to increase with time, as gambling becomes more socially acceptable and available, particularly with convenience gambling in the form of limited payout machines and the provision of games through the Internet and mobile applications.

It was with this in mind that the Board has embarked upon a province-wide responsible gambling campaign. The aim of the campaign is to highlight the dangers associated with gambling, and unregulated gambling in particular, in a simple, compelling and persuasive manner. This was achieved by employing a multifaceted mix of integrated marketing and communication campaign, whose elements create a message that is meaningful and engaging to the target audience. Prevention is always better and more cost-effective than cure.

In keeping with the Board's new mandate as a supervisory body, in terms of the Financial Intelligence Centre Act, the Board has, with the assistance of the Financial Intelligence Centre and the National Gambling Board, trained and capacitated its inspectorate to fulfill this mandate. These audits have now been

“

*The Board embarked upon a province-wide responsible gambling campaign ... by employing a multifaceted mix of integrated marketing and communication elements which created a positioning that is meaningful and engaging to the target audience. Prevention is always better and more cost-effective than cure.*

”

integrated into the Board's regulatory audit inspection of licensees.

### Looking ahead

- We will continue to work closely with the National Responsible Gambling Programme in order to implement the necessary strategies aimed at minimising the incidence of problem gambling through education, treatment and research. In addition to this programme, we will be introducing new initiatives, including delivering messages through community radio stations, to create awareness of responsible gambling.
- We will be participating in the process of reviewing the National Gambling Policy, initiated by the Minister of Trade and Industry, who established a Commission of Enquiry whose report has been tabled in Parliament currently being processed by various committees of Parliament. We will provide the necessary input to shape the country's future gambling policy in the country.
- We will continue working closely with our fellow Provincial regulators, through the various forums, including the National Policy Council established in terms of the National Gambling Act, consisting of the Minister of Trade and Industry, MEC's responsible for gambling in each province and the chairpersons of national and provincial gambling boards.

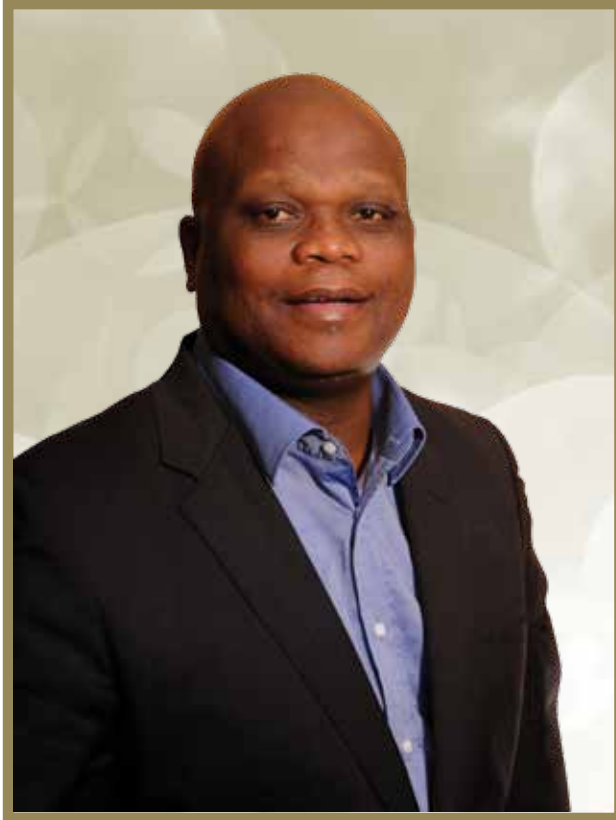
I would like to take this opportunity to express my sincere appreciation to the late MEC, Nkosiphendule Kolisile, my fellow Board members and staff for their efforts in ensuring the achievement of the Board's regulatory mandate.



**SP Mafojane**  
Chairperson

Date: 21 August 2013

## 7. CHIEF EXECUTIVE OFFICER'S OVERVIEW



I am pleased to report that the Board has substantially achieved its objectives. The area where they fell short relates mainly to the issuing of new licences, which the Board was unable to do as a result of termination of the Board membership.

The Board was unable to achieve this objective due to the fact that in terms of Section 18C of the Gauteng Gambling Act, the administrator is empowered to perform the functions and exercise the powers of the Board, either in whole or in part, excluding the granting and revocation of licences.

The Board will continue to strive to achieve its vision to be a leading and innovative regulator in the industry, by operating in a transparent, fair and equitable manner through competent personnel.

The tax revenue collection has increased from last year's figure of R701,367m to R772,179m. The Boards opera-

tional expenditure was incurred within budget.

In the coming year, in order to bolster the operational and service delivery of the organisation, the Board has embarked on a process to fill the critical vacant posts and also review the organisational structure.

Further, all matters that were raised by the internal audit regarding the Board's controls are being attended to.

I wish to express my sincere appreciation to the Department of Economic Development, Board members, management and staff for their efforts in ensuring the achievement of the Board's regulatory mandate.



**Bheki Nkosi**  
Chief Executive Officer  
Gauteng Gambling Board  
Date: 21 August 2013



PART B  
**PERFORMANCE INFORMATION**

# 1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

## Statement of Responsibility for Performance Information for the year ended 31 March 2013

**T**he Chief Executive Officer is responsible for the preparation of the public entity's performance information, and for the judgements made in this information.

The Chief Executive Officer is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against planned objec-

tives, indicators and targets, as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2013.

The Gauteng Gambling Board's performance information for the year ended 31 March 2013 has been examined by the external auditors and their report is presented on page 45.

The performance information of the entity set out on page 12 to page 26 was approved by the Board.

A handwritten signature in black ink, appearing to read 'Bheki Nkosi'.

**Bheki Nkosi**  
Acting Chief Executive Officer  
Date: 21 August 2013

## 2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported

under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 45 of the Auditors Report, published as Part E: Financial Information.





## 3. OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

### 3.1. Service delivery environment

Global economic fragility, largely fuelled by the European sovereign debt crisis has clouded the outlook for the SA economy and resulted in the Bureau for Economic Research (BER) forecasting GDP at 2,8% in 2012 and 3,6% in 2013.

The outlook for the global economy remains highly uncertain. After improving in the early part of 2012, more recent events in Europe have created greater uncertainty.

Africa has emerged as an attractive investment destination. The South African economy grew by 3,2% (annualised) during the fourth quarter of 2011 which was an acceleration on the previous quarter. This growth was partly driven by consumer demand. On the financial front, the SA Reserve Bank decided at the end of May 2012 to keep its repo rate unchanged at 5,5% even though the headline inflation rate has breached the 6% target ceiling since November 2011. The biggest contributors to inflation have been increases in the price of food, fuel and utilities. The BER now expects headline CPI inflation to remain above 6% for 2012 as a whole. At this stage it seems as if the Central Bank will keep interest rates unchanged through 2012. Despite the uncertain economic conditions in the country, the industry has experienced some growth which has resulted in an increase in a year-on-year tax revenue increase from R701,367m to R772,179m.

The gambling industry is inevitably characterised by high stakes and conflicts between various players competing for opportunities provided by the industry. The Board is from time to time required to adjudicate between competing parties, for example, between competitors for a licence, between a licensee and a punter. In some instances these disputes have landed up in the courts for resolution.

The Board has continued with its partnership with the National Responsible Gambling Programme to provide much needed strategies to minimise the incidence of problem gambling in the province, through education, research and treatment. A detailed report of this initiative is reported under performance information.

### 3.2. Organisational environment

The dispute between the MEC and the previous Board resulted in the organisation not having a Board from 9 May 2012 to 31 March 2013. The MEC appointed Mr Bally Chuene as an administrator to exercise all the powers of the Board. However, in terms of Section 18C of the Gauteng Gambling Act No. 4 of 1995, as amended, he does not have the power to grant, issue or revoke licences. This has resulted in the Board, during the period in question, being unable to issue new licences.

Further, since 2011 the organisation has not had a permanent Chief Executive Officer and various persons were appointed to act in that capacity. The Board and MEC have commenced with the process of filling this critical leadership position. The Board has also commenced the process of filling the other two managerial positions of Manager: Licensing and Investigations and Manager: Gaming Control and Audit.

### 3.3. Key policy developments and legislative changes

During the year, the Gauteng Gambling Act was amended to achieve the increase in the annual licence fees, as well as the application fees in terms of the regulations promulgated in terms of Section 84 of the Act.

### 3.4. Strategic outcome-oriented goals

For the year under review, the Board had the following strategic outcomes:

- Increased monitoring of BBBEE compliance
- Ensure compliance with the legislative framework
- Efficient and effective regulation of gambling
- Promotion of responsible gambling
- Enhance organisational performance, by providing an enabling environment
- Financial accountability and compliance to prescribed financial regulations and guidelines
- Contribution to eradication of poverty

# 4. PERFORMANCE INFORMATION BY PROGRAMME

## Gambling regulation

The Board's primary objectives in respect of the regulation of the industry, as contained in its strategic plan for the year under review, are to ensure that all gambling operations in the province are conducted in terms of the law, in particular the Gauteng Gambling Act No. 4 of 1995, as amended, and the National Gambling Act 7 of 2004, as amended.

Gambling regulation ensures that:

- gambling is free from criminal influence;
- appropriate harm-minimisation strategies for problem gambling have been provided;
- gambling activity is conducted fairly and in accordance with approved rules and operating procedures;
- licensees' administration, finance and security operations are conducted in accordance with the approved control procedures; and
- gambling equipment and devices are of a high standard and are only purchased from licensed suppliers.

## 4.1 Licensing

The licensing of natural and juristic persons in relation to gambling ensures that these people are eligible in accordance with the provisions of the Gauteng

Gambling Act, 1995 and the National Gambling Act, 2004. Employees in low-risk areas (eg. food and beverage and cleaning) of the licensee are not required to be licensed.

A summary of licensing activities undertaken during the reporting period is shown in Table 1 below.

## 4.2 Compliance audits and inspections

This activity strives to meet the following objectives of the Board:

- Ensure that weekly returns are accurate; properly reflect licensees' activities and the correct amounts of taxes and levies are paid to the Board.
- Ensure that licensees comply in all material aspects with provisions of the Gauteng Gambling Act, regulations, rules and other relevant legislation.
- Ensure compliance to bid deliverables and BB-BEE legislation.
- Ensure fairness to punters.

These objectives are achieved by:

- ensuring accuracy of gaming revenue paid by the licensees and compliance to applicable gaming legislation, by performing revenue and compliance audits;

*Table 1: Summary of Licensing Activities*

Type	Number of applications received	Approved	Withdrawn	Applications outstanding at 31 March 2013
Amendment of licence	54	31	0	19
Amusement machine	2	0	0	2
Transfer of licence	8	3	1	4
Financial interest	29	6	0	23
Certificate of suitability	1	0	0	1
Site licences (LPMs)	92	0	0	92
Employees	1 496	1 224	73	199

- on-going monitoring of compliance with BBBEE requirements and bid commitments, by performing reviews and monitoring audits on licensees; and
- testing and approval of gaming devices and an effective roll-out program for Limited Pay-out Machines (LPM).

The tables below show a summary of the activities undertaken.

**Table 2: Revenue audits**

Type	Planned revenue audits	Achieved	Variance
Casino	14	14	0
Bingo	10	10	0
Route operator	10	10	0
Manufacturers	0	0	0
Bookmakers	25	31	6
Totalisator	1	1	0

**Table 3: Compliance audits**

Type	Planned compliance audits	Achieved	Variance
Casino	14	14	0
Bingo	10	10	0
Route operator	10	10	0
Manufacturers	20	20	0
Bookmakers	25	44	19
Totalisator	0	0	0

**Table 4: Inspections**

Type	Planned compliance inspections	Achieved	Variance
Casino	0	0	0
Bingo	20	22	2
LPM	0	155	155
Manufacturers	0	0	0
Bookmakers	45	48	3
Totalisator	0	0	0

#### Reasons for variance

LPMs – as part of auditing the route operators, LPM sites which were initially not part of the plan were audited to gauge the level of compliance.

Bookmakers – more multi-branch audits were conducted than initially planned.

**Table 5: Gaming control**

Activity	Applications received	Applications processed
Machine testing	3853	3853
MCS system upgrades	61	61
Tables changes and moves	149	149
New table rules	4	4
Surveillance: camera views	987	987
Surveillance: interfacing	2347	2347
Bingo EBT testing	17	17
LPM pre-opening and testing	301	301
CEMS approvals	2997	2997
Machine destructions	2271	2271
Device approvals	710	710

### 4.3 Dispute resolution

In terms of Regulation 25 of the Gauteng Gambling Regulations promulgated in terms of Section 84 of the Gauteng Gambling Act, whenever a dispute arises between a patron and a licensee, as to the payment of alleged winnings or the precise amount thereof, to the patron by the licensee; or payment of a gambling debt or precise amount thereof by a patron to the licensee, and both parties are unable to resolve the dispute, either party may refer the dispute to the Board for resolution.

Further, in terms of Regulation 36(A), the Board is required to adjudicate upon a dispute between a licensee and a patron, relating to refusal of entry to licensed premises.

The activities for the year under review are set out in the table below:

*Table 6: Activities for the year under review*

Activity	Received	Actual processed	Variance
Disputes	142	127	15

#### *Reason for variance*

At the end of the financial year 2011/2012 there were 20 unresolved disputes which were carried over to the current financial year. At the end of the current financial year, 15 unresolved disputes will be carried over to the financial year 2013/2014.

