

GAUTENG GAMBLING BOARD



ANNUAL REPORT 2014-2015

COMMITMENT ♠ CONSISTENCY ♣ CONSULTATIVE
EMPLOYEE CENTRICITY ♦ EMPOWERMENT ♥ INTEGRITY
PERFORMANCE RECOGNITION ♠ SERVICE EXCELLENCE
TEAMWORK ♠ COMMITMENT ♦ CONSISTENCY
CONSULTATIVE ♣ EMPLOYEE CENTRICITY ♥ EMPOWERMENT
INTEGRITY ♦ PERFORMANCE ♠ RECOGNITION
SERVICE EXCELLENCE ♥ TEAMWORK ♣ COMMITMENT
CONSISTENCY ♠ CONSULTATIVE ♦ EMPLOYEE CENTRICITY
EMPOWERMENT ♥ INTEGRITY ♣ PERFORMANCE
RECOGNITION ♠ SERVICE EXCELLENCE ♦ TEAMWORK
COMMITMENT ♣ CONSISTENCY ♥ CONSULTATIVE
EMPLOYEE CENTRICITY ♦ EMPOWERMENT ♠ INTEGRITY
PERFORMANCE ♥ RECOGNITION ♣ SERVICE EXCELLENCE
TEAMWORK ♠ COMMITMENT ♦ CONSISTENCY
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CONSISTENCY ♣ CONSULTATIVE ♣ EMPLOYEE CENTRICITY
EMPOWERMENT ♠ INTEGRITY ♦ PERFORMANCE

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Part A: General information



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1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	Gauteng Gambling Board
REGISTRATION NUMBER:	Not Applicable
PHYSICAL ADDRESS:	125 Corlett Drive BRAMLEY 2090 South Africa
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EXTERNAL AUDITORS:	Auditor-General of South Africa 300 Middel Street New Muckleneuk PRETORIA 0001 South Africa



BANKERS:

Standard Bank Limited

9th Floor
Standard Bank Centre
5 Simmonds Street
JOHANNESBURG
2000
South Africa

BOARD SECRETARY:

Mr L Lukhwareni – 1 Apr 2014 to 31 Jul 2014
Admitted non-practicing attorney

Ms S Wotshela (Acting) – 1 Aug 2014 to 9 Jan 2015
Admitted non-practicing attorney

Ms N Matanzima – 15 Jan 2015 to current
Admitted non-practicing attorney



2. ABBREVIATIONS AND ACRONYMS

The following abbreviations and acronyms are used in this report:

ABBREVIATION / ACRONYM	DESCRIPTION
AGSA	Auditor-General of South Africa
B-BBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSI	Corporate Social Investment
DED	Department of Economic Development
EME	Exempted Micro Enterprise
FICA	Financial Intelligence Centre Act
GDP	Gross Domestic Product
GGB	Gauteng Gambling Board
MEC	Member of Executive Council for Economic, Environment, Agriculture and Rural Development
MTEF	Medium-term Expenditure Framework
NRGP	National Responsible Gambling Programme
PFMA	Public Finance Management Act 1 of 1999 as amended
SCM	Supply Chain Management
SMME	Small, Medium and Micro Enterprises
TR	Treasury Regulations



FOREWORD BY THE EXECUTIVE AUTHORITY



Mr Lebogang Maile
Executive Authority

The gambling industry is important to the economy of the Gauteng and South Africa at large. South Africa has a fairly expansive and long established regulatory regime with more licensed casino establishments than any other country on the African continent. Through levies and taxes leveraged by provincial gambling boards, the industry makes a sizeable contribution to the fiscus. This applies to Gauteng, which hosts the biggest gambling industry in the country.

As will be evident in reading this Annual Report, our revenue collection is on the increase. Levies and taxes collected for the year amounted to an R878 million, which reflects a 4% increase on the year before.

The gambling industry has strong forward and backward linkages and creates considerable direct and indirect jobs. Its industry has strong links to the services sector, contributing to job creation in hospitality, leisure and tourism. Moreover, the industry is an active participant in a range of social investment initiatives for the elderly, youth, people with disabilities and many other projects.

This notwithstanding, we believe that the industry can do more to inject resources and increase opportunities for income generation in black communities, townships in particular. The economic revitalisation of townships is a key element of government's efforts to increase the poor's share of the economy. This is why we will be shifting our emphasis to a social investment philosophy that is rooted in the vision to make townships viable economic spaces and thriving commercial centers. Industry stakeholders are therefore urged to familiarise themselves with the Township Economic Revitalisation Strategy, which is a product of intense consultations with entrepreneurs across Gauteng's townships. It is important that, as the gambling industry undergoes its own changes and complexities, its image becomes associated with taking important steps to stimulate economic activities and income generation in our townships.

There are pivotal lessons that government can draw from how the GGB has regulated the industry since its inception in 1995. The agency is instrumental in promoting fair gambling and betting practices, responsible gambling and corporate social investment (CSI). The challenge for the year ahead is continuous improvement of service delivery standards.

Our sincere gratitude goes to the dedicated staff, perceptive management and prudent board of the agency who continue to discharge the GGB's mandate with fervor and tenacity.

A handwritten signature in black ink, appearing to read 'L. Maile', written over a horizontal dashed line.

MR LEBOGANG MAILE
EXECUTIVE AUTHORITY

MEC: DEPARTMENT OF ECONOMIC DEVELOPMENT, ENVIRONMENT, AGRICULTURE AND RURAL DEVELOPMENT



3. STRATEGIC OVERVIEW

3.1 Synopsis of the strategic overview

Gambling taxes and licence fees are a significant source of revenue for the Gauteng province. Tax revenue is used by the government to provide essential public services such as policing and schools and to improve civic standards of living. The gambling industry also improves local economies as especially casinos use their revenue to build infrastructure such as roads and hotels.

The contribution of the gambling sector to the gross domestic product in South Africa and to the Gauteng Province, has been exponential over the years. In March 2014 the National Gambling Board published its latest annual research bulletin with statistics for 2012 in which it reported that the gambling sector contributed R11 billion to the gross domestic product (GDP) with an additional indirect contribution to other sectors of R11 billion. The value added impact of the sector contributed 0.8% of the GDP in South Africa in 2012. It is expected that the contribution of the gambling industry will be approximately 1% of the GDP and remain at this level for the foreseeable future.

Casino gambling remains the most significant form of gambling and attracts just over 71% of the total legal gambling expenditure. Casinos are followed by the National Lottery (12%) and betting on horse-racing and sport (10%). The balance is made up of bingo, limited pay-out machines and other forms of gambling.

Gambling has the potential to contribute to the growth and development of tourism and to the economy in the Gauteng province. Gambling should stimulate the creation of job opportunities and contribute to the alleviation of poverty in the province. The gambling industry has created and sustained three types of jobs: jobs in the provincial construction industry, jobs due to the ongoing running of the industry and indirect jobs as a result of the multiplied spending on construction and operations.

For the 2014/2015 financial year taxes of R878 million were collected; since inception the GGB has collected R9 billion on behalf of the Gauteng Province.

The special risks and dangers entailed by opportunities for gambling and betting necessitate appropriate restrictions, regulations and controls. The GGB continues its responsible gambling programme to prevent and mitigate the risks and dangers associated with gambling activities.



3.2 Strategic goal and strategic outcomes-oriented goals

The GGB's mandate is linked to the Department of Economic Development's (DED) Programme 4: Business Regulation and Governance. The strategic objectives of Programme 4 of DED are:

- Increased customer satisfaction that secures long-term sustainability and facilitates the growth of businesses
- A properly regulated liquor industry in Gauteng that generates revenue towards the socio-economic development of the province
- All projects and interventions of the DED's agencies contribute to the DED's vision and strategic goals of radically transforming, modernising and re-industrialising Gauteng's economy
- B-BBEE targets expressed in the Transformation Charters and score-cards of the 11 identified sectors leading to the creation of decent work, an inclusive economy and equality
- Stakeholders of all three spheres of government and from other sectors of society are jointly working towards radically transforming, modernising and re-industrialising Gauteng's economy

The GGB's main functions linked to Programme 4 are:

- Regulate the gambling industry
- Generate revenue from the industry and the regulation of services offered for socio-economic development in Gauteng

With these objectives from the DED mind, the strategic goal of the Gauteng Gambling Board is:

"To promote an efficient, equitable and socially responsible business environment."

In support of the Gauteng Gambling Board's strategic goal, the focus was on the following strategic outcomes-oriented goals:

- Increased monitoring of B-BBEE 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



3.3 Vision

The Gauteng Gambling Board's vision is:

To be a leading and innovative regulator in the gambling industry

3.4 Mission

The Gauteng Gambling Board's mission is:

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

3.5 Values

In driving the vision, the GGB employees subscribe to the following principle values:

GGB values	
Value	Value statement
Commitment	We are committed to the achievement of our goals
Consistency	We strive to treat all our stakeholders in a fair and equitable manner at all times
Consultative	We strive to consider relevant stakeholders' input in decision-making, in the spirit of co-operative governance
Employee centricity	To recognise our employees as our most valuable resource
Empowerment	We are committed to the principles of empowerment and transformation
Integrity	We are committed to be trustworthy, honest and transparent in dealing with our stakeholders
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
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



4. LEGISLATIVE AND OTHER MANDATES

The GGB is a statutory body, established in terms of Section 3 of the Gauteng Gambling Act, 4 of 1995, as amended. Further, the Gauteng Gambling Board also discharges its mandate in terms of the following legislation:

- National Gambling Act, 7 of 2004, as amended
- National Gambling Regulations, as amended
- Gauteng Gambling Act, 4 of 1995, as amended
- Gauteng Gambling Regulations, as amended
- Financial Intelligence Centre Act, 38 of 2001, as amended
- Public Finance Management Act, 1 of 1999, as amended

The GGB is:

- A Schedule 3C public entity in terms of the Public Finance Management Act, 1 of 1999
- A supervisor body in terms of the Financial Intelligence Centre Act, 38 of 2001
- A regulatory authority in terms of the National Gambling Act, 7 of 2004

The main functions of the GGB are to:

- Oversee and control gambling activities in Gauteng, including:
 - Licensing of individuals and entities to conduct gambling and related activities
 - Registering of persons engaged in such activities
 - Approval and registering of all gambling devices
 - Collecting prescribed taxes and levies for the Gauteng Province and other specified beneficiaries
- Manage and administer the Sports Development Fund
- Advise the MEC on matters relating to gambling
- Supervise and enforce compliance by the gambling industry with the requirements of the Financial Intelligence Centre Act (FICA) including:
 - Conducting FICA inspections
 - Taking disciplinary action for non-compliance
 - Reporting to the Financial Intelligence Centre on enforcement
- Supervise and enforce compliance by the gambling industry with the requirements of the National Gambling Act including:
 - Investigation and issuing of national entity and employment licenses
 - Ensuring continuous suitability and compliance with the legislative prescripts by the national licensees

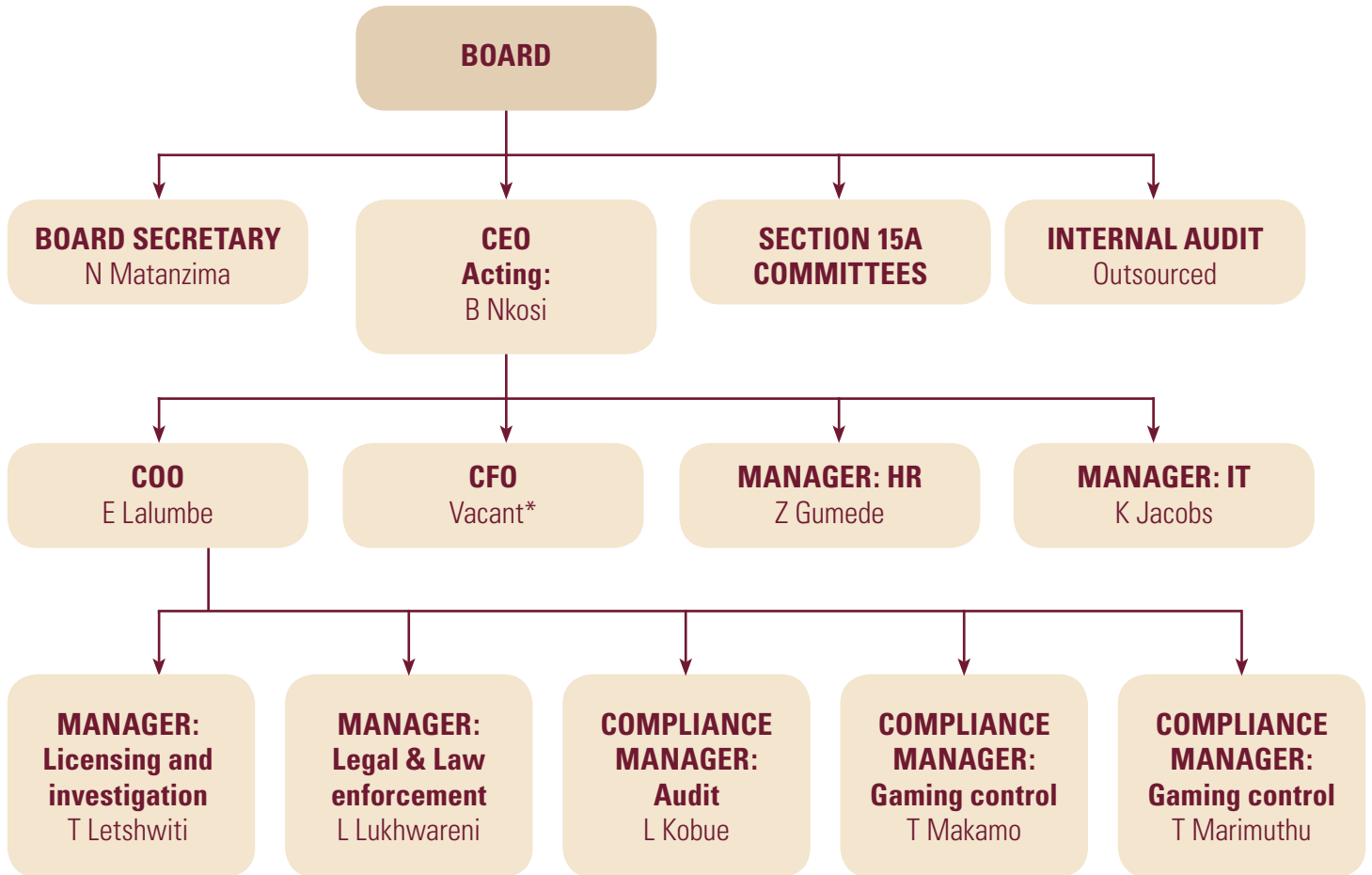


A core function of the GGB is to protect the public. This is achieved through the following:

- **Ensuring integrity of gambling activities.** Licensing of credible operators and suppliers of gaming equipment, setting and regulating of gambling equipment standards, approval and registration of gambling equipment, registration of suitable persons to be engaged in gambling occupations and ensuing regulatory compliance by licensees on an ongoing basis.
- **Eradication of illegal gambling activities.** This is done in order to protect the public from unfair business practices, as illegal operators are not subject to regulatory control to ensure fair business practices.
- **Dispute resolution and punter assistance.** The GGB receives and adjudicates complaints from the public arising from gambling disputes or other gambling related activities.
- **Tax collections.** The GGB collects gambling taxes and levies on gambling transactions on behalf of the Gauteng Provincial Government and other beneficiaries.
- **Measures to promote responsible gambling and minimisation of incidences of problem gambling.** The GGB recognises that opportunities for gambling entail particular risks for the people of Gauteng. To this end, the GGB co-operates with other relevant organisations to assist people who fall prey to gambling addiction. The following assistance is available to any person with a gambling problem:
 - **Self exclusion.** The operators in the province operate a system of self-exclusion in terms whereof a gambler can voluntarily request to be excluded from a gambling outlet.
 - **Professional assistance.** A general practitioner can assist by referring people to clinics specialising in the treatment of addiction. There are various voluntary organisations which may be approached for free counselling.



5. ORGANISATIONAL STRUCTURE



* Please refer to disclosure note 40 on page 207 of the Annual Financial statements relating to subsequent events.



Mr P Mafojane
Chairperson of the Board

I am pleased to present the Gauteng Gambling Board’s Annual Report for the 2014/2015 financial year.

The global economies including that of South Africa are interlinked. Similarly in gambling the operators and gambling suppliers of software and equipment operate in South Africa as well as in other major economies of the world such as America, Europe, Asia and Australia. The gambling developments in these jurisdictions have significant impact within the South African gambling market. Up-to-date knowledge is required to successfully regulate a fluid and constantly changing gambling environment driven by rapid technological innovation. To keep informed, the GGB participated in both national and international forums such as International Association of Gambling Regulators, the Global Gaming Expo and the Gambling Regulators African Forum.

The majority of gambling operators and gambling suppliers operate globally. This implies that the challenges and opportunities faced by the international gambling community will in most likelihood also present challenges and opportunities to the GGB.

Despite the best efforts of collecting intelligence and supporting the law enforcement agencies, illegal gambling remains a challenge. Illegal operators continuously devise ways and means of evading detection and prosecution. Illegal operators also exploit the latest trends in technology in the delivery of illegal gambling. Currently, illegal operators use server-based and on-line gambling technology. The enforcement challenges in these methods include the fact that the prohibited gambling games are located on a server which is housed outside the premises where gambling takes place and when law enforcement officers endeavour to procure evidence for successful prosecution the games are swiftly changed from illegal gambling to ordinary internet café operations. Similarly with on-line gambling the server may be located outside the South African borders making it difficult to establish the true identity of the perpetrators. The work of the GGB is also challenged through its lack of arresting powers and the length of the interdisciplinary network it is required to work through.

Sound regulatory policies and practices require that the GGB’s regulatory strategy is informed from time to time by empirical evidence as opposed to reliance on anecdotal sources. To this end the GGB has during the year commissioned a province-wide social impact study. The results of this study will inform and underpin future regulatory strategy or approach of the GGB and Provincial Government relating to gambling.

The Board also made available R159 million to the advancement of township economic revitalisation.



6. FOREWORD BY THE CHAIRPERSON

The Board's term comes to an end on 30 September 2015 and we would like to take this opportunity to thank the Provincial Government for having provided us the opportunity to serve the public, particularly the MEC, Lebogang Maile, for providing support and strategic political guidance, my fellow Board members, the management team and staff for assisting the Board in discharging its mandate.

The GGB has met or exceeded its targets. One target was not achieved: the percentage variance between the budgeted expenses and the actual expenses. This report of the GGB's performance is set out in the detail of this Annual Report.

Signed:

A handwritten signature in black ink, appearing to read 'P Mafojane', enclosed within a hand-drawn oval.

Mr P Mafojane
Chairperson of the Board
Date: 31 July 2015



CHIEF EXECUTIVE OFFICER'S OVERVIEW



Mr Bheki Nkosi
Acting Chief Executive Officer

I am delighted to present an overview of the Gauteng Gambling Board's performance and achievements for the financial year under review. The Annual Report for the 2014/2015 year contains general and performance information, an update on governance and human resources as well as the Annual Financial Statements.

The GGB maintained sound financial systems and governance practices resulting in a clean audit for this financial year.

GGB has achieved substantially on its mandate. Most of the goals for the year were reached. Revenue for the GGB was budgeted as R136 million; actual revenue for the year was R142 million resulting in collected revenue surplus of R6 million.

As indicated in the Chairperson's foreword, the only key performance indicator not achieved relates to the variance between the budget and actual financial performance.

Actual expenses were considerably (R23 million) lower than budgeted expenses largely due to vacant approved posts. These posts are not currently being filled due to cost-cutting measures implemented by the Department of Economic Development.

We will continue to capacitate the organisation with skilled and knowledgeable individuals to complement the existing workforce. In line with government philosophy of a caring government for the citizens, we will balance our mandate to collect revenue on behalf of the provincial fiscus with public interest through measures aimed at minimising the incidents of problem gambling.

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 GGB's regulatory mandate.

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

Bheki Nkosi
Acting Chief Executive Officer
Date: 31 July 2015

Part B: Performance information



ANNUAL REPORT 2014-2015



1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2015

The Acting Chief Executive Officer is responsible for the preparation of the Gauteng Gambling Board's (GGB) performance information, and for the judgements made in this information.

The Acting 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 objectives, indicators and targets, as per the strategic and annual performance plan of the GGB for the financial year ended 31 March 2015.

The GGB's performance information for the year ended 31 March 2015 has been examined by the external auditors and their report is presented on page 112.

The performance information of the GGB set out on page 19 to page 55 was approved by the Board.

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

Bheki Nkosi
Acting Chief Executive Officer
Date: 31 July 2015

A handwritten signature in black ink, appearing to be 'P Mafojane'.

P Mafojane
Chairperson of the Board
Date: 31 July 2015



2. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (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 114 for the auditor's report, published as part of the financial information.



3. OVERVIEW OF THE GAUTENG GAMBLING BOARD'S PERFORMANCE

The GGB Annual Performance Report 2014-2015 is a formal report on a set of Key Performance Indicators (KPI's) with associated targets that supports the GGB Strategic Plan 2011–2015. Annual performance planning is a process of thinking through and planning the inputs, activities, outputs and anticipated outcomes for the business and its operations over a period of time. The Annual Performance Report is also the report through which the GGB reflects on how it has responded to strategic goals contained in the GGB Strategic Plan which was implemented with effect from 01 April 2014 to 31 March 2015.

3.1 Service delivery environment

As the industry matures, gambling operators are searching for more growth opportunities for their shareholders. The operators are faced with continued stiff competition amongst themselves and this has resulted in consolidation, mergers, acquisitions and a partnership between some national players in one province. Further, operators approached the GGB for relocation of premises to more profitable locations.

An application was lodged by Sun International (South Africa) Limited for the relocation of a casino licence from Mabopane to Menlyn in Pretoria. This application was approved subject to strict conditions imposed by the GGB after due consideration of input received from various stakeholders.

Benefits of the application include an increased number of jobs, a positive economic impact and an increase in revenue collection. This project would also add bulk infrastructure to the province, in the form of tourist facilities such as hotels and a planned 8 000 seater arena.

In the process of all these applications the Board was called upon to adjudicate upon some of the highly contested applications between the various operators.

An area that provided a particular challenge, was ensuring level 2 B-BBEE compliance for all relevant licensees by 31 March 2015. Although it is theoretically possible to make level 2 B-BBEE a condition for licensing, this was not implemented as it would exclude a large number of smaller operators. Excluding these licensees would result in negative economic consequences for Gauteng in terms of job losses and loss of revenue.

Although gambling is a good source of revenue for Gauteng, gambling competes with other forms of entertainment. As the influence of inflation, higher fuel costs and e-tolls is felt by gamblers, revenue from gambling is under pressure.