### 4.4 Eradication of illegal gambling

The Board's mandate to regulate and control gambling in the Gauteng Province includes protection of the public, by ensuring that the operators who offer gambling have integrity and will be able to honour the winnings that are due, and to ensure that the games that the public are exposed to are fair and safe. In order to achieve these objectives, the Board works closely with the South African Police Services and other government agencies to eradicate the incidence of illegal gambling.

*Table 7: The eradication of the incidence of illegal gambling*

Activity	Planned	Actual	Variance
Raids	44	148	104
Machines seized	60	188	128
Machines destroyed	120	353	233
Arrests and convictions	44	77	33

#### *Reason for variance*

The Board embarked on a province-wide education programme of members of the South African Police Services. The purpose was to train members of the SAPS on the provisions of the Gauteng Gambling Act, in order to improve the number of raids and convictions. As a result of this training, the members of the SAPS in addition to planned raids, conducted their own raids where, in the course of their duties, they came across incidents of illegal gambling.

### 4.5 Responsible gambling

The legalisation of gambling inevitably results in a few individuals developing gambling problems. Although the issue of problem gambling is a relatively small one compared to the many greater health and social problems which the province has to address, it is vitally important that both the industry and the regulatory authorities do as much as possible to reduce its incidence and to prevent the problem from growing.

The key elements of the Responsible Gambling Campaign are on-going research projects; an educational prevention campaign for high school learners, university and college students; a community outreach initiative targeting vulnerable members of the community at transport hubs such as train stations, taxi and bus ranks, and also including senior citizens and recipients of social grants and pensions at pension paypoints. In addition, there is seasonal advertising in the media and participation in public events such as the Rand Show or corporate wellness days.

## **Schools**

The schools project involves a team of actors presenting a lively and educational industrial theatre-style performance to groups of high school learners in Grades 8 to 12. The script is based on the scenarios depicted in a custom-designed comic book, which is handed out to learners afterwards, along with attendance certificates for inclusion in their individual portfolios.

## **Campus outreach**

This project involving outreach to students on university or college campuses with facilitators handing out leaflets and engaging the students on responsible gambling, started at the beginning of the 2011 academic year and continued this year.

## **Pension point initiative**

Since November 2006 the National Responsible Gambling Programme (NRGP), in collaboration with the SA Social Services Agency (Sassa) and its former service provider AllPay, has had a team of up to five facilitators interacting with beneficiaries of old age pensions and social grants at the bigger paypoints in Gauteng. With effect from 1 April 2012, a new service provider, Cash Paymaster Services (CPS) came on-stream, introducing major changes to the modus operandi so the NRGP was asked to halt visits during the transition period which lasted four months. Visits resumed in August 2012 and were halted again in January 2013 because of a technicality relating to the service level agreement of CPS and Sassa, which required consultation and resolution at top level. In February and March 2013 the NRGP took advantage of the opportunity to visit the re-enrolment venues where the same audience could be reached.

## **Transport hubs**

This involves interaction with commuters, where the facilitators hand out responsible gambling leaflets at various transport hubs: 56 taxi ranks, 17 bus stations, 59 train stations and 18 combined bus/taxi ranks situ-

ated in various towns and townships as well as the suburbs surrounding the city centre. The transport hubs visited included:

### ***Taxi ranks***

Baragwanath, Benoni Park, Dube, Duduza/Kwa Thema, GaRankuwa, Germiston, Leratong, Pretoria Central, Roodepoort, Skorani Park/Daveyton, Tsepisong, and Wonderpark.

### ***Train stations***

Dube, Ikwezi, Johannesburg, Lenasia, Pretoria North, Roodepoort, Rosslyn, Sebokeng (Zones 7 and 10), Soshanguve and Wonderboom.

### ***Bus stations***

Dobsonville, Hillbrow, Orlando and Meadowlands Rea Via.

Combined train station/bus terminus/taxi ranks:

Bosman, Residensia, Sebokeng, Vanderbijlpark, and Vereeniging.

## **Special events**

The presence of NRGP-trained multilingual facilitators handing out collateral at public events such as the Rand Show and corporate wellness days helped raise public awareness levels about problem gambling, and the NRGP's problem gambling counselling line number 0800 006 008.

The NRGP participated for the ninth time, in collaboration with the Gauteng Gambling Board, in the Rand Show which ran over ten days from 6 to 15 April 2012, including the Easter weekend.

After two postponements the Soweto Festival Expo was finally called off by the organisers who plan to reschedule it for some time during 2013.

## **Advertising**

Advertisements warning the public about the dangers of gambling excessively during the Christmas Holiday Season were placed in various print publications, including: The Star, The Citizen, Sowetan, Beeld, Pretoria News and the Daily Sun, while public service

announcements were regularly broadcast on four local radio stations, Radio 702 Fm, Metro Fm, Highveld Stereo and Kaya Fm.

## Research

### *Completed research*

Publication of previous (2011/2012) GGB Research in a top international journal, a peer-reviewed publication detailing the findings of the (2011/2012) GGB project exploring the nature of township gambling appeared in the Journal of Gambling Studies and is available online; "Unregulated Gambling in South African Townships: A Policy Conundrum?" by Professor Graham Barr and Dr Leanne Scott, viewable at <http://link.springer.com/article/10.1007%2Fs10899-012-9330-0>.

### *Current research*

There are currently two research projects being commissioned for the GGB, under the auspices of the NRGP.

**Project title:** Can one influence the extent to which gamblers have misunderstandings of risk and/or chance which contribute towards their vulnerability to problem gambling?

The findings of previous focus groups (such as those described in the publication) indicated that the majority of adults who gambled had firmly held (false) beliefs on the operational mechanics of games of chance. Many players strongly believe that numbers in games of chance are (to some extent) predictable and thus offer a real opportunity for players to develop systems that 'work and outwit' the operators, casinos or otherwise, of such games.

This project explores the role of education about statistical principles of games of chance on gamblers' behaviour. It is of interest to explore how gamblers negotiate the conflict between demonstrable statistical principles underpinning games of chance, and deeply held convictions which could be loosely termed 'gamblers fallacies'.

A series of focus groups have been held in Gauteng during the first few months of 2013. Participants were selected for these focus groups on the basis of being regular (casino) Roulette players, and having some form of

tertiary education. The focus of these workshops was to determine whether players would change their perspective on gambling after being exposed to the fundamental statistical principles governing this particular game of chance. The reason for selecting participants with further education (beyond matric) was to include only those whose ability to work with numbers would be sufficient to allow them to absorb basic tenets of probability.

Participants were interviewed about their gambling habits and beliefs during the workshop, and later given the opportunity to use specially-designed software which simulated a real Roulette game. They were shown how to use the simulated game to find out about the odds, the expected payoffs and the risks associated with different betting strategies. Further discussion in the workshop probed the degree to which participants understood and internalised the principles pertaining to games of chance, which were exposed through the simulated gaming.

### *Measuring the extent and profile of Internet gambling in Gauteng.*

There has been no study to look at the extent and nature of Internet gambling, either from computers connected to the Internet, or cell phones connected wirelessly to the Internet in South Africa. Internet gambling in SA is illegal, but is difficult to monitor and control and no one has been prosecuted for gambling in South Africa on the Internet.

Of course the SA Revenue Service stands to lose considerable tax revenue if there is a marked shift from (say) casino gambling to Internet gambling. While the provinces can easily monitor the exact amount of 'handle', that is money processed through casino games, they cannot monitor Internet gambling at all. (Note that in the case of slot machines, the largest source of casino 'handle' by far is the amount of money flowing through provincial slot machines). This provides the province with a fairly precise measurement of its tax revenue from gambling. By contrast, in the case of Internet gambling, the monetary transactions are unknown to SARS and Province.

A well-sampled measurement of the quantum of Internet gambling is thus required. Interrogating gambling players in Gauteng is a dominant pointer to cross-SA activity, as Gauteng has the greatest flow of gambling spend by far (of the order of 60% of total SA gambling spend). A well-structured sample of 3 000 players sampled at (say) supermarkets would give a good idea of the extent of Internet gambling in SA.

A particularly important facet of the questionnaire will be to ascertain the extent to which players are switching from legal forms of gambling, particularly casinos and the Lotto, to gambling available on the Internet, which is illegal. Clearly, for a player to be an Internet gambler requires a sophisticated knowledge of computers. A key component of this study is to compare the profile of casino players with Internet gamblers. The broad aim of the project is to ascertain the extent - breadth and profile - of Internet Gambling in SA, using a survey group from Gauteng. In addition, we would consider various hypotheses which have been raised for other countries, including:

1. Males would be significantly more likely to be Internet gamblers than females.
2. Internet gamblers would be significantly more likely to be problem gamblers than non-Internet gamblers.
3. Males would be significantly more likely to be problem Internet gamblers than females.

**Table 8: Reach of the Responsible Gambling programme**

Activity	Planned	Achieved
Number of responsible gambling programmes	5	5
Number of people reached with responsible gambling message	180 925	160 029

#### **Reason for variance**

The shortfall on the number of people to be reached through responsible gambling messages, occurred as a result of the change in the service providers, which resulted in a period of three months where the responsible gambling team could not access the payout points.

#### **Self-exclusions**

The Board provides a self-exclusion programme, where punters who realise that they may have a gambling problem may lodge a written request to be excluded from participating in gambling. The request for self-exclusion may be lodged, either at the Board's offices, or at the licensees' premises.

Persons who request to be excluded may only be allowed back into licensed premises, or may request upliftment of the exclusion, after a minimum period of six months, and after undergoing counselling. The table below reflects the activities for the year under review:

**Table 9: Self-exclusions**

Activity	Planned	Actual	Variance
Self-exclusions received	240	419	179
Self-exclusions uplifted	60	137	77

#### **Reason for variance**

Due to the Responsible Gambling Awareness Programme more people made use of the self-exclusion programme.

### **4.6 Corporate Social Investment (CSI)**

The Board annually sets aside a budget, as part and parcel of alleviating community hardship emanating from social and developmental challenges. The budget for the current financial year was R9 234 403, and was distributed as reported under paragraph 14.

### **4.7 BBBEE**

In terms of the Gauteng Gambling Act, the Board is empowered to impose licence conditions, including those relating to bid undertaking and broad based black economic empowerment. Further, in terms of Section 53 of the National Gambling Act, the Board is empowered to regularly review the licence conditions relating to broad based black economic empowerment.

Each year licensees are required to provide committed milestones regarding the level of BBBEE, building towards the ultimate goal of level 2 in 2015.

Internally, relevant staff were trained on BBBEE and the details are reported under the Human Resources Report. Further, for the Board's procurement process a revised policy has been approved to take effect from 1 April 2013.

#### 4.8 Enforcement of the Financial Intelligence Centre Act

With effect from 1 December 2010 the Board was appointed as a supervisory body in terms of the Financial Intelligence Centre Act, 2001.

The objectives of FICA are to:

- Preserve and enhance SA's reputation for sound governance and policies.
- Bring the SA legislation and framework in line with international standards and expectations.
- Complement the Prevention of Organised Crime Act, 1998 (POCA) which defines the crime of money laundering and also anti-terror legislation, Protection of Constitutional Democracy against Terrorist and Related Activities Act, 2004 (POCDATARA).
- Remove the business element from 'the business of crime'.
- Establish SA as part of international efforts to combat money laundering and terror financing.

*Table 10: FICA inspections*

Activity	Planned	Executed
FICA inspections	7	8

#### 4.9 Operational projects

The following operational projects were undertaken:

##### Implementation of the ICT Governance structure

The IT strategy was revised, tabled before management and the Audit and Risk Committee for review on behalf of the Board. The Audit and Risk Committee referred it to the Internal Auditors for final review. As at year end the process to fine tune the IT strategy was still underway.

##### Asset Register

The Board embarked on a comprehensive process to update its asset register and this process was finalised by year end.

##### Organisational review

The Board took a decision to review its organisational structure, to take into account the changes in the environment, in order to ensure continued delivery of its mandate. Due to the departure of the Board, the process had to be re-commenced and it will be finalised in the next financial year.



#### 4.10 Consolidated Performance Information Report

Strategic Objective	Performance Indicator	2012/13 Target	Actual	Status	Comments on the enabling conditions and/or reasons for deviations
Increased monitoring of BBBEE compliance	Draft enhanced policy developed	Report by 31 March 2013	Draft policy developed	Achieved	Adequate resources were deployed
Increased monitoring of BBBEE compliance	Rate of compliance to BBBEE legislation	Report by 31 March 2013	Report completed	Achieved	Adequate resources were deployed
Increased monitoring of BBBEE compliance	Number of staff members who received BBBEE verification agency training	16	30	Achieved	Adequate resources were deployed
Increased monitoring of BBBEE compliance	Percentage spent on PPF service providers	70%		Not achieved	Policy approved by the Administrator during January with an implementation date of April 2013.
To promote effective and efficient regulation of gambling industry	Annual submission of draft amendments of legislation to DED	1 submission	Proposed amendments submitted	Achieved	Efficiency of the system and processes
To promote effective and efficient regulation of gambling industry	Tax rand value of revenue collection per annum	R709 million	R772,179 million	Achieved	Efficiency of the system and processes
To promote effective and efficient regulation of gambling industry	Rand value of license fee and other revenue collected per annum	R101 Million	R115 million	Achieved	Efficiency of the system and processes
Increase monitoring and control of gambling in the province	Percentage of gambling licenses processed (approved) per annum	100%	65,95%	Not achieved	In terms of Section 18C, the Administrator has all the necessary powers save for approval or revocation of licences. Consequently not all licences could be issued by the Administrator for the year.