The GGB has continued with its partnership with the National Responsible Gambling Programme (NRGP) 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 the performance information section.

3.2 Organisational environment

The Board's term of office came to an end on 31 March 2014. In order to avoid disruption of the Board's activities the MEC extended the term of office of the current Board members by a period of 18 months, except for Mr Bally Chuene who was not available for a further term.

The GGB has a strong team in place. The GGB has filled the vacant positions of Licensing and Investigations Manager and Compliance Manager: Gaming Control. These positions were filled with highly experienced persons, namely Mr Thabang Letshwiti, who has been a Section Head in the Licensing Department and acted in the position previously. The Compliance Manager: Gaming Control positions were filled by Messrs Makamo and Marimuthu who were both managing directors of BMM Africa and GLI Africa respectively. They bring with them a wealth of experience and technical knowledge in gambling equipment and software testing. Ms Zandile Gumede was appointed as HR manager, who brings with her experience from a large corporate environment.

Due to possible strategic developments, the Board and the MEC agreed to delay finalising the process of appointing a permanent Chief Executive Officer. Mr Bheki Nkosi is currently acting in the position.

Despite vacancies the GGB has managed under difficult conditions to discharge of its responsibilities in terms of its mandate.

3.3 Key policy developments and legislative changes

During the year under review the following developments occurred:

- The Gauteng Gambling Act was amended to allow the increase in the annual license fees, as well as the application fees in terms of the regulations promulgated in terms of Section 84 of the Act.
- During April 2014 a bill on remote gambling was introduced by a Member of Parliament, Mr Geordian Gwyn Hill and published for comment.
- Draft amendments to the Financial Intelligence Centre Act were approved by Cabinet in April 2015 after requesting public comment. Schedule 1 of the Act was updated with changes to certain definitions.

There were no amendments to the National Gambling Act in the year under review.

3.4 Stakeholders

The table below reflects the main GGB stakeholders, although it is not exhaustive. It should also be noted that there are a number of non-government stakeholders that are consulted on an ad-hoc basis.

Key stakeholders	Brief description of relationship
MEC for Department of Economic, Environment, Agriculture and Rural development	The MEC is the Executive Authority for the GGB in terms of the Gauteng Gambling Act
Gauteng Provincial Legislature	The GGB provides reports and feedback to the Legislature via the Portfolio Committee on Economic Development
Gauteng Provincial Treasury	The Provincial Treasury allocates the GGB funding
Gauteng Department of Economic Development	The Provincial Department is responsible for long-term economic development planning in the Province as well as resource allocation
National Department of Economic Development	The National Department has identified various programmes and key strategic projects to achieve its long terms goals
National Treasury	National Treasury monitors the performance of the entity
Suppliers	Suppliers must comply with all the laws and supply chain regulations applicable to the GGB
Gambling licensees and manufacturers	Gambling licensees of gambling equipment are inspected and audited by the GGB. This group of stakeholders pay license and inspection fees to fund the operations of the GGB. These stakeholders must receive the service levels committed to by the GGB
The public including those who partake in gambling activities	Communication to these stakeholders and marketing of the services and responsible gambling is essential



4. STRATEGIC OUTCOME ORIENTED GOALS

In response to the DED strategic goal, the GGB has formulated and aligned their goals to the DED as follows:

- **Goal 1: Ensuring Level 2 B-BBEE compliance for all relevant licensees by 31 March 2015** – addresses the mandate of the GGB in ensuring that there is transformation in the gambling industry. This goal is supported by one strategic objective which looks at increased participation within the industry and ownership of previously disadvantaged individuals and SMMEs as well as increased monitoring (and enforcing) B-BBEE regulations. This will be achieved through increased monitoring of B-BBEE compliance.
- **Goal 2: Ensuring compliance with the legislative framework** – addresses the enforcement of legislation designed to regulate the industry. The goal is supported by three strategic objectives through increased monitoring and control of gambling in the province, effective and efficient regulation of gambling and promotion of responsible gambling. The GGB has identified a range of projects and interventions that will give effect to this goal.
- **Goal 3: Improved administrative efficiency and effectiveness** – addresses the institutional arrangements within the GGB which should facilitate the achievement of the mandate of the GGB. The goal is aimed at ensuring administrative efficiency and effectiveness through sound corporate governance and alignment of policies, processes and systems. The strategic objectives that support this goal address issues of enhancing performance by providing an enabling environment and ensuring financial accountability and compliance to prescribed financial regulations and guidelines.
- **Goal 4: Contribute to the eradication of poverty** – is aligned to the DED mandate of facilitating the growth of the provincial economy, reducing poverty and promoting job creation. This goal is supported by the objective of an increased number of people benefitting from the CSI projects. The GGB will support a range of CSI initiatives geared towards this mandate. Furthermore, in terms of the Gauteng Gambling Act, the GGB will also contribute towards the mandate through the Sports Development Fund.

The strategic objectives linked to the strategic goals remained the same as the previous financial year and is summarised in the table below.

GGB Strategic objectives linked to the strategic outcomes	
Strategic Goal	Strategic objective / outcome
1. Ensure Level 2 B-BBEE compliance for all licensees by 31 March 2015	1.1 Increased monitoring of B-BBEE compliance
2. Ensure compliance with the legislative framework	2.1 Increase monitoring of gambling in the province
	2.2 Efficient and effective regulation of gambling
	2.3 Promotion of responsible gambling
3. Improved administrative efficiency and effectiveness	3.1 To enhance organisational performance by providing an enabling environment
	3.2 To ensure financial accountability and compliance to prescribed financial regulations and guidelines
4. To contribute to the eradication of poverty	4.1 Increased number of people benefiting from the CSI project



5. PERFORMANCE INFORMATION BY KEY PERFORMANCE AREA

The GGB, as per its mandate, offers a number of regulatory services to various stakeholders. These services are summarised in the table below:

Services provided by GGB	
Services	Description
1. Monitoring and control	<ul style="list-style-type: none"> • Law enforcement • Investigation • Compliance audit • Gaming control • Financial Intelligence Centre Act
2. Standards setting (advice, input and documentation)	<ul style="list-style-type: none"> • Gambling Act • Rules and regulations • Technical standards
3. Licensing	<ul style="list-style-type: none"> • Gambling facilities • Employee registration • Equipment registration • Manufacturers, supplier and maintenance providers • Amusement facilities • Third party suitability
4. Information, advice and dispute resolution	<ul style="list-style-type: none"> • Information and advice on: <ul style="list-style-type: none"> ◦ Licensing and registration requirements ◦ Gambling facilities ◦ Gambling dispute resolution ◦ Legislation • Disciplinary action: <ul style="list-style-type: none"> ◦ Disciplinary hearing ◦ Execution of hearing result • Revenue collection: <ul style="list-style-type: none"> ◦ Gambling tax ◦ Licence fees ◦ Employee registration fees ◦ Other revenue

5.1 Description of services provided

The paragraphs below outline the detail of the services provided by the GGB.

5.1.1 Gambling regulation

The GGB'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 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.

5.1.2 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 (e.g. food and beverage and cleaning) of the licensee are not required to be licensed.

5.1.3 Compliance audits and inspections

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

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



These objectives are achieved by:

- Ensuring accuracy of gambling revenue paid by the licensees and compliance to applicable gambling legislation, by performing revenue and compliance audits;
- On-going monitoring of compliance with BBBEE requirements by performing reviews and monitoring audits on licensees, and
- Testing and approval of gambling devices and an effective roll-out program for Limited Pay-out Machines (LPM).

5.1.4 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 GGB for resolution.

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

5.1.5 Eradication of illegal gambling

The GGB'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 GGB works closely with the South African Police Services and other government agencies to eradicate the incidence of illegal gambling.

5.1.6 Responsible gambling

The key elements of the responsible gambling campaign are 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, including senior citizens and recipients of social grants and pensions at Sassa pay points, as well as at community sporting, church and other venues. There are also ongoing research projects, seasonal advertising in local media, and participation in public shows and exhibitions, careers expos, community, family and sports events and corporate wellness days.

5.1.7 Corporate Social Investment (CSI)

The GGB annually allocates money for corporate social investment as part and parcel of alleviating community hardship emanating from social and developmental challenges. The amount allocated for the financial year amounts to R5 528 766.

The GGB has entered into a service level agreement with Gauteng Enterprise Propeller to utilise the CSI funding for the township economic revitalisation programme.

5.1.8 B-BBEE

In terms of the Gauteng Gambling Act, the GGB 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 GGB 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 BBEE, building towards the ultimate goal of level 2 in 2015.

5.1.9 Enforcement of the Financial Intelligence Centre Act

With effect from 1 December 2010 the GGB 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.



5.2 Planning concepts, strategic objectives and result statements

5.2.1 Definition of planning concepts

The guidelines from National Treasury for the development of Annual Performance Plans set out a definition regime that the GGB is adhering to. This section provides a brief explanation of the measurement definitions that are used in the Annual Performance Plan. At the top of what National Treasury call the hierarchy of the relationship between planning concepts, are the vision, mission and values which we have set out in Section A3.3 to A3.5. The following definitions and measures, drawn from the National Treasury definitions, are used in the Annual Performance Plan and Annual Report:

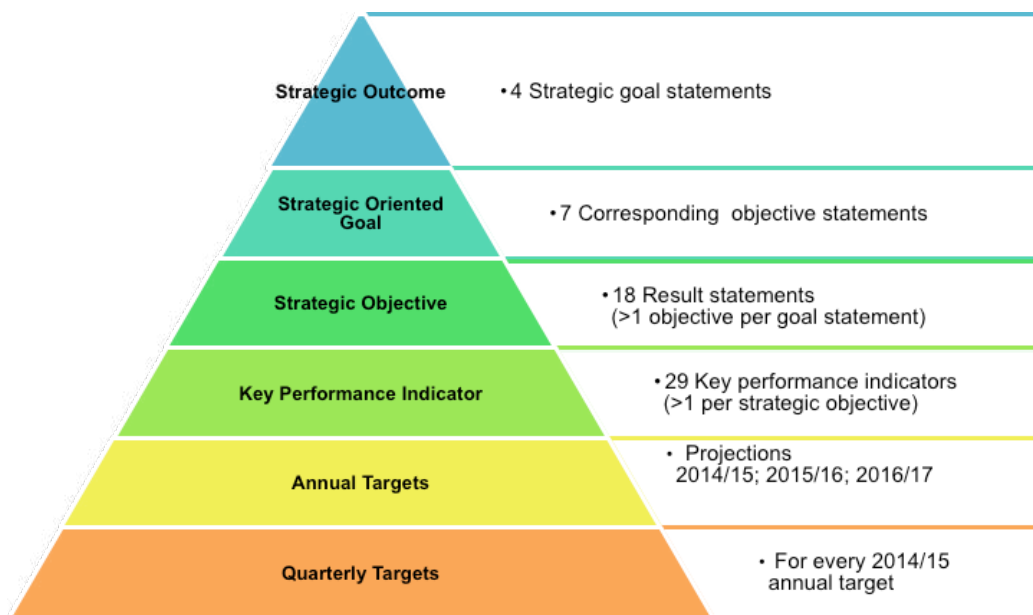
Planning Concept	Definition	GGB Usage in Annual Performance Planning
1. Strategic Outcomes	Strategic outcomes identify areas of institutional performance that are critical to the achievement of the mission. They should stretch and challenge the institution, but must be realistic and achievable. They probably span the period of a strategic plan or longer.	There are four strategic goals in the GGB Annual Performance plan.
2. Strategic Oriented Goals	Strategic oriented goals should state clearly what the institution intends doing or producing to achieve its strategic outcomes. The strategic oriented goals should be stated in the form of an output statement.	There are four strategic oriented outcomes that directly correspond to the strategic goals in the Annual Performance Plan with seven corresponding objective statements supporting the strategic goals.
3. Strategic Objectives	Strategic objectives in the Annual Performance Plan should refer to the objectives that are intended for the financial year. Each strategic objective must describe things that the institution is directly responsible for doing or delivering under its Strategic Outcome. Institutions are advised to set fewer rather than more strategic objectives. The aim is to make strategic choices.	There are 18 result statements to support the strategic objectives in the Annual Performance Plan. From these strategic objectives, KPIs and targets are developed.



Planning Concept	Definition	GGB Usage in Annual Performance Planning
4. Key Performance Indicators (KPI's)	KPI's are more detailed than Strategic Objectives. They are quantifiable measurements that reflect the critical success factors of an organisation. KPI's can set measures for quantity, quality or time, or any other measurement. If appropriate there can be just one KPI as a measure for a strategic objective. There should not be more than five KPI's for a particular strategic objective or the Annual Performance Plan will be too operational.	There are 29 KPI's grouped under the 18 result statements.
5. Annual Targets	Targets add the value, measure and detail to a KPI. They must be a number, quantity, level of quality or a time period.	The Annual Performance Plan requires a history of 2011/12 targets achieved, that were audited, a baseline target for 2012/13, an estimated delivery target for 2013/14, and projected annual targets for 2014/15; 2015/16; 2016/17.
6. Quarterly Targets	The annual targets for 2014/15 are broken down into quarterly targets.	This is applied in the Annual Performance Plan.



The diagram below represents the cascading of the hierarchy of planning concepts, with their application to the GGB Annual Performance Plan.



Representation of the GGB Annual Performance Plan planning concepts

5.2.2 Summary of the GGB Strategic goals and objectives

The table below sets out a summary of the Strategic Outcomes, Oriented Goals and the Strategic Objectives for the GGB Annual Performance Plan for 2014/15.

Strategic Goal	Strategic objective / outcome	Result statement
1. Ensure Level 2 B-BBEE compliance for all licensees by 31 March 2015	1.1 Increased monitoring of B-BBEE compliance	1.1.1 Enhance policy framework
		1.1.2 Monitor compliance with B-BBEE legislation
		1.1.3 Procure goods and services from service providers complying with PPPF legislation
2. Ensure compliance with the legislative framework	2.1 Increase monitoring of gambling in the province	2.1.1 Ensure suitability of participants in and premises used for gambling
		2.1.2 Ensure accuracy of gambling taxes collected and compliance to legislation
	2.2 Efficient and effective regulation of gambling	2.2.1 Annual review of gambling legislation
		2.2.2 Revenue collection
	2.3 Promotion of responsible gambling	2.3.1 Increase awareness of the dangers of gambling



Strategic Goal	Strategic objective / outcome	Result statement
3. Improved administrative efficiency and effectiveness	3.1 To enhance organisational performance by providing and enabling environment	3.1.1 Review organisational structure
		3.1.2 Develop succession plan
		3.1.3 Develop value based Performance Management System component
		3.1.4 Develop Information and Communications Technology (ICT) governance structure and decision making process
	3.2 To ensure financial accountability and compliance to prescribed financial regulations and guidelines	3.2.1 Reduce variance between budgeted and actual expenditure
		3.2.2 Maintain accurate asset management register
		3.2.3 Develop and implement centralised supply chain management policy
		3.2.4 Implementation of risk mitigation strategies
4. To contribute to the eradication of poverty	4.1 Increased number of people benefiting from the CSI project	4.1.1 Increase rand value spent on CSI projects
		4.1.2 Increase rand value spent on Sports Development Fund

5.3 Annual Performance Plan – performance indicators, targets and achievements

The following section, which makes up the bulk of the annual performance report, sets out the detailed target setting and performance monitoring regime for the GGB’s 2014/15 targets together with achievements against those targets.

5.3.1 Strategic Goal 1: Ensure Level 2 B-BBEE compliance

5.3.1.1 Strategic Objectives, Key Performance Indicators and Targets

Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	2013/2014 Actual performance (Baseline)	2014/2015 Annual target	2015/2016 Annual target
1. Ensure Level 2 B-BBEE compliance for all licensees by 31 March 2015	1.1 Increased monitoring of B-BBEE compliance	1.1.1 Enhance policy framework	1.1.1.1 Draft of the enhanced policy developed (completed in 2013/14)	Achieved	1	1
		1.1.2 Monitor compliance with B-BBEE legislation	1.1.2.2 B-BBEE compliance report	Achieved	1	1
		1.1.3 Procure goods and services from service providers complying with PPPF legislation	1.1.3.1 Percentage spent on goods and services from service providers complying with PPPF legislation	N/A	80%	80%



5.3.1.2 Quarterly targets for 2014/2015

Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	2014/2015 Annual target	2014/2015 Q1 Target	2014/2015 Q2 Target	2014/2015 Q3 Target	2014/2015 Q4 Target
1. Ensure Level 2 B-BBEE compliance for all licensees by 31 March 2015	1.1 Increased monitoring of B-BBEE compliance	1.1.1 Enhance policy framework	1.1.1.1 Draft enhanced policy developed (completed in 2013/14)	1	0	0	0	1
		1.1.2 Monitor compliance with B-BBEE legislation	1.1.2.1 B-BBEE compliance report	1	0	0	0	1
		1.1.3 Procure goods and services from service providers complying with PPPF legislation	1.1.3.1 Percentage spend on goods and services from service providers complying with PPPF legislation	80%	80%	80%	80%	80%



5.3.1.3 Performance against Annual Performance Plan

Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	Evidence required	2014/2015 Annual target	2014/2015 Annual actual	2014/2015 Monitoring and evaluation	Comments
1. Ensure Level 2 B-BBEE compliance for all licensees by 31 March 2015	1.1 Increased monitoring of B-BBEE compliance	1.1.1 Enhance policy framework	1.1.1.1 Draft enhanced policy developed	Draft enhanced policy	1	1	Achieved	Adequate resources were deployed to execute the departmental plan.
		1.1.2 Monitor compliance with B-BBEE legislation	1.1.2.1 B-BBEE compliance report	B-BBEE compliance report	1	1	Achieved	Adequate resources were deployed.
		1.1.3 Procure goods and services from service providers complying with PPPF legislation	1.1.3.1 Percentage spent on goods and services from service providers complying with PPPF legislation	% Spent on complying service providers vs total spent	80%	100%	Achieved	Resources were deployed to ensure compliance with PPPF legislation.



5.3.2 Strategic Goal 2: Ensure compliance with the legislative framework

5.3.2.1 Strategic Objectives, Key Performance Indicators and Targets

Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	2013/2014 Actual performance (Baseline)	2014/2015 Annual target	2015/2016 Annual target
2. Ensure compliance with the legislative framework	2.1 Increase monitoring of gambling in the province	2.1.1 Ensure suitability of participants in and premises used for gambling	2.1.1.1 Percentage of applications processed within the standard timeframes: Employee provincial - 30 days; Employee National - 60 days; entities - 6 months	100%	100%	100%
			2.1.1.2 Number of licences issued per annum	1 654	500	500
		2.1.2 Ensure accuracy of gambling taxes collected and compliance to legislation	2.1.2.1 Number of compliance audits conducted on gambling licensees per annum as per the Annual Performance Plan	176	180	180
			2.1.2.2 Number of inspections conducted per annum as per the Annual Performance Plan	170	178	178
			2.1.2.3 Number of planned raids conducted per annum	60	36	36
			2.1.2.4 Percentage of disputes processed in the standard timeframe of 6 months	107.80%	100%	100%



Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	2013/2014 Actual performance (Baseline)	2014/2015 Annual target	2015/2016 Annual target
2. Ensure compliance with the legislative framework.			2.1.2.5 Percentage of gambling equipment applications processed within 10 days	100%	100%	100%
		2.2.1 Annual review of gambling legislation	2.2.1.1 Annual submission of draft amendments of legislation to the DED before the end of the financial year	Achieved	1	1
	2.2 Efficient and effective regulation of gambling	2.2.2 Revenue collection	2.2.2.1 Rand value of tax collected per annum as per the Annual performance plan	846 060 000	897 500 000	951 300 000
			2.2.2.2 Rand value of licence fee and other revenue collected per annum	129 221 000	135 700 000	144 000 000
	2.3 Promotion of responsible gambling	2.3.1 Increase awareness of the dangers of gambling	2.3.1.1 Number of awareness programmes conducted per annum	5	5	5
			2.3.1.2 Number of people reached with messaging on the dangers of gambling	261 576	180 000	180 000



5.3.2.2 Quarterly Targets for 2014/15

Strategic goal	Strategic objective/ outcome	Result statement	Performance indicator	2014/2015 Annual target	2014/2015 Q1 Target	2014/2015 Q2 Target	2014/2015 Q3 Target	2014/2015 Q4 Target
2. Ensure compliance with the legislative framework	2.1 Increase monitoring of gambling in the province	2.1.1 Ensure suitability of participants in and premises used for gambling	2.1.1.1 Percentage of applications processed within the standard timeframes	100%	100%	100%	100%	100%
			2.1.1.2 Number of licences issued per annum	500	100	150	100	150
		2.1.2 Ensure accuracy of gambling taxes collected and compliance to legislation	2.1.2.1 Number of compliance audits conducted on gambling licensees per annum (APP)	180	40	40	40	60
			2.1.2.2 Number of inspections conducted per annum (APP)	178	40	40	40	58
			2.1.2.3 Number of planned raids conducted per annum	36	9	9	9	9
			2.1.2.4 Percentage of disputes processed in the standard timeframe of 6 months	100%	100%	100%	100%	100%
			2.1.2.5 Percentage of gambling equipment applications processed within 10 days	100%	100%	100%	100%	100%



Strategic goal	Strategic objective/ outcome	Result statement	Performance indicator	2014/2015 Annual target	2014/2015 Q1 Target	2014/2015 Q2 Target	2014/2015 Q3 Target	2014/2015 Q4 Target
2. Ensure compliance with the legislative framework	2.2 Efficient and effective regulation of gambling	2.2.1 Annual review of gambling legislation	2.2.1.1 Annual submission of draft amendments of legislation to the DED before the end of the financial year	1	0	0	1	0
		2.2.2 Revenue collection	2.2.2.1 Rand value of tax collected per annum (APP)	897 500 000	197 200 000	229 800 000	244 400 000	226 100 000
			2.2.2.2 Rand value of licence fee and other revenue collected per annum	135 700 000	49 200 000	35 600 000	21 500 000	29 400 000
	2.3 Promotion of responsible gambling	2.3.1 Increase awareness of the dangers of gambling	2.3.1.1 Number of awareness programmes conducted per annum	5	1	1	2	1
			2.3.1.2 Number of people reached with messaging on the dangers of gambling	180 000	40 000	40 000	40 000	60 000



5.3.2.3 Performance against the Annual Performance Plan

Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	Evidence required	2014/2015 Annual target	2014/2015 Annual actual	2014/2015 Monitoring and evaluation	Comments
2. Ensure compliance with the legislative framework	2.1 Increase monitoring of gambling in the province	2.1.1 Ensure suitability of participants in and premises used for gambling	2.1.1.1 Percentage of applications processed within the standard timeframes	List of applications received with the date received and list of applications processed with dates completed.	100%	100%	Achieved	Committed employees and strong systems and processes are in place to process the applications within the timeframes.
			2.1.1.2 Number of licences issued per annum	List of applications received with the date received and list of applications processed with dates completed.	500	1692	Achieved	Increased applications due to the movement of employees between operators.
		2.1.2 Ensure accuracy of gambling taxes collected and compliance to legislation	2.1.2.1 Number of compliance audits conducted on gambling licensees per annum (APP)	List of compliance audits conducted on gambling licensees with the dates completed	180	181	Achieved	Co-operation by licensees in providing information and access to their premises.



Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	Evidence required	2014/2015 Annual target	2014/2015 Annual actual	2014/2015 Monitoring and evaluation	Comments
2. Ensure compliance with the legislative framework	2.1 Increase monitoring of gambling in the province	2.1.2 Ensure accuracy of gambling taxes collected and compliance to legislation	2.1.2.2 Number of inspections conducted per annum (APP)	List of inspections conducted with the dates reported	178	289	Achieved	Co-operation by licensees in providing information and access to their premises.
			2.1.2.3 Number of planned raids conducted per annum	List of raids conducted with the dates reported	36	49	Achieved	Joint operation between GGB and several law enforcement agencies.
			2.1.2.4 Percentage of disputes processed in the standard timeframe of 6 months	List of disputes received with the dates received and the dates processed	100%	100%	Achieved	Co-operation from both complainants and licensees in resolving the disputes.
			2.1.2.5 Percentage of gambling equipment applications processed within 10 days	List of gambling applications received with the dates as well as list of applications processed with dates completed.	100%	100%	Achieved	Adequate management of process and turnaround times.



Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	Evidence required	2014/2015 Annual target	2014/2015 Annual actual	2014/2015 Monitoring and evaluation	Comments
2. Ensure compliance with the legislative framework	2.2 Efficient and effective regulation of gambling	2.2.1 Annual review of gambling legislation	2.2.1.1 Annual submission of draft amendments of legislation to the DED before the end of the financial year	Acknowledgement of receipt of the draft amendments legislation	1	1	Achieved	Adequate resources to adhere to the planned activities.
		2.2.2 Revenue collection	2.2.2.1 Rand value of tax collected per annum as per the annual performance plan	Actual amount collected as reported in the statement of financial performance	897 500 000	952 331 000	Achieved	Increase in consumption of gambling products. Collections for the DED and all other beneficiaries.
		2.2.2.2 Rand value of licence fee and other revenue collected per annum	Actual amount collected as reported in the statement of financial performance	135 700 000	140 855 000	Achieved	Increase in sports betting in the Gauteng province	



Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	Evidence required	2014/2015 Annual target	2014/2015 Annual actual	2014/2015 Monitoring and evaluation	Comments
2. Ensure compliance with the legislative framework	2.3 Promotion of responsible gambling	2.3.1 Increase awareness of the dangers of gambling	2.3.1.1 Number of awareness programmes conducted per annum	List of awareness programs conducted in the financial year	5	5	Achieved	Co-operation and access to pension pay-out points, transport hubs and special community events.
			2.3.1.2 Number of people reached with messaging on the dangers of gambling	Number of people reached with messaging on the dangers of gambling -information leaflets distributed; Minutes of the Responsible Gambling Committee of the GGB	180 000	289 918	Achieved	Co-operation from South African Social Security Agency in providing access to pay-out points, increased access to transport hubs.



5.3.3 Strategic Goal 3: Improved administrative efficiency and effectiveness

5.3.3.1 Strategic Objectives, Key Performance Indicators and Targets

Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	2013/2014 Actual performance (Baseline)	2014/2015 Annual target	2015/2016 Annual target
3. Improved administrative efficiency and effectiveness	3.1 To enhance organisational performance by providing and enabling environment	3.1.1 Review organisational structure	3.1.1 Proposed new structure informed by the evaluation of job grading	None*	1	1
		3.1.2 Develop succession plan	3.1.2.1 Draft succession policy and succession plan is developed together with the training needs analysis	None*	1	1
		3.1.3 Develop value based PMS component	3.1.3.1 Recommendation / suggestion to measure the values of the organisation; development of draft of the policy	None*	1	1
		3.1.4 Develop ICT governance structure and decision making process	3.1.4.1 Level of implementation of ICT governance structure and decision making processes	1	1	1

* This specific target did not exist for the particular year



Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	2013/2014 Actual performance (Baseline)	2014/2015 Annual target	2015/2016 Annual target
3. Improved administrative efficiency and effectiveness	3.2 To ensure financial accountability and compliance to prescribed financial regulations and guidelines	3.2.1 Reduce variance between budgeted and actual expenditure	3.2.1.1 Percentage variation between actual and budgeted expenditure	10.6%	1.5%	1.5%
			3.2.1.2 New projects, upgrades and rehabilitation - building maintenance	None*	381 338	408 031
		3.2.2 Maintain accurate asset management register	3.2.2.1 100% up to date asset management register	100%	100%	100%
		3.2.3 Develop and implement centralised supply chain management policy	3.2.3.1 % Implementation of the centralised SCM policy	None	100%	100%
		3.2.4 Implementation of risk mitigation strategies	3.2.4.1 % Implementation of risk mitigation strategies	100%	100%	100%

* This specific target did not exist for the particular year



5.3.3.2 Quarterly Targets for 2014/15

Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	2014/2015 Annual target	2014/2015 Q1 Target	2014/2015 Q2 Target	2014/2015 Q3 Target	2014/2015 Q4 Target
3. Improved administrative efficiency and effectiveness	3.1 To enhance organisational performance by providing and enabling environment	3.1.1 Review organisational structure	3.1.1 Proposed new structure informed by the evaluation of job grading	1	0	1	0	0
		3.1.2 Develop succession plan	3.1.2.1 Draft succession policy and succession plan is developed together with the training needs analysis	1	0	0	0	1
		3.1.3 Develop value based PMS component	3.1.3.1 Recommendation / suggestion to measure the values of the organisation; development of draft of the policy	1	0	0	0	1
		3.1.4 Develop ICT governance structure and decision making process	3.1.4.1 Level of implementation of ICT governance structure and decision making processes	1	0	0	0	1



Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	2014/2015 Annual target	2014/2015 Q1 Target	2014/2015 Q2 Target	2014/2015 Q3 Target	2014/2015 Q4 Target
3. Improved administrative efficiency and effectiveness	3.2 To ensure financial accountability and compliance to prescribed financial regulations and guidelines	3.2.1 Reduce variance between budgeted and actual expenditure	3.2.1.1 Percentage variation between actual and budgeted expenditure	1.5%	1.5%	1.5%	1.5%	1.5%
			3.2.1.2 New projects, upgrades and rehabilitation - building maintenance	381 338	95 335	95 335	95 335	95 335
		3.2.2 Maintain accurate asset management register	3.2.2.1 100% up to date asset management register	100%	100%	100%	100%	100%
		3.2.3 Develop and implement centralised supply chain management policy	3.2.3.1 % Implementation of the centralised SCM policy	100%	0	0	0	100%
		3.2.4 Implementation of risk mitigation strategies	3.2.4.1 % Implementation of risk mitigation strategies	100%	0	0	0	100%



5.3.3.3 Performance against the Annual Performance Plan

Strategic goal	Strategic objective /outcome	Result statement	Performance indicator	Evidence required	2014/2015 Annual target	2014/2015 Annual actual	2014/2015 Monitoring and evaluation	Comments
3. Improved administrative efficiency and effectiveness	3.1 To enhance organisational performance by providing and enabling environment	3.1.1 Review organisational structure	3.1.1 Proposed new structure informed by the evaluation of job grading	Progress on implementation of the evaluation and alignment to the payroll	1	1	Achieved	New vacancies as per the new approved organisational structure has not been filled as there is a moratorium on filling new posts. The new structure will be implemented as soon as the moratorium has been lifted.
		3.1.2 Develop succession plan	3.1.2.1 Draft succession policy and succession plan is developed together with the training needs analysis	Draft succession policy, succession plan and summarised training needs analysis	1	1	Achieved	Adequate resources were deployed.



Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	Evidence required	2014/2015 Annual target	2014/2015 Annual actual	2014/2015 Monitoring and evaluation	Comments
3. Improved administrative efficiency and effectiveness	3.1 To enhance organisational performance by providing and enabling environment	3.1.3 Develop value based PMS component	3.1.3.1 Recommendation / suggestion to measure the values of the organisation; development of draft of the policy	Draft policy on the value based PMS component	1	1	Achieved	Adequate resources were deployed.
		3.1.4 Develop ICT governance structure and decision making process	3.1.4.1 Level of implementation of ICT governance structure and decision making processes	Minutes of the Audit and Risk Committee approving the report	1	1	Achieved	ICT implementation plan has been approved.



Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	Evidence required	2014/2015 Annual target	2014/2015 Annual actual	2014/2015 Monitoring and evaluation	Comments
3. Improved administrative efficiency and effectiveness	3.2 To ensure financial accountability and compliance to prescribed financial regulations and guidelines	3.2.1 Reduce variance between budgeted and actual expenditure	3.2.1.1 Percentage variation between actual and budgeted expenditure	Annual Financial statements	1.5%	17%	Not Achieved	The variance is mainly (87%) due to the saving on employee-related costs due to the moratorium placed on recruitment by the MEC.
		3.2.2 Maintain accurate asset management register	3.2.2.1 100% up to date asset management register	Unqualified audit opinion	100%	100%	Achieved	The asset register was reviewed and implemented.
		3.2.3 Develop and implement centralised supply chain management policy	3.2.3.1 % Implementation of the centralised SCM policy	Approved policy as well as the internal audit plan confirming implementation	100%	100%	Achieved	The SCM policy and procedures have been implemented through the assistance of a short-term contract appointment due to the moratorium on appointments.



Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	Evidence required	2014/2015 Annual target	2014/2015 Annual actual	2014/2015 Monitoring and evaluation	Comments
3. Improved administrative efficiency and effectiveness	3.2 To ensure financial accountability and compliance to prescribed financial regulations and guidelines	3.2.4 Implementation of risk mitigation strategies	3.2.4.1 % Implementation of risk mitigation strategies	Minutes of the Audit and Risk committee with comments on the quarterly mitigation reports as well as the annual risk report	100%	100%	Achieved	Reports have been tabled to the Audit and Risk Committee.



5.3.4 Strategic Goal 4: Contribute to the eradication of poverty

5.3.4.1 Strategic Objectives, Key Performance Indicators and Targets

Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	2013/2014 Actual performance (Baseline)	2014/2015 Annual target	2015/2016 Annual target
4. To contribute to the eradication of poverty	4.1 Increased number of people benefiting from the CSI project	4.1.1 Increase rand value spent on CSI projects	4.1.1.1 Rand value spend on CSI projects	15 378 412	5 000 000	6 900 000
			4.1.1.2 Number of CSI projects conducted	131	6	6
		4.1.2 Increase rand value spent on Sports Development Fund	4.1.2.1 Rand value spent on Sports Development Fund	6 220 000	6 000 000	6 000 000

5.3.4.2 Quarterly Targets for 2014/15

Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	2014/2015 Annual target	2014/2015 Q1 Target	2014/2015 Q2 Target	2014/2015 Q3 Target	2014/2015 Q4 Target
4. To contribute to the eradication of poverty	4.1 Increased number of people benefiting from the CSI project	4.1.1 Increase rand value spent on CSI projects	4.1.1.1 Rand value spend on CSI projects	5 000 000	0	0	0	6 900 000
			4.1.1.2 Number of CSI projects conducted	6	1	1	2	2
		4.1.2 Increase rand value spent on Sports Development Fund	4.1.2.1 Rand value spent on Sports Development Fund	6 000 000	0	0	0	6 000 000



5.3.4.3 Performance against the Annual Performance Plan

Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	Evidence required	2014/2015 Annual target	2014/2015 Annual actual	2014/2015 Monitoring and evaluation	Comments
4. To contribute to the eradication of poverty	4.1 Increased number of people benefiting from the CSI project	4.1.1 Increase rand value spent on CSI projects	4.1.1.1 Rand value spend on CSI projects	Actual amount spent as reported on the statement of financial performance	5 000 000	5 528 766	Achieved	Collaboration between Gauteng Enterprise Propeller and the GGB. The GGB has entered into a service level agreement with Gauteng Enterprise Propeller to utilise the CSI funding for the township economic revitalisation programme.
			4.1.1.2 Number of CSI projects conducted	List of entities that benefited from social responsibility programs	6	6	Achieved	Collaboration between Gauteng Enterprise Propeller and the GGB.



Strategic goal	Strategic objective / outcome	Result statement	Performance indicator	Evidence required	2014/2015 Annual target	2014/2015 Annual actual	2014/2015 Monitoring and evaluation	Comments
4. To contribute to the eradication of poverty	4.1 Increased number of people benefiting from the CSI project	4.1.2 Increase rand value spent on Sports Development Fund	4.1.2.1 Rand value spent on Sports Development Fund	Actual amount spent as reported on the statement of financial performance	6 000 000	21 716 242	Achieved	The sports development fund has grown exponentially over the last few years which resulted in accumulated funds available for distribution. These funds were distributed to beneficiaries in accordance with the Gauteng Gambling Act.

5.4 Capital investment, maintenance and asset management plan

The GGB has neither a maintenance plan nor capital investment plan. Its property is fairly new and is currently maintained in-house. The property was revalued during the year to R100 million; which represents an increase of 11% in the carrying value of the property. The increase in the carrying value will result in a higher depreciation in subsequent years. The valuer's report indicates that the property is well maintained, and that the workmanship is of a very good standard.

The most significant additions to assets during the year were laptops. These were purchased to replace older models, which had come to the end of their useful lives. The older models were scrapped at year end, together with obsolete or unused accessories such as printers and keyboards; these have been earmarked to be donated to a school.

There was an isolated instance of theft during the year, where an employee's laptop was stolen from his vehicle, which was not on the GGB premises at the time of the theft.

The estimated useful lives of assets were reassessed at year end, and extended for computer equipment, fixtures and fittings, furniture, office equipment, and intangible assets; this resulted in a significant decrease in depreciation and amortisation.

Assets with a cost price under R1 000 will no longer be capitalised; such assets capitalised prior to this amendment in policy were written off as an expense.



6. SUMMARY OF FINANCIAL INFORMATION

When formulating the strategic plan and the annual budget external information such as the inflation rate published by National Treasury, the macro-economic environment, international and national trends in the gambling industry, economic forecasts and salary surveys are consulted.

Specific external events that were considered were the increase in the number of licensees and movement of employees in the gambling industry.

6.1 Budget estimates

The table below presents the GGB 2014/15 high level budget. The GGB's expenditure is funded through licensing fees levied.

The main objective for the GGB for the period under review will be to enhance oversee and control gambling activities in Gauteng, manage and administer the Sport Development Fund, supervise and enforce compliance by the gambling industry with the requirements of the Gauteng Gambling Act, Financial Intelligence Centre Act and the National Gambling Act. Therefore, taking into account the strategic planning, co-ordination and monitoring and evaluation purposes, the Board has adopted the approach which links the activities to budgeting. The following table sets out the five-year MTEF budget.

The following table sets out the five-year MTEF budget.

Gauteng Gambling Board							
Five Year Rolling Budget - as at September 2014 (FY2015)							
Revenue	FY 2020 Budget	FY 2019 Budget	FY 2018 Budget	FY 2017 Budget	FY 2016 Budget	FY 2015 Budget (revised)	FY 2014 ACTUAL
	R	R	R	R	R	R	R
Interest received	6 145 068	5 797 234	5 469 089	5 258 739	5 056 480	4 862 000	75 000
Application and registration fees	6 668 885	6 291 401	5 935 284	5 546 995	5 184 107	4 844 960	4 528 000
Licence fees	59 471 491	56 105 180	52 929 415	49 652 538	46 590 035	43 726 958	36 696 000
Sports betting levy	9 760 314	9 207 844	8 686 645	8 118 360	7 587 252	7 090 890	11 112 000
Investigation expenses recoveries	3 294 395	3 107 920	2 932 000	2 932 000	2 932 000	2 932 000	2 932 000
Sundry income	206 379	194 697	183 677	172 761	162 496	152 845	439 000
Penalties raised -disciplinary	-	-	-	-	-	-	-
Penalties late pmt licence fee	-	-	-	-	-	-	-
HRA administration fees	330 350	311 651	294 010.32	274 776	2 568 00	240 000	240 000
Profit/loss on asset disposal	-	-	-	-	-	-	-
Recoveries from - SETA	140 753	132 786	125 270	125 270	125 270	125 270	-
Collection commission	96 087 421	90 648 510	85 517 462	80 676 851	76 110 237	71 802 110	67 632 000
Total revenue	182 105 057	171 797 224	162 072 853	152 758 289	144 004 678	135 777 034	128 254 000



Gauteng Gambling Board							
Five Year Rolling Budget - as at September 2014 (FY2015)							
	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Expenditure	Budget	Budget	Budget	Budget	Budget	Budget (revised)	ACTUAL
	R	R	R	R	R	R	R
Accommodation	4 820 787	4 547 912	4 290 483	3 761 226	3 299 016	2 895 238	2 391 000
Advertisements	789 379	744 697	702 544	638 677	580 615	527 832	700 000
Audit fees	2 196 459	2 072 131	1 954 841	1 777 128	1 615 571	1 468 701	892 000
Bank charges	98 678	93 093	87 823	82 078	76 708	71 690	67 000
Board member fees	3 878 487	3 658 950	3 451 840	3 451 840	3 451 840	3 001 600	2 196 000
Public relations and functions	513 429	484 367	456 950	431 085	406 684	383 664	547 000
Computer maintenance and services	815 951	769 765	726 194	660 176	600 160	545 600	496 000
Conference costs	988 256	932 317	879 544	822 004	768 228	717 970	671 000
Depreciation	8 135 524	7 675 023	7 240 587	6 582 352	5 983 956	5 439 960	-
Investigation and enforcement costs	442 475	417 429	393 801	387 665	381 930	376 570	287 000
Insurance	847 719	799 735	754 467	705 110	658 981	615 870	164 000
Legal expenses	5 771 037	5 444 374	5 136 202	4 669 275	4 244 795	3 858 905	774 000
Media subscriptions and books	471 505	444 816	419 638	392 185	366 528	342 550	441 000
Professional fees	865 792	816 785	770 552	720 142	673 030	3 673 030	629 000
Office consumables, maintenance & refreshments	625 944	590 514	557 088	520 643	486 583	454 750	425 000
Printing and stationery	1 519 940	1 433 906	1 352 741	1 264 244	1 181 537	1 104 240	1 032 000
Responsible gambling programme	8 988 800	8 480 000	8 000 000	8 000 000	8 000 000	8 000 000	7 553 000
Salaries & wages	115 932 427	109 370 214	103 179 447	96 426 099	90 114 857	84 216 772	54 138 000
Skills development levy	987 741	931 831	879 086	821 576	767 828	717 596	628 000
Socio economic development	5 674 180	5 353 000	5 050 000	6 108 278	6 945 565	5 000 000	15 378 000



Gauteng Gambling Board							
Five Year Rolling Budget - as at September 2014 (FY2015)							
	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Expenditure	Budget	Budget	Budget	Budget	Budget	Budget (revised)	ACTUAL
	R	R	R	R	R	R	R
Gambling community outreach programme	790 776	746 015	703 788	639 807	581 643	528 766	
Employee assistance program	147 281	138 944	131 080	122 504	114 490	107 000	35 000
Staff training and development	2 050 672	1 934 597	1 825 091	1 599 947	1 402 995	1 230 666	671 000
Staff recruitment costs	827 719	780 867	736 667	688 474	643 434	601 340	164 000
Security expenses	766 390	723 009	682 084	637 462	595 759	556 784	563 000
Technical gambling expertise costs	1 123 600	1 060 000	1 000 000	1 000 000	1 000 000	1 000 000	-
Transcription costs	164 955	155 618	146 809	137 205	128 229	119 840	112 000
Telephone & communications	1 983 476	1 871 204	1 765 287	1 649 801	1 541 870	1 441 000	1 441 000
Travel - local	2 989 805	2 820 571	2 660 916	2 486 837	2 324 147	2 172 100	2 030 000
Travel - overseas	6 895 870	6 505 538	6 137 300	5 574 470	5 067 700	4 607 000	4 607 000
Total expenditure	182 105 057	171 797 224	162 072 853	152 758 289	144 004 678	135 777 034	99 032 000
Surplus / (Deficit) for the year	-	-	-	-	-	-	29 222 000



6.2 Revenue collection

The table below summarises the actual achievements for revenue collection compared to the budget for the 2014/2015 financial year and 2013/2014 as a comparison.

Year	2014/2015 R'000			2013/2014 R'000		
	Budget	Actual revenue	(Over) / Under collection	Budget	Actual revenue	(Over) / Under collection
Administration fee	240	240	-	240	240	-
Application & Registration fees	5 455	6 089	(634)	5 121	6 373	(1252)
Collection commission	71 802	71 493	309	62 224	66 002	(3 778)
Licence fees	43 117	41 219	1 898	35 920	34 786	1 134
Sports betting levies	7 091	11 217	(4 126)	3 948	8 148	(4 200)
Penalties collected	-	2 750	(2 750)	30	-	30
Recoveries of investigation fees	2 932	1 908	1 024	1 772	2 961	(1 189)
Sundry income	278	224	54	290	298	(8)
Interest received	4 862	5 715	(853)	3 253	3 333	(80)
TOTAL	135 777	140 855	(5 078)	112 798	122 141	(9 343)

6.3 Programme expenditure

The GGB overall performed well during the year with an increase in the number of licensees from the year before.

Financial year	2014/2015 R'000			2013/2014 R'000		
	Budget	Actual expenses	(Over) / under expenditure	Budget	Actual expenses	(Over) / under expenditure
Employee related costs	84 934	65 068	19 866	54 607	54 561	46
Board and Audit members fees	3 002	3 567	(565)	4 046	2 480	1 566
Depreciation and amortisation	5 440	2 702	2 738	5 440	2 498	2 942
Impairment loss on non-current asset held for sale					3 500	(3 500)
Other operating expenses	42 401	41 683	718	48 705	43 809	4 896
TOTAL	135 777	113 020	22 757	112 798	106 848	5 950

6.4 Capital investment, maintenance and asset management plan

Refer to Part B 5.4 for information on the capital investment, maintenance and asset management plan.

Part C: Governance



ANNUAL REPORT 2014-2015



1. INTRODUCTION

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

2.1 Gauteng Legislature Economic Development Portfolio committee

The GGB held meetings with the Gauteng Legislature Economic Development Portfolio Committee as part of the DED. The following meetings took place:

- 11/07/2014 – Budget presentation
- 02/09/2014 – Q1 Performance report
- 16/09/2014 – Annual report presentation
- 13/02/2015 – Q3 Performance report

The GGB presented draft legislation to the Committee on the Scrutiny of Subordinate Legislation on 26 April 2014 relating to taxes and fees levied according to the legislation were adopted for the 2014/2015 year. On 27 March 2015 the changes in legislation relating to taxes and fees to be levied for the 2015/2016 financial year were adopted by the Committee on the Scrutiny of Subordinate Legislation.

2.2 Committee on the Scrutiny of Subordinate Legislation

The GGB presented draft legislation to the Committee on the Scrutiny of Subordinate Legislation on 26 April 2014 relating to taxes and fees levied according to the legislation adopted for the 2014/2015 year. On 27 March 2015 the changes in legislation relating to taxes and fees to be levied for the 2015/2016 financial year were adopted by the Committee on the Scrutiny of Subordinate Legislation.

2.3 Standing Committee on Public Accounts

The GGB together with the DED held several meetings and exchanged correspondence with the Standing Committee on Public Accounts. A hearing was conducted on 12 February 2015, during which the Committee heard evidence from the GGB on issues raised in the Annual Report and by the AGSA for the year ended 31 March 2014. The issues raised by the Standing Committee were all addressed.



The table below is an extract from the responses to house resolutions emanating from the Standing Committee on Public Accounts' report on the annual report including the AGSA's report on the financial statements and performance information of the GGB for the year ended 31 March 2014.

Responses to house resolutions emanating from the Standing Committee on Public Accounts	
Item	Response
The MEC provides the Committee with a progress report detailing the effectiveness of measures put in place to prevent recurrence of re-statements within 30 days of adoption hereof and a quarterly progress report continuing up until the end of the 2015/2016 financial year;	<p>Response: A finance turnaround project was concluded on 31 March 2015 whereby all financial transactions going back to 2012 were analysed and all General Ledger reconciliations were performed.</p> <p>Several prior year errors were identified and will be reported as such in the Annual Financial Statements for the year ended 31 March 2015.</p> <p>All General Ledger reconciliations are now up to date and all reconciliations are now performed on a monthly basis.</p>
The MEC provide the Committee with a progress report detailing the status of the proposed merger between Gauteng Gambling Board and Gauteng Liquor Board within 30 days of adoption hereof and a quarterly progress report up until finalisation thereof;	<p>The draft business case has been developed and circulated for further inputs; Management started to engage Provincial Treasury on the draft business case for comments and inputs and a Draft Bill has been developed, which has also been circulated for comments.</p> <p>Management explored and considered several business cases and legislative options. In particular:</p> <ul style="list-style-type: none"> • Disestablishment of both the GGB and GLB, and establishment of completely new entity • Disestablishment of either entity, and incorporation of another in the one retained • Customisation of the Free State Gambling and Liquor Agency Act <p>In the end, management settled for a process similar to that followed with the GEDA/Blue IQ merger into GGDA. The GGB Act will be utilised as principal legislation and incorporate in it aspects of the GLB Act. Further, the scope of the GGB Act will be broadened to incorporate the functions of liquor regulations. By following this process there won't be a need to establish through Treasury processes a new public entity as the GGB is already listed as a 3C Public Entity.</p>



2. PORTFOLIO COMMITTEES

Responses to house resolutions emanating from the Standing Committee on Public Accounts

Item	Response
<p>The CEO should ensure that transparent financial and performance management reporting systems are regularly maintained. This should be led and managed by staff with strong technical skills and experience and provide the Committee with a progress report detailing the effectiveness of measures put in place in addressing matters related to annual financial statements within 30 days of adoption hereof and a quarterly progress report continuing up until the end of the 2015/2016 financial year;</p>	<p>The entity has embarked on a comprehensive review of policies and procedures to enable it to comply with all matters relating to annual financial statements.</p>
<p>The MEC ensure that the Accounting Officer institutes measures to ensure compliance with the requirements of all applicable legislation and report back to the Committee within 30 days of adoption hereof;</p>	<p>All AGSA audit findings for the financial year ended 31 March 2014 have been resolved; with the one exception of the filling of critical posts within the SCM unit. Due to the moratorium placed on the filling of posts; this AGSA audit finding cannot be resolved.</p> <p>The Internal Audit reports for the financial year ending 31 March 2015 all indicate significant improvements in the internal control environment.</p>



**Responses to house resolutions emanating from
 the Standing Committee on Public Accounts**

Item	Response
<p>The CEO should intensify performance and consequence management processes to eliminate findings on non-compliance with key legislation and provide the Committee with a progress report detailing the effectiveness of measures put in place to prevent irregular expenditure within 30 days after adoption hereof and a quarterly progress report continuing up until the end of the 2015/2016 financial year;</p>	<p>In terms of consequence management, the Board has taken disciplinary action against the then CFO Ms N Makhari and terminated her employment with the entity after following due legal processes. Further, the Board implemented a comprehensive turnaround strategy aimed, amongst others, at the following:</p> <p>The strengthening of internal controls;</p> <ul style="list-style-type: none"> • Improving the adequacy, reliability and accuracy of financial information provided to management and of the users of such information; • The improvement in the integrity of sound records (Portfolios of Evidence) supporting the information recorded; • Improvement in processing and reconciling controls; • Regular and accurate reporting (Financial and Performance Information); • Effective and updated policies and procedures; • A clear action plan to address deficiencies; and • Resolving SCM deficiencies <p>The current status or progress made on the turnaround strategy is that all AGSA audit findings for the financial year ended 31 March 2014 have been resolved; with the one exception of the filling of critical posts within the SCM unit. Due to the moratorium placed on the filling of posts; this AGSA audit finding cannot be resolved.</p> <p>The Internal Audit reports for the financial year ending 31 March 2015 all indicate significant improvements in the internal control environment.</p>
<p>The DED provides the Committee with a report on the reasons resulting in each irregular expense since 1 April 2014, within 30 days of adoption hereof and thereafter a quarterly report on any additional irregular expenditure until 31 March 2016;</p>	<p>Management has to date not identified any irregular expenditure for the year ended 31 March 2015 or year to date for the financial year ending 31 March 2016.</p>



**Responses to house resolutions emanating from
 the Standing Committee on Public Accounts**

Item	Response
<p>The MEC provides the Committee with a progress report detailing the effectiveness of the intervention plan put in place to address poor leadership in the Entity within 30 days after adoption hereof and a quarterly progress report continuing up until the end of the 2015/2016 financial year;</p>	<p>As indicated above disciplinary measures have been taken against the then CFO and currently all AGSA audit findings for the financial year ended 31 March 2014 have been resolved; with the one exception of the filling of critical posts within the SCM unit. Due to the moratorium placed on the filling of posts; this AGSA audit finding cannot be resolved.</p> <p>The Internal Audit reports for the financial year ending 31 March 2015 all indicate significant improvements in the internal control environment.</p>
<p>The Entity provides the Committee with a progress report on the effectiveness of measures put in place to achieve clean audit within 30 days after adoption hereof and a quarterly progress report continuing up until the end of the 2015/2016 financial year;</p>	<p>The weaknesses in the control environment have all been addressed as part of the post audit action plan to address and resolve all 2014 AGSA audit findings.</p>
<p>The Entity provides the Committee with a progress report regarding the development and implementation of a comprehensive strategy and policy governing the use of consultants within 30 days of adoption hereof and a quarterly progress report until finalisation thereof;</p>	<p>The entity strictly complies with the details of Instruction Note 1 of 2014 issued by National Treasury relating to the use of consultants and is using these prescripts as its policy.</p>
<p>A business case is detailed for the use of every consultant and the use of consultants is minimised.</p>	<p>The Entity develops and implements a proper record management system that is in line with the National Archives and Records Services of South Africa Act, no 43 of 1996 and provides the Committee with a quarterly progress continuing up until the finalisation thereof.</p>
<p>The Entity to provide the Committee with a progress report regarding the tender to move to an automated solution in managing documents within 30 days of adoption hereof and a quarterly progress report continuing up until the end of the 2015/2016 financial year.</p>	<p>The Board currently has a proper record management system which is in line with the National Archives and Records Services of South Africa Act, no 43 of 1996. As part of enhancement of the system the Board has appointed KPMG to develop technical specifications and an evaluation matrix where after a tender will be issued inviting interested service providers to automate the boards main business processes.</p>



3. EXECUTIVE AUTHORITY

3. EXECUTIVE AUTHORITY

On a monthly and quarterly basis the GGB reports 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 in this report as Part B.

4. ACCOUNTING AUTHORITY

4.1 Introduction

The GGB 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.

4.2 The role of the Board

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 GGB's internal governing documents and codes of conduct
- Act responsibly towards the GGB's relevant stakeholders
- 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.



4. ACCOUNTING AUTHORITY

Conflicts of interest

Board members are required to inform the GGB 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 Gauteng Gambling 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 judgment in the decision-making process. They provide strategic direction to the GGB in addition to monitoring and measuring the GGB'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, Social and Ethics, Gambling and Responsible Gambling 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.

4.3 Board charter

The Board is the focal point of corporate governance in the GGB. The Board is ultimately accountable and responsible for the performance and affairs of the GGB and ensuring that the GGB conducts itself as a responsible corporate citizen.

The Board consists of between eight and twelve members. 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 Board 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 GGB's expense, in appropriate circumstances.

During August 2014 the Institute of Directors performed an appraisal of the Board and its committees. The appraisal focused on the following areas:

- Board composition
- Board responsibilities
- Committees of the Board
- Relationship with management
- Stakeholder relationships
- Board meetings

The Institute of Directors found that the Board has significantly more areas that are viewed as performing well and should be congratulated for this. From the Institute of Directors' experience these scores rank in the middle to top quartile of the companies for which appraisals have been facilitated by the Institute of Directors. Areas that the Board performed very well is balance of power and corporate citizenship. Areas that the Board may need to pay attention to, is the succession planning and rotation of Board members.



4.4 Composition of the Board



Mr Prince Mafojane

- BProc
- LLB



Mr Yaswant Gordhan

- BCom Hons Accounting
- CA(SA),
- MSc Bus Admin



Mr Stephen Hall

- Gambling expertise



Ms Shaila Hari

- BCompt Hons
- Public Sector Governance UNISA SBL



Mr Zola Majavu

- BA LLB
- Higher Diploma in Company Law
- Judicial Skills course
- Executive Sports Management Certificate in Sports Law



Mr Sipho Majombozi

- Post Graduate Diploma Educational Administration
- Post Graduate Diploma Curriculum Studies



Mr Tshepo Molai

- MSc Geo Physics,
- MSc Electrical Engineering,
- MSc Physics,
- MA Curriculum and Teaching,
- BSc Physics



Ms Cynthia Motau

- BA Social Work
- Advanced Diploma in Community Development
- MEd
- Advanced Certificate in Project Management
- Certificate in Corporate Governance
- Certificate of Business Accounting for Non-Accountant Managers



Mr Sydney Mufamadi

- PhD Philosophy
- MSc State, Society and Development



Mr Johnny Sexwale

- Diploma Journalism



Ms Anina van der Westhuizen

- BProc
- LLB



The table below summarises the composition of the Board as well as the number of meetings attended.

Name	Designation in terms of the GGB structure	Date of extension of term of office	Date of resignation	Qualifications	Area of expertise	Board Directorships (List the entities)	Other committees (e.g.: Audit Committee)	No of meetings attended	No of hearings attended
Mr Prince Mafojane	Chairperson	1 April 2014	Current	B.Proc, LLB	Attorney	None	Corporate Gambling EXCO	11 out of 11	11 out of 12
Mr Yaswant Gordhan	Board member	1 April 2014	Current	B.Com, Hons Accounting, Chartered Accountant. Master of Science (Bus. Admin.)	Accounting	Trustee of Turro Golf Club Inc	Corporate, Gambling Audit and Risk EXCO	6 out of 11	12 out of 12
Mr Stephen Hall	Board member	1 April 2014	Current	Gambling expertise	Gambling expert	Managing Director- Afriticket System (Pty) Ltd Managing Member – Jarvie Worldwide Trading CC and Pixelock CC	Gambling, Responsible Gambling EXCO	11 out of 11	12 out of 12
Ms Shaila Hari	Board Member	1 April 2014	Current	Bachelor of Accounting Science BCompt Honours Public Sector Governance UNISA SBL	Accounting	Non- Executive Director - Spanjaard Ltd	Audit and Risk Social and Ethics EXCO	9 out of 11	11 out of 12



Name	Designation in terms of the GGB structure	Date of extension of term of office	Date of resignation	Qualifications	Area of expertise	Board Directorships (List the entities)	Other committees (e.g.: Audit Committee)	No of meetings attended	No of hearings attended
Mr Zola Majavu	Board Member	1 April 2014	Current	BA LLB Higher Diploma in Company Law Judicial Skills course Executive Sports Management Certificate in Sports Law	Attorney	Chairperson - Road Traffic Management Corporation (RTMC) Director - Majavu Inc Trustee of Jolinkomo Trust Director- Oliphant Institute of Leadership Majavu Consultancy CC	Gambling Corporate	8 out of 11	5 out of 12
Mr Sipho Majombozi	Board Member	1 April 2014	Current	B Ed Post Graduate Diploma Educational Administration (University Melbourne) Post Graduate Diploma Curriculum Studies (University Melbourne)	Business acumen	True Class Motor Holdings Sandown Motor Holdings Tourvest Integrated Tourism Group	Gambling Corporate EXCO	11 out of 11	12 out of 12



Name	Designation in terms of the GGB structure	Date of extension of term of office	Date of resignation	Qualifications	Area of expertise	Board Directorships (List the entities)	Other committees (e.g.: Audit Committee)	No of meetings attended	No of hearings attended
Mr Tshepo Molai	Board member	1 April 2014	Current	MSC Geo Physics, MSC Electrical Engineering, MSC Physics, MA Curriculum and Teaching, BSc Physics	Business acumen	Mofaya Beverage Company (Pty) Ltd The Natural Paint Company (Pty) Ltd and subsidiaries CellSAf (Pty) Ltd FBS Holdings (Pty) Ltd Crowne Royale Resources (Pty) Ltd and subsidiaries Romeo and Jean Boutique (Pty) Ltd Impala Hardware and Building Solutions (Pty) Ltd	Corporate, Gambling, Responsible Gambling	4 out of 11	6 out of 12



Name	Designation in terms of the GGB structure	Date of extension of term of office	Date of resignation	Qualifications	Area of expertise	Board Directorships (List the entities)	Other committees (e.g.: Audit Committee)	No of meetings attended	No of hearings attended
Ms Cynthia Motau	Board Member	1 April 2014	Current	BA Social Work, Advanced Diploma in Community Development, Master's Degree in Education, Advanced Certificate in Project Management, Certificate in Corporate Governance, Certificate of Business Accounting for Non-Accountant Managers	Tourism	Director-Sunburst Corporate Catering Services Non-Executive Director – Fountain of Life (NPO)	Corporate, Responsible Gambling	10 out of 11	8 out of 12



Name	Designation in terms of the GGB structure	Date of extension of term of office	Date of resignation	Qualifications	Area of expertise	Board Directorships (List the entities)	Other committees (e.g.: Audit Committee)	No of meetings attended	No of hearings attended
Dr Sydney Mufamadi	Board Member	1 April 2014	Current	PhD Doctor of Science Degree Master of Science Degree in State, Society and Development	Socio-economic development as a political scientist	Gauteng Growth and Development Agency Automotive Industrial Development Centre Barclays Bank Mozambique National Bank of Commerce Tanzania Impala Platinum Mines Louis Pasteur Hospital Debshan Zimbabwe	Social and Ethics	8 out of 11	9 out of 12



Name	Designation in terms of the GGB structure	Date of extension of term of office	Date of resignation	Qualifications	Area of expertise	Board Directorships (List the entities)	Other committees (e.g.: Audit Committee)	No of meetings attended	No of hearings attended
Colonel Johnny Sexwale	Board Member	1 April 2014	Current	Diploma Journalism	Business acumen	Director – Mantuba Investment Holdings (Pty) Ltd Director – Kusini Technology (Pty) Ltd Member of Reserve Force Council	Responsible Gambling EXCO	10 out of 11	10 out of 12
Ms Anina van der Westhuizen	Board Member	1 April 2014	Current	LL.B B.Proc	Attorney	Chairperson - Johannesburg Local Committee of Gauteng Liquor Board	Gambling Responsible Gambling Social and Ethics	11 out of 11	10 out of 12



4.5 Committees

The Board may establish committees to assist it in the execution of its duties, powers and authorities. The committees are:

- **Audit and Risk committee.** The purpose of the Audit and Risk committee is to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and control processes, the operation of adequate risk management processes and the review of the preparation of accurate and timely financial reports and statements by management: in compliance with all applicable legal requirements and accounting standards.
- **Gambling committee.** The gambling committee oversees the gambling activities on behalf of the Board and formulates policies on matters related thereto.
- **Responsible Gambling committee.** The purpose of this committee is to advise the Board on the formulation and implementation of responsible gambling policy.
- **Corporate committee.** The purpose of this committee is to review, advise and recommend to the Board on matters relating to corporate governance and any other related matter as delegated by the Board.
- **Social and Ethics committee.** The role of the committee is to assist the Board with the oversight of social and ethical matters relating to the GGB.
- **Executive committee (Exco).** The Executive Committee of the Board has been delegated with the oversight responsibility relating to the setting of the GGB's direction and overseeing the management team of the organisation.



The table below summarises the attendance of the various committees.

	Corporate committee	Special corporate committee	Responsible gambling committee	Gambling committee	Gambling committee hearing	Special gambling committee	Social & ethics committee	EXCO
TOTAL MEETINGS	5	6	4	5	4	1	5	2
Prince Mafojane	5	5		4	4	1		2
Sydney Mufamadi							1	
Yaswant Gordhan							5	
Stephen Hall			4	5	4	1		2
Shaila Hari							5	1
Sipho Majombozi	5	6		5	4	1		2
Zola Majavu	4	2		1	1	0		
Tshepo Molai	3	2	1	1	0	1		
Cynthia Motau	4	6	4				4	
Johnny Sexwale			4	4	4	0		1
Anina vd Westhuizen			4	4	4	1	5	



4.6 Remuneration of Board and Audit and Risk Committee members

Board and Audit and Risk Committee members are remunerated out of the funds of the GGB as the MEC may determine after consulting with the Standing Committee of the Provincial Legislature responsible for financial matters.

Remuneration of Board and Audit and Risk Committee members for the 2014-2015 financial year				
Board member	Remuneration	Other allowance	Other re-imbursements	Total
Stephen Hall	361 500	-	31 362	392 862
Zola Majavu	254 400	-	41 975	296 375
Tshepo Molai	216 000	-	32 202	248 202
Anina van der Westhuizen	316 800	-	26 735	343 535
Johnny Sexwale	341 600	-	44 268	385 868
Sipho Majombozi	358 100	-	19 668	377 768
Prince Mafojane	465 200	-	33 299	498 499
Shaila Hari	267 500	-	29 044	296 544
Yaswant Gordhan	254 600	-	14 855	269 455
Cynthia Motau	321 600	-	25 404	347 004
Sydney Mufamadi	110 400	-	1 949	112 349
Gordon Nzalo	88 000	-	-	88 000
Molefi Nkhabu	57 600	-	-	57 600
Phumlani Zwane	48 000	-	-	48 000
Mahlatsi Malaka	43 200	-	-	43 200
Anna Badimo	61 400	-	-	61 400



5. AUDIT AND RISK COMMITTEE

5. AUDIT AND RISK COMMITTEE

The Board has delegated the oversight of risk management to the Audit and Risk Committee. The purpose of the Audit and Risk Committee is to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and control processes, the operation of adequate risk management processes and the review of the preparation of accurate and timely financial reports and statements by management.

The Committee provides a forum for discussing business risks and control issues and for developing relevant recommendations for consideration by the Board. The Committee acts as a channel of communication between the GGB management and the internal and external auditors.

The Committee acts primarily in an advisory capacity and does not have executive responsibilities except in relation to:

- The approval of non-audit service performed by internal and external auditors
- The approval of terms of engagement, and fees to be paid to the external auditors
- Approval of the appointment of internal auditors if the function is outsourced, and the head of internal audit
- Instances where an in-house internal audit function is established

The identification and management of risk is central to achieving the GGB'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.

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 GGB (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
- Appropriate insurance cover is placed and regularly reviewed, and that all uninsured risks are reviewed and managed



6. INTERNAL CONTROL UNIT

6. INTERNAL CONTROL UNIT

The GGB does not have an internal control unit as the functions are covered by the activities of Internal Audit and the Audit and Risk Committee.

7. INTERNAL AUDIT

The internal audit function of the GGB is outsourced.

The Audit and Risk Committee considers the objectives, audit plans and audit charter of Internal Audit to enable it to meet its objectives. The Committee ensures that the internal auditors discharge their functions effectively and in a timely manner by:

- Reviewing the results of work performed by the internal audit function regularly
- Reviewing significant matters reported by the internal audit function
- Review any differences of opinion with management, which differences would have been brought to the attention of the Committee
- Directing investigations into matters within the Committee's scope, audits of capital expenditures, investigations fraud, misconduct or conflicts of interest
- Reviewing the adequacy of corrective action taken in response to significant internal audit findings

The internal audit function performed the following functions:

- Financial internal controls review
- Supply chain management review
- Compliance process review
- Licensing process review
- Audit of performance information for Quarter 1 and Quarter 2
- Revenue management review
- Human Resource management review
- IT general controls review

Attendance of the Audit and Risk Committee Meetings: 2014/15 Financial year

Name	Qualifications	Date appointed	Audit Committee Meetings Attended	Special Audit Committee Meetings Attended
Mr G Nzalo	CA (SA)	24 May 2012	5 of 5	8 of 8
Mr M Nkhabu	CA (SA)	Since financial year 2002	5 of 5	7 of 8
Ms A Badimo	BSc, BSc Hons, MSC, MBA, Diploma in project Management, Diploma in Cobol Programming, CISM, CGEIT	2 January 2013	4 of 5	6 of 8
Mr P Zwane	CA (SA)	2 January 2013	5 of 5	4 of 8
Mr M Malaka	B Juris, LLB	2 January 2013	2 of 5	5 of 8
Mr Y Gordhan*	B.Com, Hons Accounting, Chartered Accountant. MSc	7 August 2013	4 of 5	8 of 8
Ms Shaila Hari*	Bachelor of Accounting Science BCompt Honours Public Sector Governance UNISA SBL Member IIA Member IoD	10 July 2013	2 of 5	4 of 8

* Indicates Board members who are members of the Audit and Risk Committee. The other members are all external to the GGB.

No members of the Audit and Risk committee resigned during the current year.