Strategic Objective	Performance Indicator	2012/13 Target	Actual	Status	Comments on the enabling conditions and/or reasons for deviations
Increase monitoring and control of gambling in the province	Percentage of applications processed within the standard time frames	75%	69%	Not achieved	In terms of Section 18C, the Administrator has all the necessary powers save for approval or revocation of licences. Consequently not all licences could be issued by the Administrator for the year
Increase monitoring and control of gambling in the province	Percentage of disputes and complaints resolved per annum (APP)	65%	100%	Achieved	Efficiency of the system and processes
Increase monitoring and control of gambling in the province	Number of compliance audits conducted on gambling licensees per annum	158	174	Achieved	Efficiency of the system and processes
Increase monitoring and control of gambling in the province	Number of inspections conducted per annum	102	252	Achieved	Efficiency of the system and processes
Increase monitoring and control of gambling in the province	Number of planned raids conducted per annum	36	148	Achieved	Efficiency of the system and processes
Increase monitoring and control of gambling in the province	% Planned raids conducted per annum	100%	410,89%	Achieved	Efficiency of the system and processes
Increase monitoring and control of gambling in the province	% of disputes processed within the standard time frames	75%	100%	Achieved	Efficiency of the system and processes
Increase monitoring and control of gambling in the province	% complaints resolved per annum	65%	100%	Achieved	Efficiency of the system and processes
Increase monitoring and control of gambling in the province	% of gaming equipment applications processed	100%	100%	Achieved	Efficiency of the system and processes
Increased number of people benefiting from the CSI project	Rand value of CSI spend per annum	R9 Million	R9 234 403	Achieved	Efficiency of the system and processes

Strategic Objective	Performance Indicator	2012/13 Target	Actual	Status	Comments on the enabling conditions and/or reasons for deviations
Increased number of people benefiting from the CSI project	Number of social responsibility programmes conducted per annum	2	16	Achieved	Efficiency of the system and processes
Increased number of people benefiting from the CSI project	Rand value spent on Sports Development Fund	R6 million	Nil	Not achieved	No applications for grants have been received.
Promotion of responsible gambling legislation	Number of awareness programmes conducted per annum	5	3	Not achieved	The Soweto Festival was postponed and Varsity/ Colleges were not visited due to exams.
Promotion of responsible gambling legislation	Number of people reached with messaging on the dangers of gambling	180 925	91 679	Not achieved	The Soweto Festival was postponed and Varsity/ Colleges were not visited due to exams.
To enhance organisational performance by providing and enabling environment	Organisational structure reviewed by 31 March 2013	1	None	Not achieved	Process had to be recommenced
To enhance organisational performance by providing and enabling environment	Succession plan developed by 31 March 2013	1	None	Not achieved	Process incorporated in the bi-annual appraisal of performance, however a formal policy was outstanding
To enhance organisational performance by providing and enabling environment	Value based PMS component adopted by 31 March 2013	1	None	Not achieved	Project reassigned for the next financial year
To enhance organisational performance by providing and enabling environment	Level of implementation of ICT governance structure and decision making processes	1	Partially	Not achieved	Strategy developed and approved by management. Submitted to the Audit and Risk Committee for approval on behalf of the Board. Audit and Risk Committee referred it back for refinement.

Strategic Objective	Performance Indicator	2012/13 Target	Actual	Status	Comments on the enabling conditions and/or reasons for deviations
To ensure financial accountability and compliance to prescribed financial regulations and guidelines	Percentage variation between actual and budget expenditure	10%	15,79%	Not achieved	Savings on staff cost and other operating expenses.
To ensure financial accountability and compliance to prescribed financial regulations and guidelines	100% up to date asset register by 31 March 2013	100%	100%	Achieved	Efficiency of the system and processes
To ensure financial accountability and compliance to prescribed financial regulations and guidelines	Level of implementation of the centralised SCM policy	100%	None	Not achieved	Policy approved by the Administrator during January with an implementation date of April 2013.
To ensure financial accountability and compliance to prescribed financial regulations and guidelines	Level of implementation of risk mitigation strategies	100%	100%	Achieved	Efficiency of the system and processes

## 5. SUMMARY OF FINANCIAL INFORMATION

### 5.1. Revenue collection

The Board's revenue increased by 14,11% year-on-year from R101,099m to R115,360m, while the actual revenue for the current year exceeded budget by 13,36% from R101,762m to R115,360m. The increase in revenue for the current year is as a result of the annual inflationary increase of fees and a general increase in tax revenue, resulting in an increase in collection commission.

*Table 11: Revenue collection*

Sources of revenue	2013			2012		
	Estimate	Actual amount collected	(Over)/ under collection	Estimate	Actual amount collected	(Over)/ under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue from exchange	63,595	69,385	(6 000)	61,763	63,472	(1 709)
Revenue from non-exchange	34,471	42,414	(7 943)	37,309	34,762	2 547
Interest receivable	3,696	3,561	135	4,000	2,865	(1 135)
<b>Total</b>	<b>101,762</b>	<b>115,360</b>	<b>(13 808)</b>	<b>103,072</b>	<b>101,099</b>	<b>1 973</b>

### 5.2. Programme expenditure

The Board's expenditure increased by 19,18% year-on-year from R71,904m to R85,694m, while the actual expenditure for the current year was less than budget by 15,79% from R101,762m to R85,694m largely due to savings on staff costs and Board member fees.

*Table 12: Programme expenditure*

Programme name	2013			2012		
	Budget	Actual expenditure	(Over)/ under expenditure	Budget	Actual expenditure	(Over)/ under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Board member remuneration	(4,046)	(3,062)	984	(2,458)	(2,387)	71
Employee-related costs	(50,725)	(44,784)	5 941	(56,442)	(42,106)	14 336
Depreciation	(5,490)	(4,751)	739	(6,000)	(4,612)	1 388
Amortisation	-	(297)	(297)	(360)	116	244
Other operating expenses	(41,501)	(32,800)	8 701	(34,673)	(22,915)	11 758
<b>Total</b>	<b>(101,762)</b>	<b>(85,694)</b>	<b>16 068</b>	<b>(99,933)</b>	<b>(71,904)</b>	<b>28 029</b>

### 5.3. Capital investment, maintenance and asset management plan

The Board has neither a maintenance plan nor capital investment. Its building is fairly new and is currently maintained in-house.



PART C  
**GOVERNANCE**

## 1. Introduction

The Gauteng Gambling Board remains fully committed to business integrity, fairness, transparency and accountability in all its activities. In support of this commitment, the Board subscribes to the highest standards of corporate governance in all aspects of its operations, and in the on-going development and implementation of best practices. The Board is ultimately responsible for ensuring high governance standards, assisted by management and aims to instil a culture of compliance and good governance.

## 2. Portfolio committees

The Board together with the department held several meetings and exchanged correspondence with the Standing Committee on Public Accounts. The main areas of concern raised by the committee related to the finding by the Auditor-General in the 2012 annual report, relating to irregular and fruitless and wasteful expenditure. The Administrator appointed Comperio Forensic Services (Pty) Ltd to conduct a forensic audit of the activities of the Board and to provide a report to inform appropriate action to be taken to recover the fruitless and wasteful expenditure. Subsequent to the outcome of the Supreme Court of Appeal, the Auditor-General revised its finding of fruitless and wasteful expenditure made in the previous year's annual report.

## 3. Executive authority

On a quarterly basis the Board provides a report to the Department of Economic Development on progress made towards the achievement of the predetermined objectives and implementation of the business plan. These matters are reported here under 3.4 Performance information.

## 4. The Accounting Authority/Board

### Introduction

The Board is a statutory body established in terms of Section 3 of the Gauteng Gambling Act, No. 4 of 1995,

as amended, to exercise public power to regulate and control gambling activities in the Gauteng Province on behalf of the Gauteng Provincial Government.

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

The Board focuses on the key elements of the corporate governance processes underpinning its operations. In particular its role is to:

- consider, and adopt if appropriate, operating budgets and business plans proposed by management for the achievement of its strategic direction;
- delegate authority for capital expenditure;
- provide oversight of performance against targets and objectives;
- provide oversight of reporting on the direction, corporate governance and performance of the Board;
- identify, consider and review key risk areas;
- ensure ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, and the Board's internal governing documents and codes of conduct;
- act responsibly towards the Board's relevant stakeholders, and
- be aware of and commit to the underlying principles of good corporate governance and ensure that compliance with corporate governance principles is reviewed regularly.

The Board regularly reviews its annual agenda to ensure that sufficient time is allocated towards the review of its strategy, which involves the analysis and choice of such strategy, and the on-going review of progress against the approved plans.

### Conflicts of interest

Board members are required to inform the Board timeously of conflicts, or potential conflicts of interest, they may have in relation to particular items of business. Declarations of interest are tabled annually at the Board meetings or whenever a Board member has a conflict of interest on any matter, before the Board or sub-committee meeting.

## Board members

As required in terms of the Act and good governance, the Board members come from diverse professional backgrounds. Their collective qualifications, skills and experience enable them to provide transparent, independent and objective judgement in the decision-making process. They provide strategic direction to the Gauteng Gambling Board in addition to monitoring and measuring the Gauteng Gambling Board's performance and its executive management, against key performance indicators.

The roles of the Chairperson and the Chief Executive Officer are separate, with a clear division of responsibilities.

## Board committees

The Board has established committees to assist it in exercising its authority, including monitoring the performance of the organisation to gain assurance that progress has been made towards the organisation's objectives within the limits imposed by the Board. The permanent committees of the Board are the Executive, Audit and Risk, Corporate, Gaming and Responsible Gambling Committees. The Board has, in addition to the permanent committees, established ad hoc committees, namely the Remuneration and Nomination Committees.

Each committee has terms of reference under which authority is delegated by the Board. The office of the Board Secretary provides secretarial services for the Board and each of the committees.

## Board charter

Board meetings are held at least quarterly and more frequently if circumstances so require. Proceedings at meetings are directed by a formal agenda. The proposed agenda is circulated prior to the meeting to allow Board members sufficient opportunity to request additional agenda items.

In addition, a comprehensive Board pack is distributed to all members in advance of meetings, to ensure that they are properly informed and to enable them

to undertake meaningful discussion and effectively discharge their duties. These packs typically include:

- Agenda
- Previous meeting minutes
- Copies of any resolutions passed since the last Board meeting
- Minutes of all sub-committee meetings which have taken place since the last Board meeting
- Governance update to assist Board members in keeping abreast with relevant legislation

All Board members have unrestricted access to the Board Secretary and all Board records, as well as to independent professional advice, at the Board's expense, in appropriate circumstances.

## Composition of the Board

During January 2012, the MEC terminated the Board's tenure and appointed, after consultation with the Executive Council, by notice in the Provincial Gazette, an administrator, Mr Bally Chuene to perform the functions and exercise the powers of the Board, either in whole or in part, excluding the granting and revocation of licences. The dismissal of Board members was subsequently reversed by the Supreme Court of Appeal.

## Audit and Risk Committee

*Table 13: Meetings of the Committee*

No. of meetings held	No. of members	Name of members
4	7	Mr M Nkhabu Mr G Nzalo Ms A Badimo Mr P Zwane Mr M Malaka Mr B Chuene

## Remuneration of board members

The Board member's remuneration is as determined from time to time by the MEC. The details of Board remuneration is set out in Note 15 of the Financial Statements on page 68.



*Table 14: Composition of the Board*

Name	Designation	Date appointed	Date resigned	Qualifications	Area of expertise	Other committees	No. of meetings attended
Mr Prince Mafojane	Chairperson	1 April 2011	Current	B.Proc, LLB	Attorney	Executive	2 of 2
Dr Siphwe Mndaweni	Deputy Chairperson	1 April 2011	Current	BA Biology, MBCHB, Management Advanced Programme, Certificate in HIV/AIDS Management, DNA Probe Diagnostics Certificate	Social welfare	Executive, Responsible Gambling, Gaming	0 of 2
Mr Tshepo Molai	Board member	1 April 2011	Current	MSC Geo Physics, MSC Electrical Engineering, MSC Physics, MA Curriculum and Teaching, BSc Physics	Business acumen	Corporate, Gaming, Responsible Gambling	1 of 2
Ms Shirley Machaba	Board member	1 April 2011	Current	B.Com Hons, B.Compt Hons, Post Graduate Diploma in Auditing, Post Graduate Diploma in Education, Certificate in Quality Assurance Review	Accounting	Audit and Risk, Corporate	0 of 2
Mr Andile Mahlolutye	Board member	1 April 2011	Current	Programme Cert on Development and Management of Non-Governmental Organisations, Masters in Financial Management, Graduate Diploma in Company Direction, Masters in Business Leadership, BS, Professional QS, Project Management Professional	Business acumen	Corporate, Gaming	2 of 2
Ms Cynthia Motau	Board member	1 April 2011	Current	BA Social Work, Advanced Diploma in Community Development, Masters Degree in Education, Advanced Certificate in Project Management, Certificate in Corporate Governance, Certificate of Business Accounting for Non-Accountant Managers	Tourism	Corporate, Responsible Gambling	2 of 2
Mr Stephen Hall	Board member	1 April 2011	Current	Gaming expertise	Gaming expert	Gaming, Responsible Gambling	2 of 2
Mr Yaswant Gordhan	Board member	1 April 2011	Current	B.Com. Hons Accounting, Chartered Accountant. Master of Science	Accounting	Corporate, Gaming	2 of 2
Ms Puli Moloto-Stofile	Board member	1 April 2011	19 April 2012	LLB	Attorney	Audit and Risk, Gaming	0 of 2

# MEMBERS OF THE BOARD



Mr SP Mafojane: Chairperson



Mr J Sexwale: Board member



Ms FJ van der Westhuizen:  
Board member



Mr SL Majombozi: Board member



Mr Z Majavu: Board member



Mr FS Mufamadi: Board member



Mr SJ Hall: Board member



Mr YN Gordhan: Board member



Ms C Motau: Board member



Mr Bheki Nkosi: Acting CEO



Mr E Lalumbe:  
Chief Operating Officer

The following Board Members Mrs Hari, Mr T Molai and Mr B Chuene are not depicted

The responsible member of the Executive Council (MEC) may recover from the funds of the Board the cost of appointing the Administrator to take over the administration of the Board.