8. COMPLIANCE WITH LAWS AND REGULATIONS

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 the Gauteng Gambling Act, the PFMA and other relevant laws and regulations. In addition each individual manager undertakes to maintain a working understanding of the laws, rules, codes and standards applicable to the GGB'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 GGB'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
- Facilitating and reviewing management's monitoring of compliance

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



9. FRAUD AND CORRUPTION

9. FRAUD AND CORRUPTION

The government of South Africa identified fraud and corruption as a serious concern that affects the quality of service delivery. By remaining silent about fraud, corruption and other malpractices, an employee contributes to, and becomes part of a culture of fostering such improprieties.

To address this concern the GGB has adopted a fraud prevention policy, as well as a policy on whistle-blowing which emphasises the GGB's commitment to ensure that the GGB's exposure to corrupt activity is constrained, mitigated, regularly monitored and subject to periodic risk assessments. These policies provide the means by which employees and other stakeholders are able to raise concerns with the appropriate line management or via the Tip-Offs Anonymous Hotline, where they have reasonable grounds to believe that there are irregular activities involving the GGB.

The whistle-blowing policy that was adopted provides the means for informing the GGB of any suspect reportable conduct or any other inappropriate activity. The GGB commits to doing everything practically possible within its powers and reach to protect a whistle-blowing that has made a protected disclosure in terms of this policy.

In support of the expectation for employees and all stakeholders within the gambling industry to report incidents, the GGB has established the Tip-Offs Anonymous Hotline. This hotline can be used to report known or suspected incidents without fear or occupational detriment and / or victimisation.

The administration of the Tip-Offs Anonymous Hotline is outsourced to an independent and reputable service provider who guarantees the anonymity of any person who wishes to make a report.



10. MINIMISING CONFLICT OF INTEREST

10. MINIMISING CONFLICT OF INTEREST

The Board and staff members are required to declare any conflict of interest in matters that are considered by the Board. In addition Board members are required to provide an annual declaration of conflict of interest. At every meeting there is a second stage of declaration of potential conflict of interest for matters on the agenda for the meeting.

A related party policy was drafted that provides guidance and details of disclosures to be made.

Where conflict of interest was identified, an evaluation is made on its materiality and corrective measures taken to address the matter. Further the Gauteng Gambling Act provides detail procedures on how a conflict of interest for Board members is handled.

11. CODE OF ETHICS

The GGB has adopted a Code of Ethics aimed at preventing unethical behaviour and to promote and encourage ethical behaviour amongst all Board members, employees and stakeholders as applicable. The Code of Ethics 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.

Although the management of the Code of Ethics falls within the competence of the Governance, Social and Ethics committee, the Accounting Authority is ultimately accountable for ethical business conduct in the GGB. Failure to follow the Code of Ethics could result in disciplinary action and possible dismissal.



12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The GGB is committed to ensuring a safe and healthy workplace for all its employees, visitors and invitees. The GGB complies with all relevant legislation, in particular, the Occupational Health and Safety (OHS) no 85 of 1993. This includes monitoring risks in the workplace, addressing reported incidents, and raising awareness and responsibility among employees around serious diseases.

With optimal energy habits becoming a priority of national importance, the GGB recognises that it has a contribution to make towards environmental issues, particularly with regards to energy saving. Lighting contributes 18% of electricity consumed in the commercial sector. The building occupied by the GGB is fitted with energy-saving lights that automatically switch off when there is no movement in the area.

A future project to be implemented is paper recycling. Recycling one ton of copier paper saves slightly more than two tons of wood. Energy consumption is also reduced by recycling paper. A 40%-64% reduction in electricity can be realised when paper is recycled versus paper made from un-recycled pulp. Recycling will also contribute to reducing municipal waste as up to 35% of municipal solid waste by weight is paper and paper products. Recycling paper will also contribute towards a reduction in water and air pollution.

13. BOARD SECRETARY REPORT

The Board secretary plays a pivotal role in the achievement of good corporate governance. The Board is responsible for the selection and appointment of the Board's secretary in consultation with the CEO.

The Board secretary should be available to Board members to provide guidance in the performance of their duties, and to provide access to external independent professional advice at the GGB's expense when required.



14. SOCIAL AND ETHICS COMMITTEE REPORT



**Ms Shaila Hari
(Chairperson)**

14.1 Introduction

The GGB is aware of its social responsibility and contributes towards the goal of eradicating poverty in the province. The Social and Ethics Committee takes care of the responsibilities surrounding social responsibility.

14.2 Composition of the Committee

The members of the Committee for the period under review were:

- Ms Shaila Hari (Chairperson)
- Mr Yaswant Gordhan
- Dr Sydney Mufamadi
- Ms Anina van der Westhuizen
- Ms Cynthia Motau

14.2 Responsibilities

The objectives and responsibilities of the Committee are recorded in its written charter and are aligned with the Committee’s statutory functions as set out in the Companies Regulations of 2011. In summary the Committee has a duty to:

1. Monitor the GGB’s activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
 - 1.1 Social and economic development.
 - 1.2 Good corporate citizenship, including the the GGB’s:
 - Promotion of equality, prevention of unfair discrimination, and reduction of corruption
 - Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed
 - Record of sponsorship, donations and charitable giving
2. The environment, health and public safety, including the impact of the GGB’s activities and of its products or services
3. Stakeholder relationships
4. Labour and employment, including:
 - 4.1 To draw matters within its mandate to the attention of the Board as occasion requires.
 - 4.2 The Committee shall review and approve any application for financial assistance from the Sports Development Funds and CSI that is reasonably within its mandate. Applications with extraordinary and unusual monetary values at the discretion of the Committee, will be reverted and recommended to the Board for final approval.

14.3 Functioning of the Committee

The Committee met quarterly and whenever required during the period under review and adopts a rolling agenda approach. These meetings has a formal detailed agenda items and accompanied by supporting documents such as the Committee Charter, minutes of previous meetings and reports for consideration by the Committee. The detail of meeting attendance is contained in the Corporate Governance Report.

During the year under review, the Committee has considered presentations and reports on the following:

- Code of Ethics
- Annual Social & Ethic Committee Plan
- Socio Economic Development Policy
- Employment Equity Policy
- Socio economic development funding allocations and reports
- Sports development funding allocations and reports
- Legal Compliance Reports
- Quarterly reports on good corporate citizenship
- Quarterly report on consumer relations and legislative updates
- Quarterly reports on labour and employment statistics
- Quarterly report on ethics performance and management
- Quarterly report on environment, health and public safety
- Social & Ethics Committee self- assessment report for reporting to Board

14.4 Beneficiaries of the Sport Development Fund

The table below summarises the Board approval of Sport Development Fund’s funding to beneficiaries.

Approved beneficiaries of the Sports Development Fund		
Beneficiary	Programme/Purpose	Amount approved
Department of Sports, Arts and Recreation	Operation Mabaleng – Infrastructure Development	R10 000 000
Department of Sports, Arts and Recreation	U17 Future Champions – Soccer Tournament	R6 000 000
South African Jockey Academy	Bursaries and equipment	R7 716 242
Gauteng Sports Council	Funding assistance to the Council to enable the Council to execute its mandate	R8 302 400



14.5 Plans for the 2015-2016 financial year

The Committee plans during the 2015/ 2016 financial year to develop its monitoring activities, enhance the process of making appropriate recommendations to Board and build its role in facilitating the development of the GGB's governance relating to sustainability, environmental, social and employee development initiatives

In accordance with its Mandate and Terms of reference, the Committee is currently conducting an assessment of measuring and evaluating its effectiveness. The results will be presented to the Board in the course of 2015. The Committee will continue in its stewardship in ensuring that the Board undertakes a responsible and sustainable approach in the successful running of the GGB.

14.6 Conclusion

The Committee believes that the GGB has suitable policies, plans and programmes in place to promote and sustain social and economic development, good corporate citizenship, environmental responsibility, fair labour practices and good consumer relations.

The Committee acknowledges that the areas within its mandate are constantly evolving and that management responses will have to be adapted as the Committees agenda attracts increasing attention from stakeholders.

Signed:

A handwritten signature in black ink, appearing to read 'S Hari', is written over a horizontal line.

Ms S Hari
Chairperson of the Social and Ethics Committee
Date: 31 July 2015



15. AUDIT AND RISK COMMITTEE REPORT



Mr G Nzalo
Chairperson of the Audit and Risk Committee

15.1 Introduction

The PFMA, and in particular section 51(1)(a)(i) states that the Accounting Authority must ensure that the entity has maintained an effective, efficient and transparent system of financial and risk management and internal control.

The system of internal control and the concomitant control environment within the GGB has improved as the various reports of the internal auditors, issued during January 2015 to March 2015, will attest.

The Audit and Risk Committee is pleased to report that no significant noncompliance with legal and regulatory provisions and the policies and procedures of the GGB occurred during the financial year under review.

15.2 Governance of risk

The PFMA, and in particular section 51(1)(a)(i) states that the Accounting Authority must ensure that the entity has maintained an effective, efficient and transparent system of financial and risk management and internal control.

The Audit and Risk Committee has the responsibility to ensure that a risk management process is in place at the GGB and as such can report that, at the meetings held during the year it was informed that risks are being managed and that over and above the strategic risk assessment carried out, strategic and operational risks are managed on a continuous basis.

Additional information regarding the risk events and their effect on this annual report are detailed elsewhere in the report.

15.3 Internal audit

The Audit and Risk Committee is responsible for ensuring that the GGB internal audit function, which is outsourced, is independent and has the necessary resources, standing and authority within the GGB to enable it to discharge its duties. Furthermore, the Audit and Risk Committee oversees cooperation between the internal and external auditors, and serves as a link between the Accounting Authority and these functions.

The Audit and Risk Committee considered and recommended the internal audit charter for approval by the Accounting Authority during the year under review, which charter was approved during March 2015.



15.4 Whistle-blowing

The Audit and Risk Committee wishes to report that, in the year under review, there were no tip offs received on the Fraud Hotline.

15.5 The quality of management and monthly / quarterly reports submitted in terms of the PMFA

The Audit and Risk Committee reports that, during the year under review, they were, during the second half of the year, presented with regular monthly or quarterly management reports to enable them to:

- Monitor the integrity, accuracy and reliability of the financial position of the GGB
- Review the management accounts of the GGB to provide the Accounting Authority with an authoritative and credible view of the financial position of the GGB
- Review the disclosure in the financial reports of the GGB and the context in which statements on the financial health of the GGB are made
- Review all material information presented together with the management accounts

15.6 Quality of budgets submitted in terms of the PFMA

The Audit and Risk Committee reports that, during the year under review, they were presented with a budget to enable them to:

- Review and ensure that the annual budgets of the GGB are balanced, credible and realistic against the approved business plans
- Monitor and periodically review the implementation of the approved budget of the GGB by the Accounting Authority

15.7 Evaluation of financial statements

The Audit and Risk Committee, at its meeting held on 14 July 2015, resolved to recommend the approval of the audited financial statements to the Accounting Authority.

The Audit and Risk Committee wishes to indicate that it performed a review on the annual financial statements focusing on:

- Significant financial reporting judgments and estimates contained in the annual financial statements
- Clarity and completeness of disclosure and whether disclosures made have been set properly in context
- Quality and acceptability of, and any changes in accounting policies and practices
- Compliance with accounting standards and legal requirements
- Significant adjustments and/or unadjusted differences resulting from the audit

- Reflection of unusual circumstances or events and management’s explanation for the accounting treatment adopted
- Reasons for major year-on-year fluctuations
- Asset valuations and revaluations
- Calculation and levels of general and specific provisions
- Write-offs and reserve transfers
- The basis for the going concern assumption

15.8 Conclusion

The Audit and Risk Committee wishes to report that it has executed on its roles and responsibilities in terms of its Board approved charter.

The Audit and Risk Committee concurs with and accepts the conclusions and the audit opinion of the Auditor-General on the annual financial statements and is of the view that the audited financial statements be accepted and read together with the report of the Auditor-General.



Mr G Nzalo
Chairman of the Audit and Risk Committee
Date: 31 July 2015

Part D: Human resource management



ANNUAL REPORT 2014-2015



1. INTRODUCTION

The objective of the human resources department is to support the GGB'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 rewards and benefits
- Payroll and policy development
- Human resources information management systems
- Employee relations and transformation
- Employee wellness

1.1 Performance management

Performance management aims to motivate and empower employees to perform their work roles effectively, to provide performance feedback, acknowledge achievements and to support ongoing personal and professional development. Significant improvements in performance management have been realised through the sustained institutionalisation and support of the GGB's performance management system. Individual performance objectives are linked to the strategic objectives. The performance management policy was revised and updated. The purpose of the performance management policy is to describe the methods, timing, and principles of performance management at the GGB.

Training for both management and staff was undertaken with a view to continuously improving the performance management system.



1.2 Skills development

Skills development at the GGB is done through various interventions such as training days and bursaries. These interventions contribute to the improvement of organisational performance, talent attraction, staff retention and service delivery to the licensees.

The table below summarises the current educational profile of the employees of the GGB.

Educational profile	
Description	Number of employees
Adult basic education and training	0
National Qualifications Framework levels 1,2	3
National Qualifications Framework levels 3-6	28
National Qualifications Framework levels 7-10	40
TOTAL	71

The table below summarises the beneficiaries of training interventions.

Actual number of training interventions per level													
Occupation	African		Coloured		Indian		White		Disabled		Total		Total
	M	F	M	F	M	F	M	F	M	F	M	F	
Managers	5	9	1		1						7	9	16
Professionals	2	2	4			1	7	2			13	5	18
Technical Workers	36	31									36	31	67
Clerical and Admin	3	5		1				3			3	9	12
Elementary Occupations	2	4									2	4	6
TOTAL	48	51	5	1	1	1	7	5	0	0	61	58	119

1.3 Succession planning

A succession plan and succession planning policy was developed during the year. The reasons for preparing the succession planning documentation are as follows:

- To ensure continuity of suitably trained staff in key posts for the future
- To ensure that someone is always available to fulfil any particular job in the organization, even in the event of illness, resignation or death. More than one staff member in a specific department should always be able to do any particular job
- To comply with the legal requirements of the Employment Equity Act which requires the appointment and promotion of suitably qualified persons from previously disadvantaged groups, to ensure proportional representation in all occupational levels
- To ensure that training programs are undertaken in an orderly way, training initiatives must be properly focused
- To develop career paths for individual staff members
- To assist the employee in meeting his/her performance goals
- Succession planning and career planning must, furthermore, be aligned with all other human resources activities such as selection, training, performance management and rewards
- To establish a highly motivated work force which could lead to a decrease in staff turnover



2. HUMAN RESOURCES OVERSIGHT STATISTICS

The current total number of employees is 71. The table below summarises the employment profile of the current staff at the GGB at the end of March 2015.

Employment profile of the current staff at the GGB			
Occupational group	Male	Female	Total
Top management	2	0	2
Senior management	5	3	8
Professionals	5	5	10
Skilled technical	20	16	36
Semi-skilled	1	8	9
Unskilled	2	4	6
TOTAL	35	36	71



2.1 Personnel cost per department

The table below summarises the personnel cost per department and analysis. Note that this information excludes company contributions to the Unemployment Insurance Fund, Skills Development Levies and the staff related provisions.

Department	Personnel expenditure	Personnel costs as a % of total personnel costs	No of personnel*	No of personnel as a % of total no of personnel	Average personnel cost per employee
Office of the CEO	R908 250	1%	5	6%	R181 650
Compliance	R13 540 875	22%	18	22%	R752 271
Office of the COO	R7 001 472	12%	2	3%	R3 500 736
Finance	R6 512 932	11%	13	16%	R500 995
Gambling control	R8 824 313	15%	10	12%	R882 431
Human Resources	R3 589 098	6%	9	11%	R398 789
Information technology	R4 177 128	7%	4	5%	R1 044 282
Legal	R7 420 714	12%	8	10%	R927 589
Licensing and investigations	R8 281 686	14%	12	15%	R690 140
TOTAL	R60 256 468	100%	81	100%	R743 907

* Includes temporary resources.





2.2 Personnel cost per salary band

The table below summarises the personnel expenditure per salary band. Note that this information excludes company contributions to the Unemployment Insurance Fund, Skills Development Levies and the staff related provisions.

Occupational level	Personnel expenditure	Personnel costs as a % of total personnel costs	No of personnel*	No of personnel as a % of total no of personnel	Average personnel cost per employee
Unskilled and defined decision-making	R2 064 969	3%	10	12%	R206 497
Semi-skilled and discretionary decision-making	R2 283 998	4%	6	7%	R380 666
Skilled Technical	R23 638 766	39%	43	53%	R549 739
Professionally qualified and mid management	R11 490 472	19%	12	15%	R957 539
Senior management	R14 358 107	24%	8	10%	R1 794 763
Top management	R6 420 156	11%	2	3%	R3 210 078
TOTAL	R60 256 467	100%	81	100%	R743 907

* Includes temporary resources.



2.3 Performance rewards

Occupational level	Performance rewards	Personnel expenditure	Performance rewards as a % of total personnel cost	No of personnel	Average performance reward per employee
Unskilled and defined decision-making	R316 652	R2 064 969	15%	6	R31 665
Semi-skilled and discretionary decision-making	R313 532	R2 283 998	14%	9	R52 255
Skilled Technical	R3 452 435	R23 638 766	15%	36	R80 289
Professionally qualified and mid management	R1 742 332	R11 490 472	15%	10	R145 194
Senior management	R1 430 130	R14 358 107	10%	8	R178 766
Top management	R585 613	R6 420 156	9%	2	R292 806
TOTAL	R7 840 694	R60 256 468	13%	71	R96 798



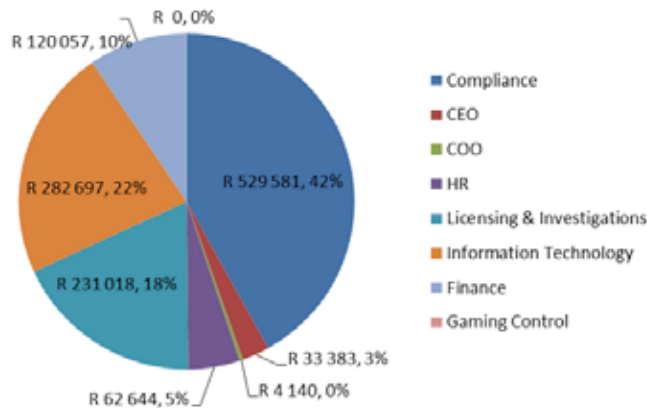


2.4 Training costs

The budgeted training costs for the year under review is R1 230 666 which represents 2% of the payroll costs. A total of R1 269 850 was spent on training.

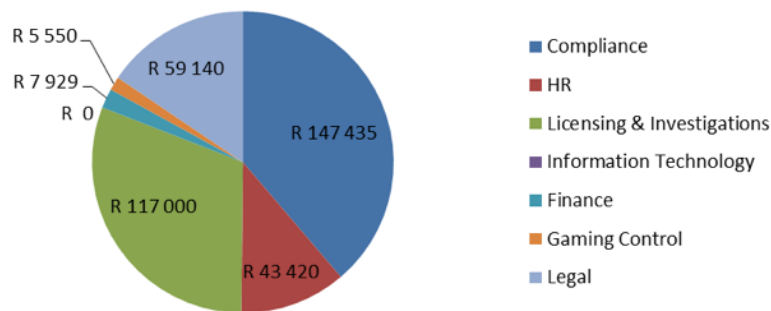
The total training costs excluding bursaries amounted to R 889 376 for the year under review. The graph below illustrates the training cost per department.

Total Training Cost 2014/2015



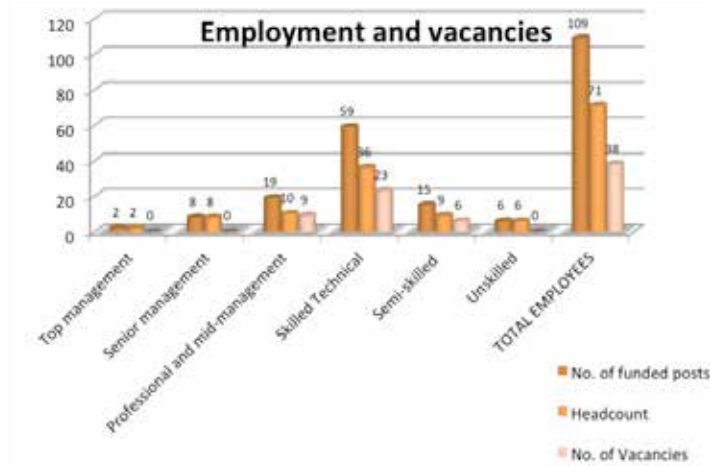
Bursaries to the amount of R380 474 were awarded to employees. The graph below illustrates the bursary cost per department.

Total Bursary Cost 2014/2015



2.5 Employment and vacancies

The graph below illustrates the number of funded posts together with the head count of current employees and the number of vacancies.



The table below summarises the number of posts, the number of employees and the vacancy rate. The vacancy rate reflects the percentage of vacant posts in relation to the approved posts.

Employment and vacancies 2014/2015				
Occupational group	Number of employees	Approved posts	Vacancies	Vacancy rate
Top management	2	2	0	0%
Senior management	8	8	0	0%
Professionally qualified	10	19	9	47%
Skilled Technical	36	59	23	39%
Semi-skilled	9	15	6	40%
Unskilled	6	6	0	0%
ALL EMPLOYEES	71	109	38	35%



2.6 Employment changes

The GGB has a very stable workforce with a low employee turnover rate. The table below summarises the employment changes during the 2014/2015 year. One black male employee resigned during the year.

Employment profile of the current staff at the GGB				
Occupational group	Employment at the beginning of the year	Appointments for the year	Terminations for the year	Employment at the end of the period
Top management	2			2
Senior management	6	3	1	8
Professionals	10			10
Skilled technical	36			36
Semi-skilled	8	1		9
Unskilled	6			6
TOTAL	68	4	1	71

2.7 Reasons for staff leaving

The employee who resigned during the year, resigned due to family relocation.

2.8 Labour relations: Misconduct and disciplinary action

The table below summarises the misconduct and disciplinary action for the year under review.

Disciplinary action 2014/2015 year	
Nature of disciplinary action	Number of instances
Verbal warning	0
Written warning	1
Final written warning	0
Dismissal	0
TOTAL	1



2.9 Equity target and employment equity status

The GGB uses the national economically active population by race and gender as the benchmark for equity targets and representation. The table below summarises the national economically active population by gender and race.

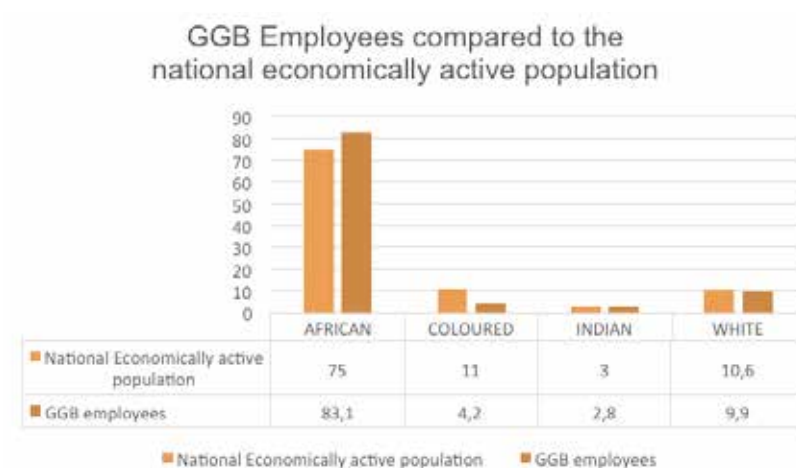
National economically active population by race and gender			
Race	Male	Female	TOTAL
African	40%	35%	75%
Coloured	6%	5%	11%
Indian	2%	1%	3%
White	6%	5%	11%
TOTAL	54%	46%	100%

The table below summarises the current employment equity profile of the GGB's employees.

Occupational level	Male					Female					Total	Male %	Female %
	African	Coloured	Indian	White	Total	African	Coloured	Indian	White	Total			
Top management	2 100%	-	-	-	2	-	-	-	-	0	2	100%	0%
Senior management	3 38%	1 13%	1 13%	-	5	3	-	-	-	3	8	60%	40%
Professionally qualified and mid-management	1 10%	1 10%	-	3 30%	5	2	-	1	2	5	10	50%	50%
Skilled Technical	20 56%	-	-	-	20	16	-	-	-	16	36	56%	44%
Semi-skilled	1 11%	-	-	-	1	5	1	-	2	8	9	11%	89%
Unskilled	2 33%	-	-	-	2	4	-	-	-	4	6	33%	67%
TOTAL	29	2	1	3	35	30	1	1	4	36	71	49%	51%



The GGB is well balanced in terms of representation. While no special effort is currently made to address any imbalance, recruitment practices focus on retaining the status quo. The graph below illustrates the comparison between the GGB employees and the national economically active population indicating the close correlation.



Part E: Financial Information



ANNUAL REPORT 2014-2015



1. STATEMENT OF RESPONSIBILITY

The Board is responsible for the preparation of the Annual Financial Statements.

The Annual Financial Statements conform with Generally Recognised Accounting Principles (GRAP) and the reporting requirements of the Public Finance Management Act (1 of 1999), as amended (PFMA) and fairly present the state of affairs of the Gauteng Gambling Board as at the end of the financial year and the result of its operations and cash flows for the period under review.

EFFECTIVENESS OF INTERNAL CONTROLS AND RISK MANAGEMENT

The Audit and Risk Committee considers the objectives, audit plans and audit charter of the internal audit function to enable it to meet its objectives. The internal audit function is outsourced to Grant Thornton. The committee ensures that the internal auditors discharge their functions effectively and in a timely manner by:

- Reviewing the results of work performed by the internal audit function regularly
- Reviewing significant matters reported by the internal audit function
- Review any differences of opinion with management, which differences would have been brought to the attention of the Committee
- Directing investigations into matters within the Committee's scope, audits of capital expenditures, investigations fraud, misconduct or conflicts of interest
- Reviewing the adequacy of corrective action taken in response to significant internal audit findings

The internal audit function performed a number of functions including financial internal controls review, supply chain management review, compliance process review, licensing process review, audit of performance information, revenue management review, IT general controls review and human resource management review.

The Board has delegated the oversight of risk management to the Audit and Risk Committee. The purpose of the Audit and Risk Committee is to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and control processes, the operation of adequate risk management processes and the review of the preparation of accurate and timely financial reports and statements by management. The committee provides a forum for discussing business risks and control issues and for developing relevant recommendations for consideration by the Board.

STATEMENT OF GOING CONCERN

The use of the going concern basis of accounting is appropriate. At the date of the financial statements, the Board members do not believe that there are any material uncertainties related to events or conditions that may cast significant doubt about the ability of the GGB to continue operating as a going concern.

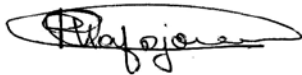
EXTERNAL AUDITORS RESPONSIBILITY

It is the responsibility of the independent external auditors to report on the fair presentation of the Annual Financial Statements.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements are prepared in accordance with accounting policies as set out in the Notes to the Annual Financial Statements and are supported by judgments, estimates and assumptions in compliance with GRAP.

The Annual Financial Statements for the year ending 31 March 2015 set out on pages 116 to 207 were approved by the Board on 16 July 2015 and signed on its behalf by the Chairperson of the Board and the Chief Executive Officer of the GGB.



Mr P Mafojane
Chairperson of the Board
Date: 31 July 2015



Mr B Nkosi
Acting Chief Executive Officer
Date: 31 July 2015



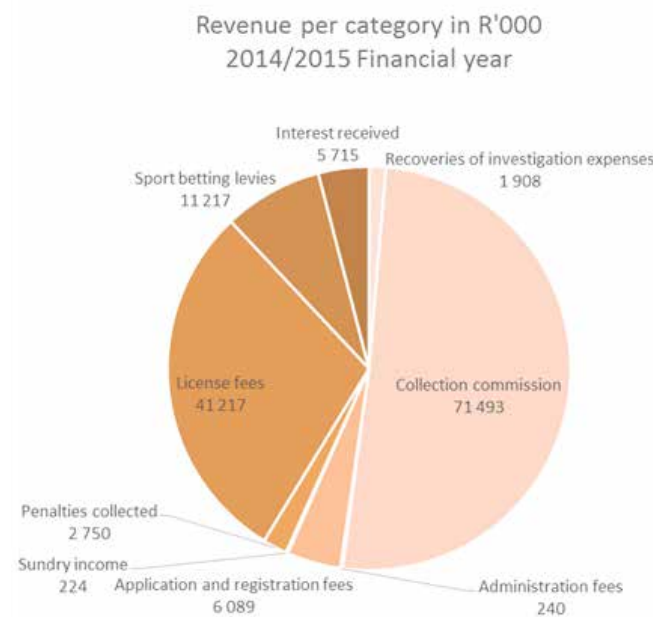
2. REPORT OF THE CEO

I am very pleased to report that the Gauteng Gambling Board has achieved a clean audit for this financial year. The external auditors expressed an unqualified audit opinion with no additional matters raised for management attention.

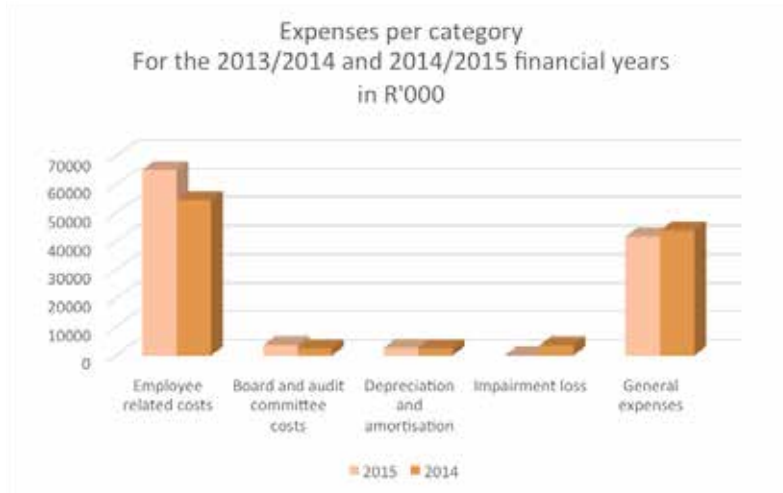
In addition, the GGB has managed to achieve its performance objectives, except for the percentage variation between the actual and budgeted expenditure. Actual expenses were considerably lower (R23 million) than budgeted expenses largely due to vacant approved posts. These posts are not currently being filled due to cost-cutting measures implemented by the DED.

Revenue for the year has increased by R18 712 000 (15%) compared to the 2013/2014 financial year. The most noticeable increases were from collection commission (8% increase), license fees (18% increase) and sport betting levies (38% increase).

The graph below illustrates the revenue per source in R'000 for the current financial year.



Employee related costs have increased by 19% where general expenses have decreased by 5%. The graph below illustrates a comparison of the different categories of expenses for the 2013/2014 and 2014/2015 financial years.



Looking at the year ahead additional bookmakers licenses will be issued which will increase revenue for the GGB and other relevant stakeholders.

I wish to express my sincere appreciation to the MEC, the Department of Economic Development, Board members, Independent Audit and Risk committee members and staff for their efforts in achieving the clean audit as well as achieving the Board's regulatory mandate.

Bheki Nkosi
Acting Chief Executive Officer
Date: 31 July 2015

3. REPORT OF THE EXTERNAL AUDITORS



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 116 to 207 which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The board which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa of 1999 (Act 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Gambling Board as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matter

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

Restatement of corresponding figures

8. As disclosed in note 37 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of errors discovered during 2015 in the financial statements of the Gauteng Gambling Board at, and for the year ended, 31 March 2015.

Report on other legal and regulatory requirements

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

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2015:
- Increase monitoring of gambling in the province on page 38
 - Efficient and effective regulation of gambling on page 39
 - Promotion of responsible gambling on page 39
 - Increased number of people benefiting from the CSI project on page 53



11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).
13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Additional matter

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

Achievement of planned targets

16. Refer to the annual performance report on pages 19 to 55 for information on the achievement of planned targets for the year.

Compliance with legislation

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

Internal control

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

Other reports

Investigations

19. A disciplinary inquiry was performed at the request of the entity on a member of senior management. The enquiry was initiated as a result of the precautionary suspension of the employee by the entity and was conducted by an independent disciplinary inquiry board. It was initiated during the financial year under review and has been concluded subsequent to the financial year end. The board took the necessary disciplinary actions based on the outcome of the inquiry.

AUDITOR - GENERAL

Johannesburg
31 July 2015



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



4. ANNUAL FINANCIAL STATEMENTS

Gauteng Gambling Board
Annual Financial Statements for the year ended 31 March 2015



General Information

Gauteng Gambling Board Annual Financial Statements for the year ended 31 March 2015

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Statutory body
Nature of business and principal activities	Regulator in the gambling industry, established in terms of Section 3 of the Gauteng Gambling Act (Act No.4 of 1995), as amended.
Business address	125 Corlett Drive Bramley 2090
Postal address	Private Bag X15 Bramley 2018
Controlling entity	Gauteng Department of Economic Development
Registration number	Not Applicable
Acting Chief Executive Officer	B Nkosi
Chief Financial Officer	N Makhari
Board Secretary	L Lukhwareni (1 April 2014 - 30 June 2014) S Wothela (1 July 2014 - 31 December 2014) - Acting N Matanzima (15 January 2015 - current) - Acting
Bankers	Standard Bank Limited
Auditors	Auditor-General of South Africa
Telephone Number	+27 11 581 4800
Fax Number	+27 11 581 4900
E-Mail Address	info@ggb.org.za
Website Address	www.ggb.org.za
Attorneys	Amos Khumalo Inc Hewu Attorneys Inc Hopane Attorneys Maserumule Inc Mkhabela Huntley Adekeye Inc Madikizela Nyati Attorneys Mpapele Attorneys Pule Inc Tshisevhe Gwina Ratshimbilani Inc



Annual Financial Statements for the year ended 31 March 2015

Index

The reports and statements set out below comprise the annual financial statements presented to the Board:

Index	Page
Accounting Authority's Report	121
Statement of Financial Position	122
Statement of Financial Performance	124
Statement of Changes in Net Assets	125
Cash Flow Statement	126
Statement of Comparison of Budget and Actual Amounts	127
Accounting Policies	128
Notes to the Annual Financial Statements	157 - 209

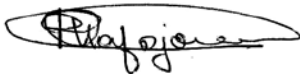
The members submit their report for the year ended 31 March 2015.

1. Accounting Authority

The members of the Board during the year and to the date of this report are as follows:

Mafojane SP (Chairperson)
Gordhan YN
Hall SJ
Hari S
Majavu Z
Majombozi SL
Molai T
Motau C
Mufamadi SF
Sexwale J
Van der Westhuizen FJ

The annual financial statements set out on pages 121 to 209, which have been prepared on the going concern basis, were approved by the Board on 22 May 2015 and were signed on its behalf by:



Mr P Mafojane
Chief Executive Officer
Date: 31 July 2015



Statement of Financial Position as at 31 March 2015

		For the year ended 31 March 2015	For the year ended 31 March 2014 Restated*
	Note(s)	R '000	R '000
Assets			
Current Assets			
Cash and cash equivalents	3	217 816	352 598
Receivables from non-exchange transactions	4	4 886	26 284
Receivables from exchange transactions	5	6 226	11 855
Deposits	6	242	257
Non current asset held for sale	7	-	12 300
Inventories	8	79	16
		229 249	403 310
Non-Current Assets			
Property, plant and equipment	9	114 425	100 003
Intangible assets	10	994	1 018
Heritage assets	11	539	273
		115 958	101 294
Total Assets		345 207	504 604
Liabilities			
Current Liabilities			
Finance lease obligation	12	72	155
Trade and other payables from exchange transactions	14	77 615	231 764
Collections for distribution	15	87 448	109 611
Accruals	16	3 481	2 038
Provisions	17	9 196	6 333



Statement of Financial Position as at 31 March 2015

		For the year ended 31 March 2015	For the year ended 31 March 2014 Restated*
	Note(s)	R '000	R '000
License fee received in advance		42 333	37 017
Non-Current Liabilities			
Finance lease obligation	12	3	59
Total Liabilities		220 148	386 977
Net Assets			
Reserves			
Revaluation reserve	18	15 862	8 430
Accumulated surplus	19	109 197	109 197
Total Net Assets and Liabilities		125 059	117 627

* See Note 37



Statement of Financial Performance for the year ended 31 March 2015

		For the year ended 31 March 2015	For the year ended 31 March 2014 Restated*
	Note(s)	R '000	R '000
Revenue			
Revenue from non-exchange transactions	20	55 186	42 934
Revenue from exchange transactions	20	79 954	75 874
Interest received		5 715	3 333
Gains on disposal of assets		809	158
Total revenue		141 664	122 299
Expenditure			
Employee related costs	21	(65 068)	(54 561)
Board and audit committee members fees	22	(3 567)	(2 480)
Depreciation and amortisation		(2 702)	(2 498)
Impairment loss on non current asset held for sale	23	-	(3 500)
General expenses	24	(41 683)	(43 809)
Total expenditure		(113 020)	(106 848)
Surplus for the year		28 644	15 451

* See Note 37



Statement of Changes in Net Assets

	Revaluation reserve	Accumulated surplus	Total net assets
	R '000	R '000	R '000
Opening balance as previously reported	8 540	109 199	117 739
Adjustments			
Correction of errors (refer to note 37)	(110)	10 502	10 392
Increase in surplus to be surrendered to Provincial Revenue Fund due to correction of prior period errors	-	(10 501)	(10 501)
Balance at 01 April 2013 as restated (See Note 37)	8 430	109 200	117 630
Changes in net assets			
Surplus for the year as previously reported	-	17 285	17 285
Surplus to be surrendered to Provincial Revenue Fund	-	(17 285)	(17 285)
Overpayment of surplus to the Provincial Revenue Fund	-	(4)	(4)
Correction of prior period errors (refer to note 37)	-	1 837	1 837
Decrease in Surplus to be surrendered to Provincial Revenue Fund due to correction of prior period errors (refer to note 37)	-	(1 836)	(1 836)
Total changes	-	(3)	(3)
Restated* Balance at 01 April 2014	8 430	109 197	117 627
Changes in net assets			
Revaluation of buildings	15 577	-	15 577
Revaluation of heritage assets	266	-	266
Reversal of revaluation reserve on disposals	(8 411)	8 411	-
Reversal of revaluation surplus on property, plant and equipment disposed	-	(220)	(220)
Increase in accumulated surplus to be surrendered to Provincial Revenue Fund	-	(8 191)	(8 191)
Net income/ (losses) recognised directly in net assets	7 432	-	7 432
Surplus for the year	-	28 644	28 644
Total recognised income and expenses for the year	7 432	28 644	36 076
Surplus to be surrendered to Provincial Revenue Fund	-	(28 644)	(28 644)
Total changes	7 432	-	7 432
Balance at 31 March 2015	15 862	109 197	125 059
Note(s)	18		



Cash Flow Statement for the year ended 31 March 2015

		For the year ended 31 March 2015	For the year ended 31 March 2014 Restated*
	Note(s)	R '000	R '000
Cash flows from operating activities			
Receipts			
Cash receipts from licensees and other institutions		162 167	96 936
Interest received		5 715	3 333
		167 882	100 269
Payments			
Cash paid to suppliers and employees		(314 026)	36 263
Net cash flows from operating activities	27	(146 144)	136 532
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1 363)	(1 324)
Carrying value of property, plant and equipment disposed	9	12 327	4
Gains on disposal of assets		809	95
Purchase of other intangible assets	10	(51)	(388)
Disposals on intangible assets	10	-	63
Movement in deposits		15	
Net cash flows from investing activities		11 737	(1 550)
Cash flows from financing activities			
Movement on finance lease obligation		(375)	289
Net increase/(decrease) in cash and cash equivalents		(134 782)	135 271
Cash and cash equivalents at the beginning of the year		352 598	217 327
Cash and cash equivalents at the end of the year	3	217 816	352 598

* See Note 37



Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2015

Budget Accrual Basis

Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 34)
R '000	R '000	R '000	R '000	R '000	R '000

Statement of Financial Performance

Revenue

Revenue

Revenue from non-exchange transactions	50 208	-	50 208	55 186	4 978	N/A
Revenue from exchange transactions	80 707	-	80 707	79 954	(753)	N/A
Interest received	4 862	-	4 862	5 715	853	34.1
Total revenue	135 777	-	135 777	140 855	5 078	

Expenditure

Employee related costs	(84 934)	-	(84 934)	(65 068)	19 866	34.2
Board and Audit Committee members fees	(3 002)	-	(3 002)	(3 567)	(565)	34.3
Depreciation and amortisation	(5 440)	-	(5 440)	(2 702)	2 738	34.4
General expenses	(42 401)	-	(42 401)	(41 683)	718	N/A
Total expenditure	(135 777)	-	(135 777)	(113 020)	22 757	

Surplus for the 12 months

Gain on disposal of assets and liabilities	-	-	-	809	809	34.5
--	---	---	---	-----	------------	------

Surplus before taxation

	-	-	-	28 644	28 644	
--	---	---	---	--------	---------------	--

Actual amount on comparable basis as presented in the budget and actual comparative statement

	-	-	-	28 644	28 644	
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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 55(1)(b) of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. Figures have been rounded to the nearest thousand Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period unless indicated otherwise.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Board.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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



Accounting Policies

Significant judgements include:

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets

The Board reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest.

Value in use of non-cash generating assets

The Board reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 Provisions.

Useful lives of property, plant and equipment and other assets

The Board's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the Board.

Effective interest rate

The Board used the government bond rate to discount future cash flows.



Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment are initially recognised at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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



Accounting Policies

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the Board is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses, except for land and buildings which are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

The revaluation surplus in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus when the asset is derecognised.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value from the day that the asset is available for use.



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

Item	Average useful life
Land	Indefinite
Buildings	50 years
Fixtures and fittings	25 years
Furniture	20 years
IT equipment	4 - 10 years
Motor vehicles	5 years
Office equipment	25 years

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or



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- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

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

Intangible assets are initially recognised at cost. Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.



Amortisation is provided to write down the intangible assets, on a straight line basis to their estimated residual values, as follows:

Item	Useful life
Computer software	3-20 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The Board recognises a heritage asset as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the Board, and the cost or fair value can be measured reliably.

Where the Board holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 11 Heritage assets.

Initial measurement

Heritage assets are initially recognised cost. Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement heritage assets, whose fair value can be measured reliably, are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.



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If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Financial instruments

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



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Classification

The Board has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Deposits	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

The Board has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Accruals	Financial liability measured at amortised cost
Collections for distribution	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The Board recognises a financial asset or a financial liability in its statement of financial position when the Board becomes a party to the contractual provisions of the instrument.

The Board recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The Board measures a financial asset and financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Board measures all other financial assets and financial liabilities initially at fair value.



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Subsequent measurement of financial assets and financial liabilities

The Board measures all financial assets and financial liabilities after initial recognition using the following categories:

- financial instruments at fair value.
- financial instruments at amortised cost.
- financial instruments at cost.

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Board establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Board uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on Board-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Board calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is 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, or through the amortisation process.

Impairment and uncollectability of financial assets

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

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

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.



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Derecognition

Financial assets

The Board derecognises financial assets using trade date accounting.

The Board derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Board transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Board, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Board:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The Board removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.



The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. When a lease includes both land and building elements, the Board assesses the classification of each element separately.

Finance leases - lessee

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

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

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.



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Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the Board incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the Board.

Inventory comprises of stationary that shall be consumed within a short-term period in the normal business of the Board and not held for sale.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the Board with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

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

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

Irrespective of whether there is any indication of impairment, the Board also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.



Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the Board estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the Board applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Board determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).



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If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the Board uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the Board does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The Board assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Board estimates the recoverable amount of that asset.



An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.



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Identification

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

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

Irrespective of whether there is any indication of impairment, the Board also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the Board would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.



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Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The Board assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Board estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.



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1.12 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the Board during a reporting period, the Board recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Board recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 Board measures the expected cost of accumulating compensated absences as the additional amount that the Board expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Board recognises the expected cost of bonus, incentive and performance related payments when the Board has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the Board has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.



The Board does not incur a liability for post-employment benefits.

Termination benefits

The Board recognises termination benefits as a liability and an expense when the Board is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The Board is demonstrably committed to a termination when the Board has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes as a minimum:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.13 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 or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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



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Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Board settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating expenditure.

If the Board has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the Board:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the Board.



A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Board.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Board; or
- A present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised.

1.14 Revenue from exchange transactions

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

An exchange transaction is one in which the Board receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

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:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Board;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.



Accounting Policies

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 represents 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 services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

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

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.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Board, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the Board either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the Board.



The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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

As the Board 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 reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Board has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Board.

When, as a result of a non-exchange transaction, the Board recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.



Accounting Policies

The Board analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

The Board recognises an asset if it has prepaid a levy, but does not yet have a present obligation to pay that levy.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The Board makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the entity considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Assets arising from fines are measured at the best estimate of the inflow of resources to the Board.

Where the Board collects fines in the capacity of an agent, the fines will not be revenue of the Board.