## 5. Risk management

The identification and management of risk is central to achieving the Board's mandate in terms of the Act. Each year the Board reviews and considers the risk profile of the whole business. This risk profile covers both operational and strategic risks.

The Board has delegated the oversight of risk management to the Audit and Risk Committee.

In addition, the Board specifically requires management to implement a system of control for identifying and managing risk. The Board, through the Audit and Risk Committee, regularly reviews the effectiveness of the system.

In this regard the role of the Audit and Risk Committee is to ensure that:

- appropriate risk and control policies are in place and are communicated throughout the organisation;
- the process of risk management and the system of internal control are regularly reviewed for effectiveness;
- there is an on-going process of identifying, evaluating and managing the significant risks faced by the Board (including compliance and IT-related risks) and that this is in place throughout the year;
- a formal risk assessment is undertaken annually;
- there is an adequate and effective system of internal control in place to manage the more significant risks faced by the group to an acceptable level;
- a risk register is maintained and kept up to date; and
- appropriate insurance cover is placed and regularly reviewed, and that all uninsured risks are reviewed and managed.

## 6. Internal control

The Board is responsible for our systems of internal financial and operational control and the executive management is relied on to ensure that the organisation continues to maintain accounting records and systems of internal control that are appropriate to the achievement of our business strategies.

## 7. Internal audit and audit committee

The Board's internal audit function provides the Board and management with an independent and objective assurance service that reviews matters relating to control, risk management and operational efficiency. The internal auditors report directly to the Audit and Risk Committee.

The Audit and Risk Committee approves the function's yearly plan of audits, which encompasses all the Board's business operations and support functions. The internal audit plan is based on an annually-conducted organisation-wide risk assessment.

The external auditors provide an independent assessment of the Board's systems of internal financial control and express an independent opinion on the Board's financial statements.

The external auditors' plan is reviewed by the Audit and Risk Committee to ensure that significant areas of concern are covered, without infringing on the external auditors' independence and right to audit.

The internal audit of the Board is outsourced to Nkonki Inc, a firm of auditors.

Table 15 on the following page discloses relevant information on the Audit and Risk Committee members

## 8. Compliance with laws and regulations

Management of the organisation is responsible for the day-to-day management of the activities of the institution and Board members embrace their responsibilities imposed by King III and acknowledge that it should ensure compliance with applicable laws

**Table 15: Audit and Risk Committee members**

Name	Qualifications	Internal or external	Date appointed	Date resigned	No. of meetings attended
Mr M Nkhabu	CA (SA)	External	Re-appointed January 2013		4 of 4
Mr G Nzalo	CA (SA)	External	Re-appointed January 2013		4 of 4
Ms S Machaba	CA (SA)	External	April 2011	Resigned May 2012	1 of 4
Ms A Badimo	MSC	External	January 2013		0 of 4
Mr P Zwane	CA (SA)	External	January 2013		0 of 4
Mr M Malaka	B Juris, LLB	External	January 2013		0 of 4

and ensure that compliance risk is addressed in the risk management process. In addition each individual manager undertakes to maintain a working understanding of the laws, rules, codes and standards applicable to the Board's operations. The individual managers are supported by the legal department which provides the following services:

- Identifying and advising on existing, new or amended legislation that is applicable to the Board's business, including giving recommendations on applicable rules;
- Facilitating legal compliance with relevant laws and rules and assigning responsibility for areas of compliance;
- Facilitating legal compliance with internal policies, rules, guidelines and procedures; and
- Facilitating and reviewing management's monitoring of compliance.

Accordingly, management is responsible for the implementation of effective compliance and processes.

The Audit and Risk Committee of the Board receives regular compliance updates.

## 9. Fraud and corruption

A Whistle Blowing facility has been put in place for the reporting of suspected fraud and unethical behaviour. Use is made of an outsourced, anonymous toll-free hot-line manned by Nkonki, a registered firm of accountants and auditors. A report is compiled on a quarterly basis.

## 10. Minimising conflict of interest

The Board has a comprehensive policy on supply chain management. The policy stipulates various processes and procedures relating to supply chain management. It provides for detailed internal controls, including segregation of duties and authorisation levels depending on the level of risk. The policy was reviewed, updated and approved by the Administrator to take effect from 1 April 2013. This policy is also supported by the fraud and corruption measures of the organisation reported in paragraph 9 above.

## 11. Code of conduct

The Gauteng Gambling Board has adopted a Code of Conduct aimed at creating a culture of the highest standards of ethics and uncompromising honesty amongst all Board members and staff. The Code of Conduct is founded on the principles of integrity, good faith, impartiality, openness and accountability.

The Code of Conduct forms an integral part of the induction programme and all new Board members and staff members agree to subscribe to the Code of Conduct.

## 12. Health, safety and environmental issues

The Board is committed to ensuring a safe and healthy workplace for all its employees, visitors and invitees. The Board complies with all relevant legislation, in particular, the Occupational Health and Safety (OHS) Act of 1993. This includes monitoring risks in the workplace, addressing reported incidents, and raising awareness and responsibility among employees around serious diseases.

## 13. Company/Board secretary

The Board has employed a company secretary who assists it in arranging meetings of the Board and sub-committees, taking of minutes and general advice

to Board members. As the Board is a public entity in terms of Schedule C of the Public Finance Management Act, No. 1 of 1999, as amended, the company secretary is not required to complete and lodge returns in terms of the Companies Act.

## 14. Social responsibility

Many of the communities in Gauteng have multiple social and developmental challenges and require support to address the impacts of intergenerational poverty. The beneficiaries of social investment during the current financial year included health institutions, youth and HIV organisations. This year our budget was R9 234 403 and was distributed to the organisations tabled below.

*Table 16: Social responsibility*

	R
Robin Bank and Associates	34 200,00
Soul Candi	25 800,00
Far East Rand Hospital	6 000 000,00
Spiritual Waters	396 000,00
Lotsha Support Organisation	644 413,60
Child Welfare Tshwane	547 740,00
Actions for Blind and Disabled Children	204 000,00
Alexandra Disability Movement	474 000,00
Forever Friends Foundation	50 000,00
Education Youth Empowerment Studies	150 000,00
Thandanani	103 841,60
Abused and Abandoned Kids	250 000,00
Tshepo Makole Youth Empowerment	43 890,00
Vhuthini Vhathuni Foundation	170 529,84
South African National Tuberculosis	82 300,00
Pfuna Projects	57 687,96
<b>TOTAL</b>	<b>9 234 403,00</b>

## 15. AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2013.

### Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 38 (1) (a) of the Public Finance Management Act and paragraph 27.1.10 of the Treasury Regulations. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter. It has also regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein, except that the committee has not reviewed changes in accounting policies and practices.

### The effectiveness of internal control

Our review of the findings of the internal audit work, which was based on the risk assessments conducted in the public entity, revealed certain weaknesses, which were then raised with the public entity. However, management has taken measures to remedy the areas of weakness identified, and management is also continuously looking at implementing measures to mitigate risks and improve internal controls effectiveness.



**G Nzalo**  
Chairperson of the Audit and Risk Committee  
Gauteng Gambling Board  
21 August 2013

### In-year management and monthly/ quarterly reports

The public entity has submitted monthly and quarterly reports to the Executive Authority.

### Evaluation of financial statements

We have reviewed the annual financial statements prepared by the public entity.

### Auditor's report

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved, or are in progress to resolution by management.

The Audit and Risk Committee concurs and accepts the conclusions of the external auditor 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.

PART D  
**HUMAN RESOURCE MANAGEMENT**



## 1. Introduction

The objective of the Human Resources Department is to support the Board's vision to be a leading and innovative regulator in the gambling industry.

The department provides the following services:

- Talent development and performance management.
- Talent planning, organisational development and central resourcing.
- Employee reward and benefits.
- Payroll and policy development.
- Human resources information management systems.
- Employee relations and transformation.
- Employee wellness.

*Table 17: Employees according to race and gender*

Race	Female	Male	Total	Percentage
African	29	26	55	82,08
Coloured	2	2	4	5,9
Indian	1	0	1	1,5
White	4	3	7	10,45
Total	36	31	67	100
Disabled		1	1	1,4

### Performance management

Significant improvements in the management of performance have been realised through the sustained institutionalisation and support of the Gauteng Gambling Board's performance management system. Individual performance objectives are linked to the

*Table 18: Personnel cost*

Total expenditure for the entity	Personnel expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
(R)	(R)			(R)
85 694 000	44 784 000	52.26	67	668 418

Board's strategic objectives. Training of both management and staff was undertaken with a view to continuously improving the system.

### Skills development

Training and development at the Gauteng Gambling Board is done through various interventions that contribute to the improvement of organisational performance, talent attraction, retention and service delivery to our licensees.

### Employee wellness

The Gauteng Gambling Board implemented a formal comprehensive wellness programme in January 2009. To this end, we partnered with ICAS to provide counselling and advisory services to all the Board's employees and their families, 24 hours a day, 7 days a week.

The Gauteng Gambling Board is committed to fighting HIV/Aids, by conducting awareness campaigns throughout the year. The World Aids Day activities form part of our HIV/Aids campaign of education, voluntary counselling and testing. These interventions were well received by employees.

## 2. Human resource oversight statistics

The public entity must provide the following key information on human resources. All the financial amounts must agree to the amounts disclosed in the annual financial statements. Where considered appropriate provide reasons for variances.

**Table 19: Personnel cost by salary band**

Level	Personnel expenditure	% of personnel exp. to total personnel cost	No of employees	Average personnel cost per employee
	(R)			(R)
Top management	4 174 429	11,5	3	1 391 476
Senior management	11 437 040	31,6	5	2 287 408
Professionally-qualified	6 754 121	18,6	10	675 412
Skilled	13 068 370	36,0	37	353 199
Semi-skilled	630 882	1,7	10	63 088
Unskilled	142 928	0,39	6	23 821
<b>TOTAL</b>	<b>36 207 768</b>	<b>100</b>	<b>71</b>	

**Table 20: Performance rewards**

Level	Performance rewards	Personnel expenditure	No of employees	% of performance rewards to total personnel cost
	(R)	(R)		
Top management	0	4 174 427	3	0
Senior management	1 020 331	11 437 040	5	0,8
Professionally-qualified	1 021 424	6 754 121	10	0,1
Skilled	1 528 693	13 068 370	37	0,1
Semi-skilled	457 782	630 882	10	0,7
Unskilled	91 244	142 928	6	0,6
<b>TOTAL</b>	<b>4 119 474</b>	<b>36 207 768</b>	<b>71</b>	

**Table 21: Training costs**

Directorate/ business unit	Personnel expenditure	Training expenditure	Training expenditure as a % of personnel Cost	No. of employees trained	Average training cost per employee
	(R)	(R)			(R)
Gauteng Gambling Board	44 784 000	1 185 095	2.646	65	18 232.23

**Table 22: Employment and vacancies**

Directorate/ business unit	2012/2013 No. of employees	2012/2013 Approved posts	2012/2013 Vacancies	% of vacancies
Gauteng Gambling Board	67	82	15	18.29

**Table 23: Employment and vacancies**

Programme	2012/2013 No. of employees	2012/2013 Approved posts	2012/2013 Vacancies	% of vacancies
Top management	1	2	1	50
Senior management	5	6	1	16.66
Professionally-qualified	10	10	0	0
Skilled	35	48	13	27.08
Semi-skilled	10	10	0	0
Unskilled	6	6	0	0
<b>TOTAL</b>	<b>67</b>	<b>82</b>	<b>15</b>	<b>18.29</b>

**Table 24: Employment and vacancies**

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	1	1	0	2
Senior management	5	0	0	5
Professionally-qualified	10	0	1	9
Skilled	37	1	2	35
Semi-skilled	10	1	0	10
Unskilled	6	0	0	6
<b>TOTAL</b>	<b>69</b>	<b>3</b>	<b>3</b>	<b>67</b>

**Table 25: Reasons for staff leaving**

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignation	3	75
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of contract	1	25
Other	0	0
<b>Total</b>	<b>4</b>	<b>100</b>

**Table 26: Labour Relations: Misconduct and disciplinary action**

Nature of disciplinary action	Number
Verbal warning	0
Written warning	0
Final written warning	0
Dismissal	0

**Table 27: Equity target and employment equity status (male)**

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	1	0	0	0	0	0	0
Senior management	1	1	1	0	0	0	0	1
Professionally-qualified	1	0	1	0	0	0	3	0
Skilled	20	0	0	2	0	1	0	2
Semi-skilled	1	0	0	0	0	0	0	0
Unskilled	2	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>27</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>3</b>

**Table 28: Equity target and employment equity status (female)**

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	0	0	0	0	0	0	0
Senior management	3	0	0	0	0	0	0	0
Professionally-qualified	2	0	0	0	0	0	2	0
Skilled	15	0	0	2	1	1	0	2
Semi-skilled	5	0	2	0	0	0	2	0
Unskilled	4	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>29</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>2</b>

**Table 29: Equity target and employment equity status (disabled staff)**

Levels	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professionally-qualified	0	0	0	0
Skilled	1	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>

PART E  
**FINANCIAL INFORMATION**

# 1. STATEMENT OF RESPONSIBILITY

## Statement of Responsibility for the Annual Financial Statements for the year ended 31 March 2013

The Accounting Authority is responsible for the preparation of the public entity's annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

In my opinion, the financial statements fairly reflect the operations of the public entity for the financial year ended 31 March 2013.

The external auditors are engaged to express an independent opinion on the AFS of the public entity.

The Gauteng Gambling Board's Annual Financial Statements for the year ended 31 March 2013 have been audited by the external auditors and their report is presented on page 45.

The Annual Financial Statements of the public entity set out on page 48 to page 80 have been approved.



**Bheki Nkosi**  
Acting Chief Executive Officer  
Gauteng Gambling Board  
Date: 21 August 2013



**Prince Mafojane**  
Chairperson of the Board  
Gauteng Gambling Board  
Date: 21 August 2013

## 2. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to report that the Board has managed to achieve most of its objectives. The main area of non-achievement relates to the issuing of new licences which the Board was unable to do as a result of termination of the Board membership.

The Board was unable to achieve this objective due to the fact that in terms of Section 18C of the Gauteng Gambling Act, the Administrator is empowered to exercise all the powers of the Board except for the granting of licences.

The overall tax revenue collection has increased by 10,09% year-on-year from R701,367m to R772,179m. The Board's operational expenditure was incurred within the budget. The tax revenue, per gambling mode is as follows:

- Casino machine tax revenue increased by 6,62% year-on-year from R427,108m to R455,295m while table revenue increased by 5,41% year-on-year from R136,145m to R143,517m.
- Bingo tax revenue increased by 36,05% year-on-year from R28,224m to R38,401m.
- Limited Payout Machine tax revenue increased by 54,73% year-on-year from R23,547m to R36,435m.
- Totalisator horse-racing tax revenue increased by 0,70% year-on-year from R28,868m to R29,071m while sport tax revenue increased by 82,58% year-on-year from R3,330m to R6,080m.
- On-course bookmaker tax revenue on horseracing decreased by 42,73% year-on-year from R4,287m to R2,455m, while on-course bookmaker tax revenue on sport increased by 157,44% year-on-year from R423m to R1,089m.



**Bheki Nkosi**  
Acting Chief Executive Officer  
Gauteng Gambling Board  
Date: 21 August 2013

- Off-course bookmaker tax revenue on horse-racing increased by 12,80% year-on-year from R36,487m to R41,160m while off-course bookmaker tax revenue on sport increased by 42,70% year-on-year from R12,948 to R18,478m.

The Board's own revenue increased by 14,10% year-on-year from R101,099m to R115,360m, while the actual revenue for the current year exceeded budget by 13,28% from R101,762m to R115,360m.

The Board's expenditure increased by 7% year-on-year from R71,904m to R85,694m, while the actual expenditure for the current year was less than budget by 24,29% from R101,762m to R85,694m largely due to savings on the staff costs and other operating expenses.

In the coming year, in order to bolster the operational and service delivery of the organisation, the Board has embarked on a review of the organisational structure and a process to fill the critical vacant posts.

The Board will be looking at expanding the Responsible gambling messages by introducing new delivery channels.

Further, all matters that were raised by the internal auditors and the Auditor-General regarding the Board's controls are being attended to.

I wish to express my sincere appreciation to the Department of Economic Development, Board members, management and staff for their efforts in ensuring the achievement of the Board's regulatory mandate.

# 3. REPORT OF THE EXTERNAL AUDITOR

## REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE ON GAUTENG GAMBLING BOARD

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the financial statements of the Gauteng Gambling Board set out on pages 48 to 80, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting Authority's responsibility for the financial statements

2. The board of director which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Gambling Board as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP.

#### Emphasis of matters

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

#### Restatement of corresponding figures

8. As disclosed in note 13 to the financial statements, the corresponding figures for the prior year bal-



ance sheet have been restated as a result of an error discovered by management during 2013 in the financial statements of Gauteng Gambling Board at and for the year ended, 31 March 2012.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

9. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### **Predetermined objectives**

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 12 to 26 of the annual report.
11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

12. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

### **Additional matter**

13. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

### **Achievement of planned targets**

14. Of the total number of 30 targets planned for the year, 12 of targets were not achieved during the year under review. This represents 40% of total planned targets that were not achieved during the year under review. This was due to change in leadership which resulted in new targets being added and the revision of the business plan.

### **Compliance with laws and regulations**

15. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

### **Annual financial statements**

16. Material misstatements of liabilities, expenditure and disclosure note items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial state-

ments receiving an unqualified audit opinion. The material adjustments on the financial statements constitutes non-compliance with Section 55(1)(b) of the PFMA.

### **Expenditure management**

17. The accounting authority did not take effective and appropriate steps to prevent irregular expenditure as required by section 51(1)(b)(ii) of the PFMA.

### **Internal control**

18. I considered internal control relevant to my audit of the financial statements, performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

### **Leadership**

19. The accounting authority did not exercise sufficient oversight responsibility to ensure compliance with the applicable laws and regulations.

### **Financial and performance management**

20. Management did not undertake adequate financial statements review to ensure the accuracy of the annual financial statements prior to the submission for audit purposes.

### **Other reports**

#### **Investigation**

21. Forensic audit was commissioned by the administrator on details of activities and transactions approved by the board after dismissal due to irregular expenditure reported in the prior year. The dismissal of the board was subsequently declared unlawful and invalid which reversed the irregular expenditure.

*Auditor-General*

Johannesburg

31 July 2013



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*



# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

	Notes	2013 R'000	2012 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>233,444</b>	<b>196,592</b>
Trade and other receivables: Non-exchange	7.1	4,179	3,690
Trade and other receivables: Exchange	7.1	11,666	10,541
Deposit	7.2	257	257
Cash and cash equivalent	19.4	217,327	182,083
Inventory	25	15	21
<b>Non-current assets</b>		<b>109,441</b>	<b>97,637</b>
Property, plant and equipment	2	93,371	97,307
Intangible assets	3	112	330
Investment property	5	15,800	-
Heritage assets	6	158	-
<b>Non-currents assets held for sale</b>	4	<b>-</b>	<b>14,100</b>
<b>TOTAL ASSETS</b>		<b>342,885</b>	<b>308,329</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>225,149</b>	<b>190,953</b>
Trade and other payables	10.1	109,504	74,770
Accrual	11	1,775	1,712
Provision	12	5,434	4,147
Collections for distribution	22.1	77,325	78,596
License fee received in advance	10.2	31,108	31,728
<b>TOTAL LIABILITIES</b>		<b>225,146</b>	<b>190,953</b>
<b>NET ASSETS</b>		<b>117,739</b>	<b>117,376</b>
Revaluation reserve	9	8,540	8,412
Accumulated surplus	8	109,199	108,964
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>342,885</b>	<b>308,329</b>

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2013

Notes	2013 Actual R'000	2013 Budget R'000	2012 Actual R'000	2012 Budget R'000
<b>Revenue</b>				
Revenue from exchange	14.1	69,385	63,595	63,472
Revenue from non-exchange	14.2	42,414	34,471	34,762
Interest receivable	14.3	3,561	3,696	2,865
<b>Total revenue</b>		<b>115,360</b>	<b>101,762</b>	<b>101,099</b>
<b>Expenses</b>				
Board and Audit Committee members' fees	15	(3,062)	(4,046)	(2,387)
Employee-related costs	18	(44,784)	(50,725)	(42,106)
Depreciation	2	(4,751)	(5,490)	(4,612)
Amortisation	3	(297)	-	116
Other operating expenses	17	(32,800)	(41,501)	(22,915)
<b>Total expenditure</b>		<b>(85,694)</b>	<b>(101,762)</b>	<b>(71,904)</b>
Fair value adjustment		1,700	-	-
Profit/(loss) on sale of asset		-	-	(8)
<b>Surplus for the year</b>		<b>31,366</b>	<b>-</b>	<b>29,187</b>



# STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2013

Notes	Accumulated Surplus R'000	Revaluation Reserve R'000	Total R'000
<b>Balance at 31 March 2011</b>	<b>123,698</b>	<b>8,412</b>	<b>132,110</b>
Accumulated surplus adjustment	(10,587)	-	(10,587)
Net surplus for the period	29,187	-	29,187
Surplus to be paid over to Provincial Revenue Fund	(29,187)	-	(29,187)
<b>Balance at 31 March 2012</b>	<b>113,111</b>	<b>8,412</b>	<b>121,523</b>
Prior-year asset error	(3,912)	128	(3,784)
<b>Restated opening balance 31 March 2012</b>	<b>109,199</b>	<b>8,540</b>	<b>117,739</b>
Net surplus for the period	31,366	-	39,941
Surplus to be paid over to Provincial Revenue Fund	(31,366)	-	(39,941)
<b>Balance at 31 March 2013</b>	<b>109,199</b>	<b>8,540</b>	<b>117,739</b>

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

Notes	2013 R'000	2012 R'000
<b>Cash flows from operating activities</b>		
<b>Receipts</b>	<b>112,046</b>	<b>96,335</b>
Cash receipts from licenses and other institutions	108,485	93,470
Interest received	3,561	2,865
<b>Payments</b>	<b>(76,211)</b>	<b>(38,180)</b>
Cash paid to suppliers and employees	(41,250)	(43,636)
Contribution to Provincial Revenue Fund	(29,187)	(24,161)
Payment to Peerment of monies held in trust	(4,503)	(6,877)
(Decrease)/increase in collection for distribution	(1,271)	36,494
<b>Net cash flows from operating activities</b>	<b>35,835</b>	<b>58,155</b>
<b>Cash flows from investing activities</b>		
Additions to assets	(591)	(477)
Disposal of assets	-	11
<b>Net cash flow from investing activities</b>	<b>(591)</b>	<b>(466)</b>
<b>Cash flows from financing activities</b>		
Decrease in accumulated surplus	-	(10,587)
<b>Increase in cash and cash equivalents</b>	<b>35,244</b>	<b>47,102</b>
Cash and cash equivalents at beginning of year	182,083	134,981
<b>Cash and cash equivalent at end of year</b>	<b>217,327</b>	<b>182,083</b>



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2013

## 1 Basis of preparation

---

The Annual Financial Statements were prepared on an accrual basis of accounting and in accordance with historical cost convention unless otherwise stated.

These financial statements have been prepared in accordance with the standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 55 (1) (b) of the Public Finance Management Act, Act No. 1 of 1999 as amended by Act 29 of 1999.

The reporting framework as prescribed by the Accounting Standards Board in Directive 5 of March 2009 and which are deemed by the Board to be applicable to itself, are summarised as follows:

### STANDARDS OF GRAP APPROVED AND EFFECTIVE

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 26	Impairment of Cash-generating Assets
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of Cash-generating Assets
GRAP 103	Heritage Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP 104	Financial Instrument

## STANDARDS OF GRAP NOT YET EFFECTIVE

GRAP 18	Segment Reporting	Unknown
GRAP 20	Related Party	Unknown
GRAP 25	Employee Benefits	1 April 2013
GRAP 105	Transfer of functions between entities under common control	Unknown
GRAP 106	Transfer of functions between entities not under common control	Unknown
GRAP 107	Mergers	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards were developed in accordance with the hierarchy set out in paragraph 12 of GRAP 3. The details of any changes in accounting policies are explained in the relevant policy. Assets, liabilities, revenue and expenses were not offset, except when offsetting was required or permitted by a standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below:

### 1.1 Presentation currency

The Annual Financial Statements are presented in South African Rand, which is the functional and presentation currency of the Board and amounts have been rounded to the nearest thousand.

### 1.2 Going concern assumption

The Annual Financial Statements were prepared on a going concern basis, i.e., the assumption is that the Gauteng Gambling Board will continue to operate as a going concern for at least the next 12 months.

### 1.3 Property, plant and equipment

Property, plant and equipment are carried at its cost, less any accumulated depreciation and any accumulated impairment losses, except for land and buildings which are stated at a revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Revaluation surplus included in net assets in respect of land and building will be transferred directly to accumulated surpluses or deficits when the asset is derecognised.

The estimated useful lives of items of property, plant and equipment are as follows:

Buildings	50 years
Fixtures and fittings	10 years
Furniture	6 years
Paintings	6 years
Motor vehicles	5 years
Information technology equipment	3 years
Office equipment	3 years



### ***Subsequent expenditure***

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standards of performance of the existing asset will flow to the Board. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary or a monetary asset or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

### ***Depreciation***

Depreciation is recognised on a straight-line basis over the estimated useful life of the asset to its residual value from the day that the asset is available for use.

Residual value is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date and any changes are recognised as a change in accounting estimates in the Statement of Financial Performance. The actual useful lives of the assets, residual values and depreciation method are assessed annually and might vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life-cycles and the maintenance programme are taken into account.

### ***Impairment of property, plant and equipment***

The entity tests items of property, plant and equipment for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### ***Disposal of property, plant and equipment***

The gain or loss on the disposal or retirement of an item of property, plant and equipment, is determined as the difference between the sales proceeds and the carrying values of the assets on the date of disposal and is recognised in the Statement of Financial Performance.

### ***Land***

Land is not depreciated, as it is deemed to have an indefinite useful life.

## 1.4 Intangible assets

An intangible asset is recognised when:

- It is probable that the expected future economic benefit or service potential that is attributable to the asset will flow to the Board, and
- The cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. Generally, costs associated with development of computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Board and have a probable benefit exceeding the cost beyond one year, are recognised as intangible assets.