1.16 Borrowing costs

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

1.17 Comparative figures

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

1.18 Fruitless and wasteful expenditure

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



Accounting Policies

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

1.19 Irregular expenditure

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

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

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

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

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps is thereafter taken



Accounting Policies

to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant programme/expenditure item, is disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.20 Commitments

Items are classified as commitments where the Board commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.21 Budget information

The approved budget is prepared on the accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 April 2014 to 31 March 2015.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.22 Related parties

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



Management is those persons responsible for planning, directing and controlling the activities of the Board, including those charged with the governance of the Board 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 member in their dealings with the Board.

1.23 Subsequent events

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. Two types of events can be identified:

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

The Board adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred. The Board discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.24 Accumulated surplus

The Board's surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the Board. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.



Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 5 (revised 2013): Borrowing Costs

The benchmark treatment is to recognise borrowing costs as an expense.

The allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. In all other instances borrowing costs are expensed.

All amendments should be applied prospectively.

The effective date of the standard is for years beginning on or after 01 April 2014. The Board has adopted the standard for the first time in the 2015 annual financial statements. The impact of the standard is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments are:

- It will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. These will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2014. The Board has adopted the standard for the first time in the 2015 annual financial statements. The impact of the standard is not material.



2.2 Standards and interpretations issued, but not yet effective

The Board has not applied the following standards and interpretations, which have been published and are mandatory for the Board's accounting periods beginning on or after 01 April 2015 or later periods:

GRAP 18: Segment Reporting

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

Segment information is either presented based on service 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 date of the standard is for years beginning on or after 01 April 2015. The Board expects to adopt the standard for the first time in the 2016 financial statements. The adoption of this standard is not expected to impact on the results of the Board, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepare and present financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that an entity considers the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015. The Board expects to adopt the standard for the first time in the 2016 annual financial statements. It is unlikely that the amendment will have a material impact on the Board's annual financial statements.



Notes to the Annual Financial Statements

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that an entity considers the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015. The Board expects to adopt the standard for the first time in the 2016 annual financial statements. It is unlikely that the amendment will have a material impact on the Board's annual financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that an entity considers the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015. The Board expects to adopt the standard for the first time in the 2016 annual financial statements. It is unlikely that the amendment will have a material impact on the Board's annual financial statements.



Notes to the Annual Financial Statements

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- (a) A person or a close member of that person's family is related to the reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity;
 - (iii) is a member of the management of the entity or its controlling entity.

- (b) An entity is related to the reporting entity if any of the following conditions apply:
 - (i) the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);



Notes to the Annual Financial Statements

- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that a 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.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance. The Board expects to adopt the standard for the first time once it becomes effective. It is unlikely that the standard will have a material impact on the Board's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, Recognition and measurement of a service concession asset, Recognition and measurement of liabilities, Other liabilities, Contingent liabilities, and contingent assets, Other revenues, Presentation and disclosure, Transitional provisions, as well as the Effective date.



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The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance. The Board expects to adopt the standard for the first time once it becomes effective. It is unlikely that the standard will have a material impact on the Board’s annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, Recognition, Derecognition, Measurement, Presentation and disclosure, Transitional provisions, as well as the Effective date.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance. The Board expects to adopt the standard for the first time once it becomes effective. It is unlikely that the standard will have a material impact on the Board’s annual financial statements.

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

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.



Notes to the Annual Financial Statements

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance. The Board expects to adopt the interpretation for the first time once it becomes effective. It is unlikely that the standard will have a material impact on the Board's annual financial statements.

DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2015. The Board expects to adopt the standard for the first time in the 2016 annual financial statements. It is unlikely that the standard will have a material impact on the Board's annual financial statements.



Notes to the Annual Financial Statements

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
	R '000	R '000
Cash on hand	2	5
Bank balances	217 814	352 593
	217 816	352 598

The Tsogo Sun: Social advancement funds of R159 million, being R150 million capital and interest earned thereon was transferred to the Provincial Revenue Fund in December 2014 to fund the Township Economic Revitalisation Program.

4. Receivables from non-exchange transactions

Receivables	4 886	26 284
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5. Receivables from exchange transactions

Staff receivables	64	84
Gauteng Provincial Government: Collection commission	5 372	7 827
Accrued bank interest	698	1 121
Sundry receivables	92	2823
	6 226	11 855

Receivables from exchange transactions additional information

The significant movement on the account balance was mainly due to the clearing of the Sundry debtors account whereby misallocations during the prior year were corrected during the current year (refer to note 37).

6. Deposits

	2015	2014
	R '000	R '000
Financial assets at amortised cost		
City of Tshwane Metropolitan Municipality	-	15
City Power Johannesburg (SOC) Ltd	242	242
Total deposits	242	257
Current assets	242	257
Financial assets at amortised cost	242	257

7. Non current asset held for sale

The Non-current asset held for sale consists of the building 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 2 210 square meters in extent. The property was sold in 2015. Refer to note 13.

The property was revalued by an independent valuer, Mongodi Pitso of Dijalo Valuation Service Management (Pty) Ltd, a professional valuer during February 2014 at R12.3 million. Mongodi Pitso and Dijalo Valuation Service Management (Pty) Ltd Professional Valuers are not connected to the entity and have experience in the location and category of the property being valued. The valuation was based on open market value for existing use.

A buyer approached Gauteng Gambling Board with the intention of buying the property which had been classified as non current asset held for sale. The offer to purchase had two conditions that had to be met. The first condition was that the offer to purchase must be accepted within 14 days of signature by the buyer and that the buyer will perform a due diligence check in order to determine if the building did not have structural defects. The first condition was met on 19 March 2014 and the second condition was met on 09 April 2014. The property was transferred to the buyer on 03 June 2014 (refer note 9).

GRAP 100 Discontinued Operations was amended and the amended standard is affected for financial years starting on or after 1 April 2014, indicative of the transfer to property plant and equipment.



Notes to the Annual Financial Statements

Reconciliation of the non current asset held for sale 2015	Opening balance	Transfer to Property plant and equipment	Total
	R '000	R '000	R '000
Land	2 750	(2 750)	-
Buildings	9 550	(9 550)	-
	<u>12 300</u>	<u>(12 300)</u>	<u>-</u>

The property disclosed as non current asset held for sale was transferred to Land and Buildings under Property plant and equipment per note 9 in accordance with GRAP 16.

The cost of the asset at 1 April 2014 is equal to the carrying value of the asset as at 31 March 2014, thus is the carrying value of the asset as calculated in terms of GRAP 100 Non-current Assets Held for Sale and Discontinued Operation (issued February 2010).

The cost model is applied in terms of GRAP 16 to the property reclassified and depreciation on buildings was calculated over its remaining useful life up to date of sale.

Reconciliation of the non current asset held for sale 2014	Opening balance	Impairment loss	Transfer to Property plant and equipment	Total
	R '000	R '000	R '000	R '000
Land	3 555	(805)	-	2 750
Buildings	12 245	(2 695)	-	9 550
	<u>15 800</u>	<u>(3 500)</u>	<u>-</u>	<u>12 300</u>

A register containing the information required by the Public Finance Management Act is available for inspection at the registered office of the Board.

8. Inventories	2015	2014
	R '000	R '000
Stationery and consumables	79	16



Notes to the Annual Financial Statements

9. Property, plant and equipment

	2015			2014		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Land	23 582	-	23 582	23 582	-	23 582
Buildings	76 418	-	76 418	67 815	(5 618)	62 197
Fixtures and fittings	4 934	(985)	3 949	4 820	(791)	4 029
Motor vehicles	668	(188)	480	668	(54)	614
Office equipment	2 946	(614)	2 332	2 740	(527)	2 213
IT equipment	3 186	(1 055)	2 131	2 924	(1 366)	1 558
Furniture	7 543	(2 010)	5 533	7 481	(1 671)	5 810
Total	119 277	(4 852)	114 425	110 030	(10 027)	100 003

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers from non current assets held for sale	Revaluations	Other changes, movements	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	23 582	-	(2 750)	2 750	-	-	-	23 582
Buildings	62 197	-	(9 546)	9 550	15 577	-	(1 360)	76 418
Motor vehicles	4 029	115	(2)	-	-	-	(193)	3 949
Office equipment	4 029	115	(2)	-	-	-	(193)	3 949
IT equipment	558	1 044	(25)	-	-	(1)	(445)	2 131
Furniture	5 810	-	(4)	-	-	107	(380)	5 533
	100 003	1 363	(12 327)	12 300	15 577	135	(2 626)	114 425



Notes to the Annual Financial Statements

Reconciliation of property, plant and equipment - 2014

	Opening Balance	Additions	Disposals	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000
Land	23 582	-	-	-	23 582
Buildings	63 553	-	-	(1 356)	62 197
Fixtures and fittings	4 222	-	-	(193)	4 029
Motor vehicles	42	668	-	(96)	614
Office equipment	2 324	-	-	(111)	2 213
IT equipment	1 187	656	-	(285)	1 558
Furniture	6 196	-	(4)	(382)	5 810
Total	101 106	1 324	(4)	(3 323)	100 003

Pledged as security

No property, plant and equipment was pledged as security for liabilities.

Finance lease assets include Cell phones and iPads which is included under IT Equipment (also refer note 12 : Deemed finance leases).

The property revalued is Section 3 of the sectional scheme "Waverley Office Park" scheme no 40/2013, situated on Erf 377, Bramley.

The property was revalued by an independent valuer, Mongodi Pitso, a professional valuer of Dijalo Valuation Services Management (Pty) Ltd at R 100 million. The effective date of the revaluation was 12 February 2015. The professional valuer of Dijalo Valuation Services Management (Pty) Ltd is not connected to the Board.

The valuation was performed using the income capitalisation method of valuation which determines the annual income of the property, which is then capitalised at the appropriate market related capitalisation rate.



Notes to the Annual Financial Statements

Details of properties

A register containing the information required by the Public Finance Management Act is available for inspection at the registered office of the Board.

10. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	1 539	(545)	994	1 487	(469)	1 018

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
	R '000	R '000	R '000	R '000
Computer software	1 018	51	(75)	994

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000
Computer software	769	388	(63)	(76)	1 018

Pledged as security

No intangible assets were pledged as security for liabilities.



Notes to the Annual Financial Statements

11. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Paintings	539	-	539	273	-	273

Reconciliation of heritage assets - 2015

	Opening balance	Revaluation increase	Total
	R '000	R '000	R '000
Paintings	273	266	539

Reconciliation of heritage assets - 2014

	Opening balance	Total
	R '000	R '000
Paintings	273	273

Pledged as security

No heritage assets were pledged as security for liabilities.

Revaluations

Paintings

The effective date of the revaluation was on 31 March 2015 . Revaluations were performed by independent valuer, Mr Warren Redman from Warren Redman Fine Arts, Corporate art and picture framing consultancy.

The method used to determine fair value is based on current market values for the artist's work and the medium used. The revaluation surplus relating to the heritage asset is as follows:

	2015	2014
	R '000	R '000
Revaluation increase	266	-

12. Finance lease obligation

	2015	2014
	R '000	R '000
Minimum lease payments due		
- within one year	74	166
- in second to fifth year inclusive	3	60
	77	226
less: future finance charges	(2)	(12)
Present value of minimum lease payments	75	214
Present value of minimum lease payments due		
- within one year	72	155
- in second to fifth year inclusive	3	59
	75	214
Non-current liabilities	3	59
Current liabilities	72	155
	75	214

The Gauteng Gambling Board apply GRAP 13 whereby certain assets are classified as deemed finance leases.

The average lease term is 2 years and the average effective borrowing rate is 8.5% (2014: 8.5%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments.



13. Disposal of a significant asset

Management took a decision to dispose of a significant asset that was disclosed as Non current asset held for sale in prior periods which was transferred to Property, plant and equipment on 1 April 2014.

Description of the asset

The significant asset constitutes a building situated at Portion 4 of Erf 44 Verwoerdburgstad Registration Division JR Province of Gauteng and measures 2 210 square meters.

The property was valued by an independent valuer, Mongodi Pitso of Dijalo Valuation Service Management (Pty) Ltd in February 2014.

Carrying values	2015	2014
	R '000	R '000
Carrying value of the asset	-	12 300

Facts and circumstances of the disposal

The property was sold for an amount of R13 million to a non connected party.

Disposals completed during the year

The property was sold on 09 April 2014 and ownership thereof was transferred on 03 June 2014.

14. Trade and other payables from exchange transactions

Payables	27 274	41 662
Investigation deposits	86	83
Peermont: Social advancement	4 756	9 545
Provincial Revenue Fund: current year surplus	45 499	25 953
Tsogo Sun: Social advancement	-	154 521
	77 615	231 764

The payables are representative of receivables with credit balances, accruals and year end creditors including payroll.

The Tsogo Sun: Social advancement funds of R159 million, being R150 million capital and interest earned thereon was transferred to the Provincial Revenue Fund in December 2014 to fund the Township Economic Revitalisation Programme.

15. Collections for distributions

	2015	2014
	R '000	R '000
Gauteng Provincial Administration	70 371	87 844
Phumelela Gaming and Leisure Limited	4 596	4 590
Sports Development Fund	12 481	17 177
	87 448	109 611

Gambling taxes are collected on behalf of 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 and bank charges on these monies. The collection commission is reflected in the Statement of Financial Performance.

Taxes and levies are collected throughout the month and distributed in the following month. The amount is reflected under Current Liabilities - Collections for distribution on the Statement of Financial Position.

Reconciliation of taxes and levies collected

Gauteng Provincial Government

Betting tax

Totalizator - Horse-racing	29 433	29 079
Totalizator - Other sport	12 254	8 360
On-course bookmakers - Horse-racing	1 487	2 588
On-course bookmakers - Other sport	1 800	1 309
Off-course bookmakers - Horse-racing	50 162	48 401
Off-course bookmakers - Other sport	39 990	25 926
Total betting tax	135 126	115 663



Notes to the Annual Financial Statements

	2015	2014
	R '000	R '000
Gaming tax		
Casinos - Machines	465 172	476 955
Casinos - Tables	165 885	160 162
Casinos - Unclaimed dividends	450	229
Bingo	57 457	49 647
Limited payout machines	53 701	44 067
Total gaming tax	742 665	731 060
	877 791	846 723
Levies collected		
Sports Development Fund levies		
Levies	15 103	10 865
Interest earned	1 537	756
	16 640	11 622
Phumelela Gaming and Leisure Limited off-course bookmakers	51 552	50 749
Total levies collected	68 192	62 371
Interest earned and penalties received	4 819	5 616
Total collected for distribution	950 802	914 711
Taxes and levies for distribution to beneficiaries at period end	(87 448)	(106 475)
Prior year collection adjustment for distribution	(4 075)	-
	859 279	808 236



Notes to the Annual Financial Statements

	2015	2014
	R '000	R '000
Taxes and levies distributed during the period		
Gauteng Provincial Administration	896 008	824 706
Phumelela Gaming and Leisure Limited	51 546	54 401
Sports Development Fund	21 336	6 220
Less: Prior year-end collections distributed during the period	(105 536)	(77 091)
Prior year collection adjustment for distribution	(4 075)	-
	859 279	808 236

16. Accruals

Leave pay	2 861	1 478
13th cheque	620	560
	3 481	2 038

The Board has an obligation to either pay out unused leave or allow employees to carry over unused leave to future cycles up to a limit as detailed in the Board's applicable policy.

The Board has an obligation to pay bonuses to those employees who opted for their 13th cheque payment to be made annually during December.

17. Provisions

Reconciliation of provisions - 2015

	Opening balance	Additions	Utilised during the period	Total
	R '000	R '000	R '000	R '000
Performance bonus	6 333	9 196	(6 333)	9 196



Notes to the Annual Financial Statements

Reconciliation of provisions - 2014

	Opening balance	Additions	Utilised during the period	Total
	R '000	R '000	R '000	R '000
Performance bonus	5 434	6 333	(5 434)	6 333

The provision for performance bonus is created through assessment of employees' performance throughout the year and the Board's practice of paying performance bonuses. The amount above is based on actual payments made.

18. Revaluation reserve

	2015	2014
	R '000	R '000
Opening balance	8 430	8 430
Increase in reserve due to revaluation of heritage assets	266	-
Increase in reserve due to revaluation of property, plant and equipment	15 577	-
Decrease in reserve on disposal of property, plant and equipment	(8 411)	-
	15 862	8 430

19. 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 obtained in the previous years to retain the surplus of R109.199 million.

The surplus for the year is paid to the Provincial Revenue Fund in terms of the Gauteng Gambling Act. Gauteng Gambling Board paid to the Provincial Treasury R17.285 million surplus for the 2013/2014 financial year. The surplus amount for the 2014/2015 financial year will be paid to the Province in the 2015/2016 financial year.

20. Revenue

	2015	2014
	R '000	R '000
Revenue from exchange transactions	79 954	75 876
Revenue from non-exchange transactions	55 186	42 934
Interest received	5 715	3 333
	140 855	122 143

The amount included in revenue arising from exchange transactions are as follows:

Recoveries of investigation expenses	1 908	2 961
Collection commission	71 493	66 002
Administration fees	240	240
Application and registration fees	6 089	6 373
Sundry income	224	298
	79 954	75 876

The amount included in revenue arising from non-exchange transactions are as follows:

Taxation revenue		
Penalties collected	2 750	-
License fees	41 219	34 786
Sports betting levies	11 217	148
	55 186	42 934



Notes to the Annual Financial Statements

21. Employee related costs

	2015	2014
	R '000	R '000
Salaries, bonuses and allowances	53 865	45 669
Defined contribution plan expenses	5 020	4 192
Medical aid contributions	2 543	2 199
Group life contributions	737	565
Other employer contributions	128	2
Workmen's compensation	449	-
SDL	586	628
Leave pay contribution	1 740	1 306
	65 068	54 561

Remuneration of B Nkosi - Acting Chief Executive Officer

Basic salary	2 885	2 706
13th cheque	240	221
Employer contributions	34	-
	3 159	2 927

Remuneration of E Lalumbe - Chief Operating Officer

Basic salary	2 022	1 900
13th cheque	169	155
Performance bonus	586	1 040
Employer contributions	442	315
	3 219	3 410



Notes to the Annual Financial Statements

Remuneration of N Makhari - Chief Financial Officer

	2015	2014
	R '000	R '000
Basic salary	1 475	1 373
13th cheque	122	139
Performance bonus	-	383
Employer contributions	240	220
	1 837	2 115

Ms N Makhari was appointed on 1 October 2010 and remained in office until 31 August 2014, when she was placed on precautionary leave; pending a hearing.

Remuneration of O Hadebe - Manager: Human Resources

Basic salary	-	1 189
13th cheque	-	98
Performance bonus	-	694
Employer contributions	-	198
	-	2 179

The Manager: Human Resources, O Hadebe served the entity until 31 March 2014.

Remuneration of ZN Gumede - Manager: Human Resources

Basic salary	715	-
Allowances	9	-
13th cheque	34	-
Employer contributions	168	-
	926	-

The Manager: Human Resources, ZN Gumede was appointed on 1 September 2014.



Notes to the Annual Financial Statements

Remuneration of L Kobue - Manager: Compliance

	2015	2014
	R '000	R '000
Basic salary	1 308	1 327
Allowances	42	45
13th cheque	113	103
Performance bonus	391	359
Employer contributions	299	278
	2 153	2 112

Remuneration of K Jacobs - Manager: Management Information System

Basic salary	1 250	1 268
Allowances	74	65
13th cheque	109	101
Performance bonus	391	694
Employer contributions	341	320
Long service awards	55	-
	2 220	2 448

Remuneration of T Letshwiti - Manager: Licensing

Basic salary	1 323	221
13th cheque	101	-
Performance bonus	224	-
Employer contributions	289	44
	1 937	265

Remuneration of L Lukhwareni - Manager: Legal Services

	2015	2014
	R '000	R '000
Basic salary	1 304	1 226
13th cheque	109	100
Performance bonus	389	357
Employer contributions	343	295
	2 145	1 978

Remuneration of PT Makamo - Manager: Gaming Control

Basic salary	1 249	-
Allowances	13	-
13th cheque	76	-
Employer contributions	257	-
	1 595	-

The Manager: Gaming Control, PT Makamo was appointed on 1 May 2014.

Remuneration of TT Marimuthu - Manager: Gaming Control

Basic salary	1 093	-
Allowances	12	-
13th cheque	64	-
Employer contributions	279	-
	1 448	-

The Manager: Gaming Control, TT Marimuthu was appointed on 1 June 2014.



Notes to the Annual Financial Statements

22. Board and Audit Committee Members' fees

	2015	2014
	R '000	R '000
Administration and management fees	3 567	2 480

Board Member emoluments for Non-Executive Board Member services rendered during the year:

Chuene BPM	-	216
Gordhan YN	255	183
Hall SJ	362	241
Hari S	268	156
Mafojane P	465	359
Majavu Z	254	317
Majombozi SL	358	259
Mokgatle L	-	24
Molai T	216	120
Motau C	322	202
Mufamadi FS	110	150
Sexwale J	342	254
Van der Westhuizen FJ	317	240
Amount paid to Board Members	3 269	2 721
Administrators fees reversed: BPM Chuene	-	(473)
Total amount paid to Board Members	3 269	2 248

Audit and Risk Committee

Badimo A	61	38
Malaka M	43	29
Nkhabu M	58	53
Nzalo G	88	69
Zwane P	48	43
Total paid to Audit and Risk Committee Members	298	232
	3 567	2 480

23. Impairment of assets

2015	2014
R '000	R '000

Impairments

Impairment on non current asset held for sale	-	3 500
Recognise impairment loss as the difference between carrying amount at 31 March 2013 and fair value amount at 31 March 2014.		
The fair value at 31 March 2014 is lower than the carrying value at 31 March 2013.		



Notes to the Annual Financial Statements

24. General expenses

	Note	2015	2014
		R '000	R '000
Advertising		555	700
Auditors remuneration	25	3 627	892
Bank charges		59	68
Books and media subscription		334	447
Building maintenance		206	192
Conference costs		724	858
Electricity		1 911	1 927
Employee assistance programme		82	35
Fines and penalties		148	591
Finance costs on deemed finance leases		13	14
Information technology		914	496
Insurance		153	82
Investigation and enforcement costs		438	287
Legal expenses		4 294	774
Office consumables and refreshments		286	421
Postage and stationery		327	342
Printing costs		379	690
Professional and consulting fees		6 336	629
Public relations		212	551
Repairs and maintenance		65	12
Responsible gambling awareness program		5 822	7 553
Security expenses		138	563
Social responsibility		5 529	15 378
Staff recruitment		533	164
Staff training and development		1 270	625
Storage rentals		176	259
Telephone and communications		1 563	1 335
Transcription costs		67	83
Travelling and subsistence - local		1 809	2 058
Travelling and subsistence - overseas		3 712	5 785
		41 682	43 811

25. Auditors' remuneration

	2015	2014
	R '000	R '000
Audit fees - external	*2 195	556
Audit fees - internal	*1 432	336
	3 627	892

*Overrun due to extension of audit during prior year audit by the Auditor General and delay of the internal audit for the prior year.