Expenditure which enhances and extends the benefits of computer software programmes beyond the original life of the software is capitalised. Computer software development costs recognised as assets, are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programmes are expensed as incurred.

The estimated useful life of intangible assets is two years.

### *Impairment*

The Board tests for impairment where there is an indication that an intangible asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of intangible asset is greater than the estimated recoverable amount (or recoverable service amount) then an impairment loss is charged to the Statement of Financial Performance.

## 1.5 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale.

## 1.6 Investment property

Investment property is property held to earn rental revenue or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that is associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is stated at fair value. Fair value will be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

## **1.7 Heritage assets**

Heritage assets are assets held for their cultural, environmental, historical significance, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. A heritage asset shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the entity and the cost or fair value of the asset can be measured reliably.

### ***Measurement at recognition***

Heritage assets that qualify for recognition as assets, shall be measured at their cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

### ***Measurement after recognition***

After recognition as an asset, heritage assets shall be carried at its cost, less any accumulated impairment losses.

### ***Impairment***

Heritage assets are not depreciated, but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

### ***Compensation for impairment***

Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

### ***Transfers***

Transfers from heritage assets shall be made when, and only when, the particular asset no longer meets the definition of heritage asset. Transfers to heritage assets shall be made when, and only when, the asset meets the definition of heritage asset.

## **1.8 Cash and cash equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and held with registered banking institutions and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at the bank. The Board categorises cash and cash equivalents as financial assets, loans and receivables.

## 1.9 Provisions and contingencies

Provisions are recognised when:

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

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are measured at the present value of the expenditure expected to be incurred to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent assets are disclosed where an inflow of economic benefits or service potential is probable and are not recognised since it may result in the recognition of revenue that may never be realised. Contingent asset is disclosed.

Contingent liabilities are not recognised but disclosed. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

## 1.10 Revenue from exchange transactions

Revenue is derived from a variety of sources which includes collection commission, application fees, administration fees, recoveries of investigation expenses and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Board and these benefits can be measured reliably.

Revenue from exchange transactions refers to revenue that accrued to the Board directly in return for services rendered/goods sold, the value of which approximated consideration received or receivable.

### *Measurement*

Revenue is measured at the fair value of the consideration received or receivable for the supply of services in the ordinary course of activities.

### *Rendering of services*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Board.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represented the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of service cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### ***Income from collection commission***

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income is recognised in terms of an agency agreement.

#### ***Interest***

Interest earned on a bank balance is recognised on a time-proportionate basis that takes into account the effective yield of interest from the investment.

### **1.11 Revenue from non-exchange transaction**

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange and includes license fees, penalties collected and sports betting levies. Revenue is the gross inflows 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 contribution from owners.

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

#### ***Measurement***

An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

#### ***Recognition***

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As an entity satisfies a present obligation, recognised as a liability in respect of an inflow of resources from a non-exchange transaction, recognised as an asset, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

### **1.12 Significant judgements and source of estimation uncertainty**

The preparation of these financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Board accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the notes to the financial statements where applicable.

## **1.13 Leases**

### ***Finance leases***

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

### ***Operating leases***

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. 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 is recognised as an operating lease asset or liability.

## **1.14 Employee benefits**

### ***Provident Fund***

The Gauteng Gambling Board contributes to a defined contribution fund. Contributions to the defined contribution fund are charged to the Statement of Financial Performance in the year to which they relate.

### ***Post-retirement medical aid***

The Gauteng Gambling Board does not incur a liability for post-retirement medical benefits.

### ***Short-term employee benefits***

The cost of short term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave, sick leave and bonuses), are recognised in the period in which the service is rendered and are not discounted when the effect is not material.

The expected cost of compensated absences is recognised as an expense, as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

## **1.15 Financial instruments**

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

- Financial instruments at amortised cost
- Financial instruments at cost
- Financial instruments at fair value

The Board recognises a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provision of the instrument. The financial asset is recognised using trade date accounting.

Financial asset or financial liability are recognised initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

Financial asset and financial liabilities after initial recognition are measured as follows:

- (a) Financial instruments at fair value
- (b) Financial instruments at amortised cost
- (c) Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

A financial instrument may not be reclassified while it is issued or held, unless it is a combined instrument that is required to be measured at fair value or an investment in a residual interest that meets the requirements for reclassification in terms of GRAP 104.

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value shall be recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, amortised.

A financial asset will be derecognised using trade date accounting. A financial liability will be removed from the statement of financial position when, and only when, it is extinguished.

#### ***Impairment and uncollectibility of financial assets***

An assessment at the end of each reporting period will be done to assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall apply the GRAP standard to determine the amount of any impairment loss.

### **1.16 Taxes and levies (collection for distribution)**

Taxes and levies are accounted for on an invoice basis. These are collected in an agency capacity and are therefore not treated as revenue.

### **1.17 Taxation**

The Gauteng Gambling Board is exempt from taxation in terms of Section 10(1)(cA) of the Income Tax Act.

### **1.18 Unauthorised expenditure**

Unauthorised expenditure means:

- Overspending on the entity budget without proper approval.
- Expenditure not in accordance with the purpose of the entity.

Unauthorised expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the unauthorised expenditure. Unauthorised expenditure is removed from the note, when it is either condoned by the relevant authority, or transferred to receivables for recovery.

### **1.19 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended by Act 29 of 1999) or in contravention of the Board's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the unauthorised expenditure, unless it is impracticable to determine, in which case reasons therefore are provided in the note. Irregular expenditure is removed from the note when it is either condoned by the relevant authority or transferred to receivables for recovery.

### **1.20 Fruitless and wasteful expenditure**

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

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and wasteful expenditure, unless it is impracticable to determine, in which case reasons therefore are provided in the note. Fruitless and wasteful expenditure is removed from the note when it is either condoned by the relevant authority or transferred to receivables for recovery.

### **1.21 Comparative figures**

Any changes in the accounting treatment or classification of prior period figures will be disclosed separately if they are material. Comparative figures have been adjusted to conform to changes in presentation in the current year where necessary.

### **1.22 Events after reporting date**

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

The Board shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting date and the Board will not adjust the amounts recognised in the financial statements to reflect non-adjusting events after the reporting date.

### **1.23 Related parties**

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



Management includes 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 relationship between the Department of Economic Development, Board members and executive management will be disclosed. Transactions and balances with related parties will be disclosed.

### **1.24 Inventory**

Inventory is stated at the lower of cost and 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 comprises stationery that shall be consumed within a short-term period in the normal business of the entity and not held for sale.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

## 2. Property, plant and equipment

<b>31 MARCH 2013</b>	Land R'000	Building R'000	Motor vehicles R'000	IT hardware R'000	Fixture and fittings R'000	Paintings R'000	Furniture and equipment R'000	Total R'000
<b>Opening net carrying amount</b>	<b>23,582</b>	<b>64,641</b>	<b>130</b>	<b>675</b>	<b>2,209</b>	<b>158</b>	<b>5,913</b>	<b>97,307</b>
Gross carrying amount	23,582	67,722	437	2,141	3,344	273	12,312	109,811
Accumulated depreciation	-	(3,081)	(307)	(1,466)	(1,135)	(115)	(6,399)	(12,504)
Additions	-	-	-	454	-	-	58	512
<b>Disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Cost	-	-	-	-	-	-	-	-
- Accumulated depreciation	-	-	-	-	-	-	-	-
Depreciation charge	-	(1,356)	(87)	(518)	(264)	-	(2,526)	(4,751)
<b>Prior-period error</b>	<b>-</b>	<b>462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>462</b>
Cost of assets	-	94	-	-	-	-	-	94
Accumulated depreciation	-	368	-	-	-	-	-	368
Transfer to heritage assets	-	-	-	-	-	(158)	-	(158)
<b>Closing net carrying amount</b>	<b>23,582</b>	<b>63,844</b>	<b>43</b>	<b>612</b>	<b>1,945</b>	<b>-</b>	<b>3,445</b>	<b>93,371</b>
Gross carrying amount	23,582	67,816	437	2,595	3,344	-	12,370	110,144
Accumulated depreciation	-	(4,069)	(394)	(1,986)	(1,399)	-	(8,925)	(16,773)
<b>31 MARCH 2012</b>								
<b>Opening net carrying amount</b>	<b>23,582</b>	<b>65,996</b>	<b>68</b>	<b>1,003</b>	<b>2,473</b>	<b>203</b>	<b>8,604</b>	<b>101,929</b>
Gross carrying amount	23,582	67,722	258	3,182	3,344	294	12,598	110,980
Accumulated depreciation	-	(1,726)	(190)	(2,179)	(871)	(91)	(3,994)	(9,051)
Additions	-	-	-	294	-	-	-	294
<b>Disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10)</b>	<b>-</b>	<b>(1)</b>	<b>(8)</b>	<b>(19)</b>
- Cost	-	-	-	(1,355)	-	(11)	(286)	(1,632)
- Accumulated depreciation	-	-	-	1,325	-	10	278	1,613
Depreciation charge	-	(1,355)	(42)	(226)	(264)	(42)	(2,683)	(4,612)
<b>Prior-period error</b>	<b>-</b>	<b>-</b>	<b>(75)</b>	<b>(387)</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>(454)</b>
- Corrected	-	-	(265)	(387)	-	(73)	-	(725)
- Original amount	-	-	190	-	-	81	-	271
Revaluation reserve adjust	-	-	(110)	-	-	(23)	-	(133)
Revaluation reserve adjustment	-	-	289	-	-	13	-	302
<b>Closing net carrying amount</b>	<b>23,582</b>	<b>64,641</b>	<b>130</b>	<b>674</b>	<b>2,209</b>	<b>158</b>	<b>5,913</b>	<b>97,307</b>
Gross carrying amount	23,582	67,722	437	2,141	3,344	273	12,312	109,811
Accumulated depreciation	-	(3,081)	(307)	(1,467)	(1,135)	(115)	(6,399)	(12,504)

The Gauteng Gambling Board office building is situated in Bramley on RR1 and RR3 of the sectional title known as Waverly Office Park. The property is situated at Erf Number 377, Bramley Township, City of Johannesburg. No property, plant and equipment has been pledged as security

### Estimated useful lives

The useful lives of the assets have been reviewed to more accurately reflect the actual expected life spans of the assets within the Gauteng Gambling Board. In a majority of the cases, the lives of the items have been extended considerably, as the Gauteng Gambling Board has embarked on a campaign to ensure that assets are not unnecessarily replaced, and that those items in use are properly taken care of and safeguarded.

### 3. Intangible assets

Intangible assets relate to software used for operational purposes.

	2013 R'000	2012 R'000
<b>Opening net carrying amount</b>	<b>330</b>	<b>393</b>
Gross carrying amount	1,587	1,525
Accumulated amortisation	(1,257)	(1,132)
Additions	79	183
<b>Disposals</b>		
- Cost	-	(121)
- Accumulated amortisation	-	121
Amortisation charge	(297)	116
Change in estimate	-	(362)
<b>Closing net carrying amount</b>	<b>112</b>	<b>330</b>
Gross carrying amount	1,666	1,587
Accumulated amortisation	(1554)	(1,257)

### 4. Non-current assets held for sale

Assets held for sale consist of land and building purchased on 31 March 1999. The office building is held under Title Deed Number T86131 99. The property is situated at portion 4 of Erf 44 Verwoerdburgstad Registration Division JR, Province of Gauteng and measures 2210 square meters in extent.

The property was revalued by an independent valuer, on 31 December 2009, at R14 100 000.00. The revalued amount on 31 December 2009 was used as the new carrying amount.

As at 31 March 2013, the property has not yet been sold. During the financial year 2012/2013, the building was not actively marketed for sale and therefore can no longer be classified as held for sale.

### 5. Investment property

	Land R'000	Building R'000	Total R'000
<b>Opening net carrying amount</b>	-	-	-
Gross carrying amount	-	-	-
Accumulated depreciation	-	-	-
<b>Additions</b>			
Transfer from non-current assets held for sale	3,172	10,928	14,100
Fair value adjustment	383	1,317	1,700
<b>Disposals</b>			
Cost	-	-	-
Accumulated depreciation	-	-	-
Depreciation			
<b>Closing net carrying amount</b>	<b>3,555</b>	<b>12,245</b>	<b>15,800</b>
Gross carrying amount	3,555	12,245	15,800
Accumulated depreciation	-	-	-

During the 2012/2013 financial year, the office building situated at portion 4 of Erf 44 Vervoerdburgstad Registration Division JR, Province of Gauteng and measuring 2210 square meters in extent had to be reclassified from non-current assets held for sale to investment property.

6. Heritage assets	2013 R'000	2012 R'000
Opening net carrying amount	-	-
Gross carrying amount	-	-
Accumulated impairment/depreciation	-	-
Transfer to and from property, plant and equipment	158	-
<b>Closing net carrying amount</b>	<b>158</b>	-
Gross carrying amount	-	-
Impairment/accumulated depreciation	<b>158</b>	-

During the 2012/2013 financial year, paintings had to be reclassified from property, plant and equipment to heritage assets as they meet the definition of heritage assets.

## 7. Trade and other receivables and deposit

7.1 Trade and other receivables		
Trade debtors: Non-exchanged	4,179	3,690
Exchange:	11,666	10,541
Gauteng Provincial Government: Collection Commission	10,920	9,960
Sundry Debtors:	746	581
Interest receivable - Board account	494	497
Staff debtors	252	84
	<b>15,845</b>	<b>14,231</b>
<b>7.2 Deposits</b>		
City of Tshwane	15	15
City Power Johannesburg	242	242
	<b>257</b>	<b>257</b>

## 8. Accumulated surplus

In terms of Section 17(6) of the Gauteng Gambling Act 1995, as amended, and Section 53 (3) of the Public Finance Management Act, surplus funds at the close of the financial year, shall be paid to the Provincial Revenue fund, unless Treasury approval has been obtained to retain such funds.

Approval was received to retain the following surplus amounts:

Year ended 31 March	R'000
2001	12,014
2007	13,049
2008	18,704
2009	9,945
	<b>53,712</b>

## 8. Accumulated surplus (continued)

2013	2012
R'000	R'000

The new building was funded by a retention of R67 million. This amount forms part of the accumulated surplus reflected in the Statement of Financial Position. The decrease in accumulated surplus is as a result of the utilisation of the portion of surplus, revaluation adjustment as well as restatement of prior-year depreciation. Accumulated surplus R109.199 million (2012: R108.964 million)

## 9. Revaluation reserve

Reserve on revaluation of property, plant and equipment:

Building	8,540	8,412
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## 10. Current liabilities

### 10.1 Trade and other payables

Peermont: social advancement	15,962	20,465
Tsogo Sun: social advancement	34,000	-
Creditors and accruals	27,191	24,154
Investigation deposits	985	964
Provincial Revenue fund – current year surplus	31,366	29,187
	<b>109,504</b>	<b>74,770</b>

During the financial year 2005, Peermont acquired a number of gaming positions from Emerald Safari Resort. The approval for this transaction was granted by the Board, on condition that Peermont spend an amount of R50 million on social upliftment projects in the East Rand and Vaal areas.

Peermont has committed to spend this amount on the improvement of the quality of schools and education for previously disadvantaged individuals in the East Rand and Vaal areas.

An amount of R50 million was placed in trust with the Board pending the completion of the project and the balance is R16.04 million. This amount earns interest at the same rate as the other bank balances of the Board and accrues in favour of Peermont and the project. The total amount is reflected in the Statement of Financial position under trade and other payables.

During the financial year 2013, Tsogo Sun paid R34 million towards social advancement.

The Gauteng Gambling Board considers the carrying amount of trade and other payables approximate to their fair value due to their short-term maturity.

### 10.2 Licence fees received in advance

31 108	31 728
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11. Accrual	2013 R'000	2012 R'000
<b>Accrual – leave pay</b>	<b>1,341</b>	<b>1,285</b>
Opening balance	1,285	1,231
Utilisation of provisions during the year	(1,171)	(736)
Provisions made during the year	1,227	790
<b>Accrual – bonus pay</b>	<b>434</b>	<b>427</b>
Opening balance	427	474
Utilisation of provisions during the year	(427)	(505)
Provisions made during the year	434	458
<b>Total</b>	<b>1,775</b>	<b>1,712</b>

## 12. Provision

<b>12.1 Provision – performance bonus and administrators fees</b>	<b>4,437</b>	<b>4,147</b>
Opening balance	4,147	4,059
Utilisation of provisions during the year	(4,147)	(4,059)
Provisions made during the year	5,434	4,147

## 13. Retrospective restatement of errors

### Provision for performance bonus

The entity discovered that the standard on provisions, contingent liabilities and contingent assets was not properly applied, when accounting for provision on a performance bonus. A performance bonus was paid for the service rendered during the prior year, during the current period. An error has been rectified

### Property, plant and equipment prior error

The policy of the Board is to revalue buildings. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated by restating proportionately, with the change in the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation equals its revalued amount. The gross carrying amount was not restated proportionately with change in the gross carrying of the asset.

	Building R'000	Accumulated depreciation R'000	Accumulated surplus R'000	Revaluation reserve R'000
Closing balance as at 31 March 2012	67,722	(3,081)	113,111	8,412
Prior-period error: Provision	94	368	(4,147)	128
Prior-period error: Assets	-	-	235	-
<b>Restated balance as at 31 March 2012</b>	<b>67 816</b>	<b>(2,713)</b>	<b>109,199</b>	<b>8,540</b>

14. Revenue	2013 R'000	2012 R'000
Revenue consists of:		
<b>14.1 Exchange revenue</b>		
Administration fees	240	240
Application fees	4,384	4,558
Collection commission	62,612	55,379
Sundry income	238	481
Recoveries of investigation expenses	1,911	2,814
	<b>69,385</b>	<b>63,472</b>
<b>14.2 Non-exchange revenue</b>		
License fees	35,780	31,114
Penalties collected	7	135
Sports betting levies	6,627	3,513
	<b>42,414</b>	<b>34,762</b>
<b>14.3 Interest received</b>	<b>3,561</b>	<b>2,865</b>

#### 15. Board and Audit Committee member fees

Messrs	P Mafojane	22	451
	T Molai	5	145
	YN Gordhan	24	254
	SJ Hall	30	255
	AA Mahlalutye	14	245
Mesdames	S Machaba	6	197
	K Moloto-Stofile	-	273
	Dr AS Mndaweni	-	205
	C Motau	14	240
<b>TOTAL PAID TO BOARD MEMBERS</b>		<b>115</b>	<b>2,265</b>
<b>AUDIT AND RISK COMMITTEE REMUNERATION</b>		<b>55</b>	<b>122</b>
<b>ADMINISTRATOR FEES</b>		<b>2,892</b>	<b>-</b>
<b>TOTAL</b>		<b>3,062</b>	<b>2,387</b>

## 16. Senior management remuneration

<b>For the year ended 31 March 2013</b>	<b>Basic salary R'000</b>	<b>Allowances R'000</b>	<b>13<sup>th</sup> Cheque R'000</b>	<b>Performance bonus R'000</b>	<b>Employer contributions R'000</b>	<b>Total R'000</b>
S Ngwenya (1 February to 31 July 2012)	194					194
B Nkosi (1 August to 31 March 2013) Acting Chief Executive Officer	1,927		86			2,103
E Lalumbe Chief Operating Officer	1,767		145		270	2,182
N Makhari Chief Financial Officer	1,271		104	351	208	1,934
O Hadebe Manager: Human Resources	1,213		99		201	1,513
L Kobue Manager: Compliance	1,032	42	97	335	233	1,739
K Jacobs Manager: MIS	1,086	60	94		274	1,514
L Lukhwareni Manager: Legal Services	1,140		93	334	273	1,840

### **For the year ended 31 March 2012**

MB Lekalakala Chief Executive Officer	-	-		167		167
E Lalumbe Chief Operating Officer	1,642	-	135	368	330	2,475
N Makhari Chief Financial Officer and Acting Chief Executive Officer (Acting 1 April 2011 to 30 January 2012)	2,035	-	95	-	193	2,323
O Hadebe Manager: Human Resources	1,127	-	94	312	187	1,720
K Jacobs Manager: MIS	1,005	60	88	313	235	1,701
L Kobue Manager: Compliance	1,055	42	90	313	221	1,721
L Lukhwareni Manager: Legal Services	1,064	-	87	312	247	1,710



	2013 Actual R'000	2013 Budget R'000	2012 Actual R'000	2012 Budget R'000
<b>17. Other operating expenses</b>				
Advertisements	335	770	480	350
Audit fees:	<b>1,340</b>	<b>1,323</b>	<b>1,214</b>	<b>1,380</b>
External audit	549	692	521	721
Internal audit	791	631	693	659
Bank charges	51	56	47	75
Board members' training	21	242	22	220
Conference costs	793	587	444	671
Employee Assistance Programme (EAP)	100	152	84	292
Gambling Community Outreach Programme	0	594	0	540
Information Technology	297	646	375	726
Insurance	392	586	384	675
Investigation and enforcement costs	397	356	199	200
Legal expenses	2,392	2,750	2,699	2,500
Management Development Programme	19	880	19	800
Office accommodation and storage rentals	2,687	1,369	1,480	1,301
Office consumables, maintenance and refreshments	463	513	330	518
Photocopying	671	587	602	520
Postage, printing and stationery	413	499	406	530
Professional and consulting fees	1003	174	466	1 404
Bad debts written off	0	0	23	0
Public Relations	259	481	323	900
Responsible Gambling Awareness Programme	4,341	10,000	3,134	4,066
Security expenses	536	508	724	318
Social responsibility	9,234	9,294	4,000	4,000
Skills Development Levy	416	343	398	564
Staff recruitment	562	353	142	180
Staff training and development	1,185	941	726	1,343
Telephone and communications	858	1,229	903	1,500
Transcription costs	151	76	38	100
<b>Travelling and subsistence:</b>	<b>3,947</b>	<b>6,192</b>	<b>3,253</b>	<b>9,000</b>
Local	1,753	2,581	1,822	3,000
Overseas	2,194	3,611	1,431	6,000
<b>TOTAL</b>	<b>32,800</b>	<b>41,501</b>	<b>22,915</b>	<b>34,673</b>

## 17. Other operating expenses (continued)

2013	2012
R'000	R'000

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

Net surplus/deficit per the statement of financial performance	31,366	29,187
<b>Adjusted for:</b>		
(Increase) in revenue	(13,598)	1,973
(Decrease) in expenditure	(16,068)	(28,029)
(Increase) in fair value adjustments	(1,700)	-
Impairments recognised/reversed	-	-
Loss on sale of assets	-	8
Increase/decrease in provisions	-	-
Net surplus/deficit per approved budget	-	<b>3,139</b>

## 18. Employee related costs

<b>Included in the employee related costs are</b>	<b>44 784</b>	<b>42,106</b>
Salaries, bonuses and allowances	38,238	25,989
Defined contribution plan expense	3,821	3,609
Medical aid contributions	2,027	1,853
Group Life contributions	516	480
Other employer contributions	182	175

## 19. Notes to the Cash Flow Statement

### 19.1 Reconciliation of the net surplus to cash generated from operation

Net surplus	31,366	29,187
<b>Adjustments for:</b>		
Depreciation	4,751	4,612
Amortisation	297	(116)
Provision for leave pay	56	54
Fair value adjustment	(1,700)	-
Addition to asset	(100)	-
Provision for bonus	1,297	(47)
Disposal on sale of asset	11	-
<b>Operating surplus before working capital changes</b>	<b>35,978</b>	<b>33,690</b>
Increase/(decrease) in trade and other payables	36,432	24,219
(Increase)/decrease in trade and other receivables	(1,614)	(5,210)
(Increase)/decrease in Provincial Revenue Fund	(29,187)	(24,161)
(Increase)/decrease in Peermont Trust	(4,503)	(6,877)
(Increase)/decrease in collection for distribution	(1,271)	36,494
<b>Cash generated from operations</b>	<b>35,835</b>	<b>58,155</b>

## 19. Notes to the Cash Flow Statement (continued)

### 19.2 Contribution to Provincial Revenue Fund

	2013 R'000	2012 R'000
Surplus to be surrendered 2012	29,187	-
Surplus to be surrendered 2011	-	24,161
Retained surplus	-	-
	<b>29,187</b>	<b>24,161</b>

### 19.3 Monies held in trust – Peermont social advancement

Opening balance	(20,465)	(27,342)
Closing balance	15,962	20,465
<b>(Decrease) of monies held in trust</b>	<b>(4,503)</b>	<b>(6,877)</b>

### 19.4 Cash and cash equivalents

<b>Bank</b>	<b>217,326</b>	<b>182,082</b>
Board	78,984	71,932
Trust	138,342	110,150
Petty cash	1	1
	<b>217,327</b>	<b>182,083</b>

## 20. Retirement benefits

The total amount expensed during the year was	<b>3,821</b>	<b>3,609</b>
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## 21. Leases

### Operating leases

Within one year	-	229
One to five years	-	-
<b>Total</b>	<b>-</b>	<b>229</b>

## 22. Taxes and levies

### 22.1 Collection for distribution to beneficiaries at year end

Gauteng Provincial Administration	62,157	71,164
Phumelela Gaming and Leisure Limited	3,392	3,877
Sports Development Fund	11,776	3,554
	<b>77,325</b>	<b>78,595</b>

Gambling taxes are collected on behalf of the Gauteng Provincial Government on a weekly basis from licensees and distributed to the province monthly. The Gauteng Gambling Board earns collection commission of 8% on all monies collected, less the amount of interest earned on these monies. The collection commission is reflected in the Statement of Financial Performance.

Taxes and levies are collected throughout the month and distributed on the last day of the following month. The amount is reflected under current liabilities – collections for distribution on the Statement of Financial Position. The liability of R65 million as at 31 March 2013 will be distributed during June 2013.

22. Taxes and levies (continued)		2013 R'000	2012 R'000
<b>22.2 Reconciliation of taxes and levies collected for the year</b>			
<b>22.2.1 Provincial taxes</b>			
<b>Gauteng Provincial Government</b>			
<b>Betting tax</b>		<b>98,333</b>	<b>86,343</b>
Totalizator	horse-racing	29,071	28,868
	other sport	6,080	3,330
On-course bookmakers	horse-racing	2,455	4,287
	other sport	1,089	423
Off-course bookmakers	horse-racing	41,160	36,487
	other sport	18,478	12,948
<b>Gaming tax</b>		<b>673,846</b>	<b>615 024</b>
Casinos	Machines	455,295	427,108
	Tables	143,517	136,145
	Unclaimed Dividends	198	0
Bingo		38,401	28,224
Limited Payout Machines		36,435	23,547
<b>Taxes collected for Gauteng Provincial Government</b>		<b>772,179</b>	<b>701,367</b>
<b>Levies collected</b>			
<b>Sports Development Fund</b>		<b>8,222</b>	<b>5,259</b>
Levies		7,915	4,869
Interest earned		307	390
Phumelela Gaming and Leisure Limited off-course bookmakers		43,373	40,534
<b>Total levies collected</b>		<b>51,595</b>	<b>45,793</b>
Interest earned and penalties received		2,114	1,620
<b>Total collected for distribution</b>		<b>825,888</b>	<b>748,780</b>
Taxes and levies for distribution to beneficiaries at year end		(77,325)	(78,596)
		<b>748,563</b>	<b>670,184</b>

## 22. Taxes and levies (continued)

### 22.2 Reconciliation of taxes and levies collected for the year (cont.)

#### 22.2.2 Taxes and levies distributed during the year

	2013 R'000	2012 R'000
Gauteng Provincial Administration	773,260	663,747
Phumelela Gaming and Leisure Limited	47,269	39,911
Sports Development Fund	6,630	8,630
	<b>827,159</b>	<b>712,288</b>
Less: Prior year-end collections distributed during the year	(78,596)	(42,104)
	<b>748,563</b>	<b>670,184</b>

## 23. VAT deregistration

In terms of Section 24 of the VAT Act No. 89 of 1991, the Gauteng Gambling Board was deregistered for VAT with effect from 1 April 2005. In terms of the VAT Act No. 89 of 1991, the Gauteng Gambling Board qualified for exemption from paying VAT output on the value of its assets upon deregistration.

## 24. Financial instruments

### Categories of Financial Instruments

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Total R'000
<b>2013 Financial Year</b>			
<i><b>Current assets</b></i>			
Trade and other receivables	15,099	-	15,099
Cash and cash equivalents	217,327	-	217,327
Loans receivables	746	-	746
<i><b>Current liabilities</b></i>			
Trade and other payables	-	109,411	109,411
<b>2012 Financial Year</b>			
<i><b>Current assets</b></i>			
Trade and other receivables	13,650	-	13,650
Cash and cash equivalents	182,083	-	182,083
Loans receivables	581	-	581
<i><b>Current liabilities</b></i>			
Trade and other payables	-	74,770	74,770

Loans receivable consist of loans to employees which have been included in Sundry.

## 24. Financial instruments (continued)

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### Risks

In the course of the Boards business operations, it was exposed to interest rate, credit, liquidity and market risks. The Board developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

### Credit risk

Management manages the credit risk relating to employee loans by deducting the payments due by the employees monthly from their salaries and by keeping a register of the amounts due and owing by each employee. If the employees would like to take out an additional loan after payments have been made on the initial loan, management will inspect the register and limit the total of the initial loan plus the additional loan to R3 000, therefore limiting the credit risk per employee to R3 000. Credit risk is fairly low in respect of these parties as they are related to the Gauteng Gambling Board.

Financial assets, that potentially subject the Gauteng Gambling Board to credit risk, consist principally of cash and cash equivalents, loans and receivables and trade and other receivables.

The Gauteng Gambling Board's cash and cash equivalents are placed with high-quality credit/financial institutions.

There has been no significant change during the financial year, or since the end of the financial year, to the Gauteng Gambling Board's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk.

The carrying amount of financial assets recorded in the financial statements represents the Gauteng Gambling Board's maximum exposure to credit risk.

### Interest and market risk

There is no significant interest rate or other market risk applicable to these financial liabilities, as the amounts are interest free and the time value of money effect is not deemed to be significant in affecting their fair values.

The following represents information on the credit quality of trade receivables that are neither past due nor impaired:

	2013	2012
A	99.9%	99,9%
B	0,1%	0,1%

A – The debtors are of good credit quality and no default in payment is expected.

B – These debtors usually pay, but have previously paid late, and therefore there is a possibility that these debtors will not be recoverable.

## 24. Financial instruments (continued)

### Age analysis of financial assets that are past due but not impaired

	1 – 30 days past due	30 – 60 days past due	61 – 90 days past due	91 – 120 days past due	Total
<b>2013</b>					
Trade receivables	5,385	66	10	(4,093)	1,368
<b>2012</b>					
Trade receivables	4,195	103	(23)	(3,689)	581

The credits on the age analysis can be explained as follows:

In terms of Gauteng Gambling Regulation 270, the tax on sports betting, unlike horse-racing, is a percentage of gross betting revenue and is paid by the bookmaker and not the punter. Where the gross betting revenue is less than zero, i.e., the bookmaker has operated at a loss for the tax period, he will accumulate a tax credit which can be claimed against future sports betting tax liability. This credit may never be refunded in cash.

An assessment was done to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired at the end of the reporting period. As there was no event or events that occurred after the initial recognition of the asset, there was no objective evidence of impairment.

### Market and interest risk

There is no significant interest rate or other market risk applicable to these financial assets, as the amounts are interest free and the time value of money effect is not deemed to be significant in affecting their fair values. The Gauteng Gambling Board's policy is to manage interest rate risk by maintaining an appropriate mix between fixed and floating interest rate so that fluctuations in variable rates do not have a material impact on profit/(loss). The interest rate risk for the Board is minimal.

### Liquidity risk

The Board manages the liquidity risk through the proper management of working capital and actual, versus forecasted cash flows. Adequate reserves and liquid resources are maintained.

## 25. Inventory

The balance of the stationery inventory as at 31 March 2013 is R14,957 (2012: R20,747).

## 26. Events subsequent to reporting date

On 23 January 2012, the Executive Authority terminated the membership of all Board members and the Board launched an urgent application seeking to set aside the decision taken. The judgement was delivered on 8 May 2012, wherein the applicant's application was dismissed with costs, including the costs occasioned by the employment of senior counsel. On 8 May 2012, the applicant lodged an application to appeal and the judgement was delivered on 11 May 2012 wherein the application to appeal was dismissed with costs. The Board petitioned the Supreme Court of Appeal (SCA) to appeal the judgement of 11 May 2012. Leave to appeal was granted by the SCA. The matter was heard on 9 May 2013 in the Supreme Court of Appeal in Bloemfontein. The MEC also opposed this application in the SCA.

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## 26. Events subsequent to reporting date (continued)

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Before the hearing by the SCA, the Board under the Chairpersonship of Mr Bally Chuene brought an application for leave to intervene on behalf of persons who were appointed as the new Board by the MEC. The application for leave to intervene was deposed to by Mr Bally Paul Makgweba Chuene, formally the Administrator, appointed by the MEC, requesting preservation of the decisions taken by him in his capacity as Administrator.

On 27 May 2013 the SCA handed down the judgment and made an order with the following terms:

- The appeal is upheld and the MEC is ordered to pay the costs of the first and second appellants on an attorney client scale.
- The order made by the South Gauteng High Court confirming the dismissal of the Board was set aside, and the SCA judgement was effective from the date of the judgment.

### 26.2 Sale of Centurion Building

During March 2013, a decision was taken again to embark on the sale of the Centurion Building. The advertisement was placed in the newspapers during the month of May 2013

### 26.3 Appointment of the new Board on 1 April 2013 and reinstatement of the previous Board on 27 May 2013

The Board Administrator's term ended on 31 March 2013 and eight Board members were appointed, effective 1 April 2013. The Court reinstated the previous Board on 27 May 2013. The reinstatement of the Board will have no financial implication for the Board as the respondent is ordered to pay the costs of the first and second appellants on an attorney client scale. The 2011/2012 legal costs paid by the Board amount to R1.044 million and adjustment will only be made to the financial statement when the full amount relating to the court order is known. We are not in the position to reasonably estimate the legal costs, as well as any other cost relevant to the judgment.

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## 27. New standards and interpretations

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### 27.1 Standards and Interpretations issued, but not yet effective

#### GRAP 18: Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the Board. The major classifications of activities in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on services, or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the Board's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The effective dates of the standard are unknown.

It is unlikely that the standard will have a material impact on the Board's Annual Financial Statements when it becomes effective.



## 27. New standards and interpretations (continued)

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### **GRAP 20: Related Party Disclosure**

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. Related party relationships, transactions and outstanding balances, including commitments must be disclosed in the consolidated and separate financial statements of the Board. Intra-group related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the economic entity

### **GRAP 25: Employee Benefit**

The purpose of Employee Benefits is to provide accounting principles for salaries, wages and bonuses paid to employees, contributions made to third parties, free or subsidised goods and services, such as free housing or medical care provided to employees or their dependents, benefits provided to employees on retirement, long-term benefits provided to employees and benefits paid to employees who either accept voluntary retrenchment packages or have their employment contracts terminated before retirement age.

In terms of the Standard, an entity accounts for amounts or benefits due to employees, their spouses or third parties when employees have rendered services to the entity, and the rendering of those services entitles employees to certain benefits.

### **GRAP 105: Transfer of Functions between entities under common control**

The Standard establishes accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

### **GRAP 106: Transfer of functions between entities not under common control**

An entity shall determine whether a transaction or other event is a transfer of functions between entities not under common control the definition in GRAP 106, which requires that the assets acquired and liabilities assumed constitute a function. If the assets acquired or liabilities assumed are not a function, the reporting entity shall account for the transaction or other event as in accordance with the applicable Standard of GRAP

### **GRAP 107: Mergers**

The Standard establishes accounting principles for the combined entity and combining entities in a merger.

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## 28. Related Party Transactions

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### 28.1 Department of Economic Development

The Gauteng Gambling Board is established in terms of Section 3 of the Gauteng Gambling Act, 1995 (Act No. 4 of 1995), as amended, and reports to the MEC for Economic Development for the Gauteng Provincial Government in respect of gambling regulation and control in the province.

### 28.2 Board Members

The Board members are appointed by the MEC for Economic Development in terms of Section 5 of the Gauteng Gambling Act, 1995 (Act No. 4 of 1995), as amended. Board member fees amount to R2.9 million for this financial year (2012: R2.4 million).

### 28.3 Executive Management

The Executive Management team are appointed by the Board in terms of Section 12 of the Gauteng Gambling Act, 1995 (Act No. 4 of 1995), as amended. Refer to note 16 for Executive Management remuneration.

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## 29. Contingencies

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### Litigations

#### 29.1 Collins De Jager/Gauteng Gambling Board and Others

The applicants brought a spoliation order application before the Magistrates Court of Carletonville against the respondents in respect of 239 gambling machines seized at various places on the 4 March 2010.

The Board is opposing the application. The plaintiff is in the process of arranging a court date for this matter to be heard.

There were three matters involving the same parties and the Court has ruled in favour of the Gauteng Gambling Board on two of them. In view of the fact that the facts of this matter are similar to those which have been finalised, we believe that the court will also rule in favour of the Gauteng Gambling Board in this matter.

The Gauteng Gambling Board is going to pay its own legal fees, estimated at R50,000.00.

#### 29.2 Imtiaz Suliman versus Gauteng Gambling Board, Tsogo Sun Gaming (Pty) Ltd (49433/11)

The plaintiff, Mr Imtiaz Suliman, brought an application against the defendants, Gauteng Gambling Board and Tsogo Sun Gaming for the general damages he has suffered as a result of being arrested on a charge of unlawful trespassing.

The Board is opposing the matter and the parties are currently exchanging pleadings. Should the application succeed, the Board may have to pay the damages claimed, amounting to R300,000.00

Gauteng Gambling Board is going to pay its own legal fees, estimated at R100,000.00.

### 30. Unauthorised, Irregular and Fruitless Expenditure

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- 30.1 During the 2011/2012 financial year, irregular expenditure totaling R12 359 million was disclosed in the financial statements. The order made by the South Gauteng High Court confirming the dismissal of the Board was set aside, and declared unlawful and invalid.
- 30.2 During the 2011/2012 financial year, it was reported that SARS is currently auditing fringe benefits which PAYE was not withheld since the inception of the policy and will provide a directive on the way forward. A directive was issued which lead to Interest and Penalties totaling R227 941.25 being paid during the 2012/2013 financial year.
- 30.3 According to Treasury regulations 16A3.2(c), a supply chain management system must be consistent with the Broad Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003). Preferential Procurement Regulation, paragraph 5(1)(a) states that the entity should use the 80/20 preferential point system formula to calculate the points for price, in respect of tenders (including price quotations) with a Rand value equal to, or above R30 000 and up to a Rand value of R1 000,000 (all applicable taxes included). The entity did not use the preferential procurement regulation in respect of all awards after June 2011 above R30 000 and the total amount of the awards is R1 039 626.43 for the 2011/2012 and R594 839.21 for the 2012/2013 financial years.

# NOTES

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## **MYTH**

Luck favours the superstitious.

## **FACT**

Although many gamblers believe that lucky rituals, actions or objects can help tip the odds in their favour all outcomes are random and pure chance. 'Lady Luck' does not exist in gambling and cannot influence results.

## **MYTH**

If you know the rules of a game, you increase your chances of winning.

## **FACT**

Knowing the rules of the game can only help you make decisions while playing. It cannot increase your chances of winning.

## **SIGNS OF PROBLEM GAMBLING**

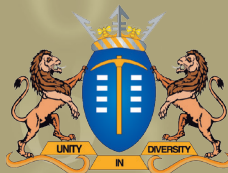
- Spending more time or money on gambling than intended
- Borrowing or stealing money to fund gambling
- Missing work, school, or other commitments to gamble
- Gambling more to recover your losses
- Feeling worried, anxious and moody when not gambling
- Family relationships breaking down because of debt and dishonesty
- Hiding your gambling from others but unable to stop gambling
- Gambling with ever bigger amounts to reach desired level of excitement



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**GAUTENG PROVINCE**

ECONOMIC DEVELOPMENT  
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