26. Financial instruments disclosure

Categories of financial instruments

Financial assets at amortised cost

Cash and cash equivalents	217 816	352 598
Receivables from non-exchange transactions	4 886	26 284
Receivables from exchange transactions	6 226	11 855
Deposits	242	257
	229 170	390 994

Financial liabilities at amortised cost

Trade and other payables from exchange transactions	77 615	231 764
Finance lease obligation	75	214
Collections for distribution	87 448	109 611
Accrual	3 481	2 038
License fee received in advance	42 333	37 017
	210 952	380 644



27. Cash (used in)/ generated from operations

	2015	2014
	R '000	R '000
Surplus for the year	28 643	15 450
Adjustments for:		
Depreciation and amortisation	2 702	2 498
Gain on sale of assets and liabilities	(809)	(158)
Impairment deficit	-	3 500
Deemed finance costs on finance lease obligation	13	14
Movements in provisions	2 863	899
Increase in accruals	1 443	263
Distribution to members recorded in accumulated surplus	(36 835)	(26 060)
Non cash movements in non current assets	(135)	-
Changes in working capital:		
Inventories	(63)	(1)
(Increase) / decrease receivables from exchange transactions	5 629	233
(Increase) / decrease other receivables from non-exchange transactions	21 399	(22 105)
Trade and other payables from exchange transactions	(154 147)	123 804
License fees received in advance	5 316	5 909
(Increase) / decrease in collection for distribution	(22 163)	32 286
	(146 144)	136 532

28. Related parties

Relationships

Board Members	Refer to note 22
Controlling entity	Gauteng Department of Economic Development
Other	Gauteng Enterprise Propeller
Members of key management	Refer to note 21



Notes to the Annual Financial Statements

Related party transactions

Other	2015	2014
	R '000	R '000
Gauteng Enterprise Propeller	8 319	

The distribution of the Social Responsibility Funding through the Service Level Agreement entered into between Gauteng Gambling Board and Gauteng Enterprise Propeller for the Township Economic Revitalisation Programme.

29. Risk management

Financial risk management

The Board's activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk.

The Board's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Board's financial performance. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Board maintains flexibility in funding by maintaining availability under committed credit lines.

The Board's risk to liquidity is a result of the funds available to cover future commitments. The Board manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.



Notes to the Annual Financial Statements

The table below analyses the Board's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

2015	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years 2 years	Over 5 years
	R '000	R '000	R '000	R '000
Trade and other payables from exchange transactions	77 615	-	-	-
Collections for distribution	87 448	-	-	-
Accruals	3 481	-	-	-
License fee received in advance	42 333	-	-	-

2014	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years 2 years	Over 5 years
	R '000	R '000	R '000	R '000
Trade and other payables from exchange transactions	231 764	-	-	-
Collections for distribution	109 611	-	-	-
Accruals	2 038	-	-	-
License fee received in advance	37 017	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The Board only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Financial assets exposed to credit risk at year end were as follows:



Notes to the Annual Financial Statements

Financial instrument	2015	2014
	R '000	R '000
Receivables from exchange transactions	6 226	11 855
Receivables from non-exchange transactions	4 886	26 284
Cash and cash equivalents	217 816	352 598

Market risk

Interest rate risk

As the Board has no interest-bearing assets, the Board's income and operating cash flows are substantially independent of changes in market interest rates.

30. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Board to continue as a going concern is dependent on a number of factors. The most significant of these is that the current Collection Commission arrangement with the controlling entity continues to procure funding for the ongoing operations of the Board.

31. Fruitless and wasteful expenditure

	2015	2014
Opening balance	228 497	227 941
Add: Fruitless and wasteful expenditure - current year subsequently condoned	38 656	-
Add: Additional Fruitless and wasteful expenditure - current year	3 348	556
Less: Amounts condoned	(267 153)	-
Fruitless and wasteful expenditure to be condoned	3 348	228 497

The expenditure relates to penalties and interest on late payments of invoices. The expenditure was not recoverable. The Board condoned the R 228 497 on 12 December 2014 and an amount of R 38 656 on the 16 February 2015.



32. Irregular expenditure

	2015	2014
	R '000	R '000
Opening balance	27 952	15 450
Add: Irregular Expenditure - current year	-	12 502
Less: Amounts no longer irregular due to the 27 May 2013 SCA decision confirming that the dismissal of the Board is set aside	(14 855)	-
Less: Amounts condoned	(13 097)	-
	-	27 952

33. Losses through Criminal Conduct

Details of losses through Criminal Conduct

One iPad was stolen outside the GGB office from a GGB employee. The carrying value of the asset was removed from the asset register.	5	-
One laptop was stolen outside the GGB office from a GGB employee. The carrying value of the asset was removed from the asset register.	15	-
	20	-

In both instances the amounts were recovered from insurance.

34. Budget differences

Material differences between budget and actual amounts

The differences explained below represent all items with an increase or decrease or overrun of more than 10% or R 50 000.

34.1 Interest received : 15% over collection of interest earned resulting from the proceeds from the sale of the Centurion building.

34.2 Employee related costs - 31% saving on employee related costs due to the moratorium placed on recruitment by the Member of the Executive Council.

34.3 Board and Audit Committee fees - 16% overspend due to increased business activity.

34.4 Depreciation and Amortisation - Assessment of the estimated useful lives of the assets held by the Gauteng Gambling Board resulted in a 102% saving on depreciation on assets.

35. Commitments

Contractual commitments

	Contract End date	2015 R'000
Accounting, Audit and Finance Services	2016	2 101
Facilities Management Services	2017	65
Information Technology Services	2015	256
Legal Services	2016	80
Operations Services	2017	404
Payroll Administration	2016	149
		<u>3 055</u>

At year end the commitments relate to contracts that existed at year end for services that have not yet been rendered by the respective service providers.

36. Contingencies

LITIGATION

IMTIAZ SULIMAN versus GAUTENG GAMBLING BOARD AND OTHERS (CASE NO. 49433/11)

The plaintiff brought an application against 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.

Gauteng Gambling Board is going to pay its own legal fees estimated at R100 000.



Notes to the Annual Financial Statements

GAUTENG GAMBLING BOARD STAFF versus THE BOARD (CASE NO. JS 721/14)

The staff of the Gauteng Gambling Board through its staff committee brought an action pursuant to a dispute referred to the CCMA under case number GAJB 28841-14 alleging that the Applicants have been unfairly discriminated against in terms of Section 10 and Sections 6 (a) (b) of the Employment Equity Act 55 of 1998 as amended specifically that they are not being compensated in accordance with the principal of equity pay for work of equal value. Should the application succeed the Board may have to pay an estimated amount of R2.5 million.

Gauteng Gambling Board is going to pay its own legal fees estimated at R100 000.

MAKHARI NDANDULENI VIVIAN versus GAUTENG GAMBLING BOARD AND KENNETH MOSIME N.O (CASE NO. J173/15)

The applicant, an employee of the Board currently on suspension, brought an application against Gauteng Gambling Board (First Respondent) and Mr Kenneth Mosime N.O (Second Respondent) in the Labour Court.

The applicant requested the Labour Court of South Africa held at Braamfontein as follows:

To interdict and restrain the First Respondent from proceeding with the disciplinary hearing proceedings against the Applicant pending the final determination of the application; Directing the First Respondent to pay the Applicants representation in the aforesaid disciplinary hearing proceedings; That the Applicant be granted such further or alternative relief as the court may deem appropriate; That the costs of the application be paid by the First Respondent.

The Board is currently opposing this matter and parties are exchanging documents.

Should the application succeed the Board may have to pay the respondent legal costs which is estimated at R400 000. Gauteng Gambling Board is going to pay its own legal fees estimated at R180 000.

MAHESH KALIDAS versus PEERMONT GLOBAL LIMITED, TSOGO SUN CASINOS, GAUTENG GAMBLING BOARD (CASE NO. 15/04715)

The Board received summons from Mr Mahesh Kalidas (the Plaintiff) against Peermont Global Limited (First Defendant - t/a Emperors Palace casino), Tsogo Sun casino (Second Defendant - t/a Montecasino) and Gauteng Gambling Board (Third Defendant).

In his particulars of the claim, Mr Kalidas alleges that during January 2012 he applied to the Board to be excluded from participating in gambling from all licensed gambling establishments in South Africa and that his application was granted by the Board.



Notes to the Annual Financial Statements

While his banning order was still effective, Mr Kalidas participated in gambling at Emperors Palace casino and Montecasino in contravention of the condition of his banning order, the Gauteng Gambling Act and the National Gambling Act. Further, he alleges that the First and the Second Defendants did not take reasonable measures to bar/stop/preclude him from accessing their gambling floors and participate in gambling while his banning order was still effective. He alleges that as a consequences of the foregoing he sustained damages in the sum of R78 000 and R227 000 which he lost while engaged in gambling activities at Emperors Palace casino and Montecasino respectively. He, alternatively claimed that should the Court find that the Board did not furnish the First and Second Defendants with his copy of the self-exclusion application or failed to convey the information that is contained in the self-exclusion application to the First and Second Defendants, which resulted in the First and Second Defendants failing to take any step to preclude him from engaging in gambling activities, then the Board should be liable to him in the amount of R305 000.

The Board is currently opposing this matter and parties are exchanging documents.

Should the application succeed the Board may have to pay the damages claimed amounting to R305 000. Gauteng Gambling Board is going to pay its own legal fees estimated at R200 000.

37. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a description of each individual prior period error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed.

Error 1

Misstatement of payables from exchange transactions due to over provision relating to Provident fund in 2014.

Error 2

Misstatement of employee related cost due to over/ under provisions and transactions incorrectly recognised in 2013 and 2014.

Error 3

Misstatement of trade and other payables from exchange transactions due to credit card transactions not disclosed in 2013 and 2014.



Error 4

Misstatement of sundry debtors due to transactions not recorded in the correct account and invoices not recorded in 2014.

Error 5

Misstatement of general expenses due to transactions not recorded correctly in prior periods from 2012.

Error 6

Misstatement of GGB/Trust due to over/ understatement of levies from 2013.

Error 7

Misstatement of non-distributable reserves due to erroneous inclusion of an asset not carried at revalued amount in calculating revaluation surpluses in periods before 2013.

Error 8

Misstatement of interest received on trust funds due to erroneous interest calculations and recording from 2013.

Error 9

Misstatement of income due to erroneous recording of interest accrued on deceased estate funds during the period ended 31 March 2014.

Error 10

Misstatement of sundry creditors due to credit notes incorrectly recorded in 2014.

Error 11

Misstatement of receivables from exchange transactions due to transactions recorded erroneously in 2014.

Error 12

Misstatement of receivables due to incorrect recognition of a debtor in 2013.

Error 13

Misstatement of trade and other payables from exchange transactions due to erroneous recording of transactions.

Error 14

Misstatement of trade and other payables from exchange transactions due to erroneous recording of transactions.

Error 15

Misstatement of trade and other payables from exchange transactions due to erroneous recording of transactions.

Error 16

Misstatement of receivables from exchange transactions due to interest that was erroneously recorded as an expense instead of an account receivable in 2013 and 2014.

Error 17

Understatement of retained earnings due to income that should have been recognised in 2009 but was disclosed as trade and other payables from exchange transactions.

Error 18

Misstatement of receivables from exchange transactions due to transactions that were incorrectly recorded in 2014.

Error 19

Understatement of employee related cost in 2014 due to leave encashment not recorded in the correct accounting period.

Error 20

Misstatement of receivables from exchange transactions and interest received in 2014 due to incorrectly recorded transactions.

Error 21

Misstatement of trade and other payables from exchange transactions due to deferred penalties disclosed as collections for distribution in 2014 instead of trade and other payables from exchange transactions.

Error 22

Misstatement of property, plant and equipment due to errors on revaluation of a building in periods before 2013.

Error 23

Misstatement of property, plant and equipment and intangible assets in 2013 due to estimated useful lives not having been assessed in prior periods.

Error 24

Misstatement of property, plant and equipment, intangible assets, and heritage assets due to duplication of assets in the assets register, depreciation incorrectly allocated to heritage assets, and transactions not recognised correctly in 2014.



Error 25

Misstatement of property, plant and equipment and intangible assets in 2014 due to estimated useful lives not having been assessed.

Error 26

Misstatement of trade and other payables from exchange transactions due to transactions incorrectly recorded in 2013.

Error 27

Misstatement of trade and other payables from exchange transactions due to fines and penalties not recognised in 2014.

Error 28

Misstatement of receivables from exchange transactions due to transactions pertaining to staff debtors not disclosed correctly and petty cash transactions erroneously disclosed as staff debtors in 2013 and 2014.

Error 29

Clearing of a VAT input balance from prior years. The amount is trivial amounting to to less than one thousand rand.

Error 30

Previously unrecognised deemed finance leases in accordance with GRAP 13.

Error 31

Previous year finance lease adjustment on amortised amounts.

Error 32

Recognise impairment loss as the difference between carrying amounts of prior year fair value adjustments including 31 March 2014. The fair value at 31 March 2014 is lower than the carrying value at 31 March 2013 thus the adjustment

Error 33

Misstatement of the amount payable to the Provincial Revenue Fund in 2014 and prior periods due to the effects of error 1 to error 32 disclosed above.

All errors that occurred in periods before 2013 have been adjusted from the earliest prior period presented. The correction of the errors results in adjustments as follows:

Adjustments affecting the statement of financial position

	2015	2014
	R '000	R '000
Error 1		
Receivables from exchange transactions	-	18
Trade and other payables from exchange transactions	-	(3)
Error 2		
Adjustment against opening retained earnings	-	44
Accruals	-	(57)
Receivables from exchange transactions	-	10
Trade and other payables from exchange transactions	-	(106)
Error 3		
Adjustment against opening retained earnings	-	(1 370)
Error 4		
Receivables from exchange transactions	-	6 405
Collections for distribution	-	(1 310)
Adjustment against opening retained earnings	-	(7)
Error 5		
Trade and other payables from exchange transactions	-	81
Adjustment against opening retained earnings	-	(52)
Error 6		
Adjustment against opening retained earnings	-	652
Receivables from exchange transactions	-	1
Trade and other payables from exchange transactions	-	(3 617)
Error 7		
Revaluation reserve	-	110



Notes to the Annual Financial Statements

	2015	2014
	R '000	R '000
Error 8		
Trade and other payables from exchange transactions	-	1 836
Collections for distribution	-	(1 836)
Error 9		
Trade and other payables from exchange transactions	-	(542)
Error 10		
Trade and other payables from exchange transactions	-	48
Error 11		
Receivables from non-exchange transactions	-	(72)
Error 12		
Trade and other payables from exchange transactions	-	384
Receivables from exchange transactions	-	(384)
Error 13		
Trade and other payables from exchange transactions	-	994
Adjustment against opening retained earnings	-	(994)
Error 14		
Adjustment against opening retained earnings	-	487
Trade and other payables from exchange transactions	-	(487)
Error 15		
Trade and other payables from exchange transactions	-	508
Adjustment against opening retained earnings	-	(508)



Notes to the Annual Financial Statements

	2015	2014
	R '000	R '000
Error 16		
Receivables from exchange transactions	-	5 372
Adjustment against opening retained earnings	-	(256)
Error 17		
Trade and other payables from exchange transactions	-	847
Adjustment against opening retained earnings	-	(847)
Error 18		
Receivables from exchange transactions	-	(6 687)
Error 19		
Accruals	-	(15)
Error 20		
Receivables from exchange transactions	-	(801)
Error 21		
Collections for distribution	-	(379)
Trade and other payables from exchange transactions	-	379
Error 22		
Adjustment against opening retained earnings	-	46
Property, plant and equipment (Accumulated depreciation)	-	583
Property, plant and equipment (Cost)	-	(629)
Error 23		
Property, plant and equipment (Accumulated depreciation)	-	9 810
Intangible assets (Accumulated amortisation)	-	(1 260)
Adjustment against opening retained earnings	-	(8 550)



Notes to the Annual Financial Statements

	2015	2014
	R '000	R '000
Error 24		
Intangible assets (Accumulated amortisation)	-	57
Heritage assets (Accumulated depreciation)	-	115
Property, plant and equipment (Cost)	-	306
Intangible assets (Cost)	-	(63)
Property, plant and equipment (Accumulated depreciation)	-	(115)
Trade and other payables from exchange transactions	-	(306)
Property, plant and equipment (Accumulated depreciation)	-	(46)
Error 25		
Intangible assets (Accumulated amortisation)	-	1 910
Property, plant and equipment (Accumulated depreciation)	-	(1 041)
Error 26		
Adjustment against opening retained earnings	-	683
Trade and other payables from exchange transactions	-	(683)
Error 27		
Trade and other payables from exchange transactions	-	(591)
Error 28		
Adjustment against opening retained earnings	-	172
Receivables from exchange transactions	-	(171)
Error 30		
Finance lease obligation	-	95
Error 31		
Trade and other payables from exchange transactions	-	(2)



Notes to the Annual Financial Statements

	2015	2014
	R '000	R '000
Error 33		
Adjustment against opening retained earnings	-	10 501
Trade and other payables from exchange transactions	-	(8 665)
Adjustment against current retained earnings	-	(1 836)
Total adjustments against opening retained earnings	-	(10 502)
Adjustments affecting the statement of financial performance		
Error 1		
Employee related cost	-	(15)
Error 2		
General expenses	-	2
Revenue from exchange transactions	-	27
Board and audit committee members fees	-	285
Employee related cost	-	(205)
Error 3		
General expenses	-	1 370
Error 4		
Revenue from exchange transactions	-	(5 005)
General expenses	-	(82)
Error 5		
Revenue from exchange transactions	-	(29)
Error 6		
Revenue from non-exchange transactions	-	2 964



Notes to the Annual Financial Statements

	2015	2014
	R '000	R '000
Error 7		
Gains on asset disposal	-	(110)
Error 9		
Interest received	-	542
Error 10		
General expenses	-	(48)
Error 11		
Revenue from non-exchange transactions	-	72
Error 16		
General expenses	-	(5 116)
Error 18		
Revenue from exchange transactions	-	6 687
Error 19		
Employee related cost	-	15
Error 20		
Interest received	-	801
Error 24		
Gains on disposal of assets	-	63
Depreciation and amortisation	-	(57)
Depreciation and amortisation	-	46
Error 25		
Depreciation and amortisation	-	(869)



Notes to the Annual Financial Statements

	2015	2014
	R '000	R '000
Error 27		
General expenses	-	591
Error 28		
General expenses	-	(1)
Error 30		
General expenses	-	(95)
Error 31		
General expenses	-	2
Error 32		
Fair value adjustments	-	(3 500)
Impairment losses	-	3 500
	-	1 837
Total adjustments to 2014 accumulated surplus		
Adjustment against opening retained earnings	-	(10 502)
Decrease in surplus for 2014	-	1 837
Increase in surplus to be surrendered to Provincial Revenue Fund - 2013	-	10 502
Decrease in surplus to be surrendered to Provincial Revenue Fund - 2014	-	(1 837)
	-	-



Notes to the Annual Financial Statements

Reconciliation of 2014 financial statements as previously disclosed to restated financial statements

Statement of Financial Performance for the year ended 31 March 2014	Balance as previously reported	Prior period error	Reclassified (note 36)	Restated balance
	R '000	R '000	R '000	R '000
Revenue				
Revenue from exchange transactions	75 716	(1 680)	1 838	75 874
Revenue from non-exchange transactions	47 808	(3 036)	(1 838)	42 934
Interest received	4 675	(1 342)	-	3 333
Total revenue	<u>128 199</u>	<u>(6 058)</u>	<u>-</u>	<u>122 141</u>
Expenditure				
Board and Audit Members fees	2 196	284	-	2 480
Employee related cost	54 138	(206)	629	54 561
Depreciation and amortisation	3 377	(879)	-	2 498
General expenses	47 814	(3 376)	(629)	43 809
Impairment on non current asset held for sale	-	3 500	-	3 500
Fair value adjustments	3 500	(3 500)	-	-
Total expenditure	<u>111 025</u>	<u>(4 177)</u>	<u>-</u>	<u>106 848</u>
Gain/ (loss) on disposal of assets and liabilities	<u>111</u>	<u>47</u>	<u>-</u>	<u>158</u>
Surplus /(deficit) for the year	<u>17 285</u>	<u>(1 836)</u>	<u>-</u>	<u>15 451</u>



Notes to the Annual Financial Statements

Statement of Financial Position as at 31 March 2014	Balance as previously reported	Prior period error	Reclassified (note 36)	Restated balance
	R '000	R '000	R '000	R '000
Assets				
Current Assets				
Receivables from non-exchange transactions	26 356	(72)	-	26 284
Receivables from exchange transactions	12 160	3 763	(4 068)	11 855
Non current asset held for sale	-	-	12 300	12 300
Total current assets	38 516	3 691	8 232	50 439
Non-current Assets				
Investment property	12 300	-	(12 300)	-
Property, plant and equipment	91 135	8 868	-	100 003
Intangible assets	373	645	-	1 018
Heritage assets	158	115	-	273
Total non-current assets	103 966	9 628	(12 300)	101 294



Notes to the Annual Financial Statements

Statement of Financial Position as at 31 March 2014	Balance as previously reported	Prior period error	Reclassified (note 36)	Restated balance
Liabilities				
Current Liabilities				
Trade and other payables from exchange transactions	225 828	9 829	(3 893)	231 764
Accrual	1 965	73	-	2 038
Collections for distribution	106 475	3 525	(388)	109 611
Finance lease obligation	-	-	155	155
Total current liabilities	334 268	13 427	(4 126)	343 568
Non-current Liabilities				
Finance lease obligation		-	59	59
Total non-current liabilities		-	59	59
Net Assets				
Accumulated surplus - Opening balance	109 195	-	-	109 195
Reserves	8 540	(110)	-	8 430
Total net assets	117 735	(110)	-	117 625



Notes to the Annual Financial Statements

38. Comparative figures

Certain comparative figures have been reclassified;

1. Comparative figures in respect of furniture and equipment disclosed as part of property, plant and equipment in 2014 have been reclassified to achieve fairer presentation of the different categories of assets.
2. Included in receivables from exchange transactions in 2014 were transactions that should have been disclosed as trade and other payables from exchange transactions and collections for distribution.
3. Property with a carrying amount of R12,3 million was disclosed as investment property in 2014 instead of non current assets held for sale.
4. Revenue from exchange transactions totalling 1 838 was previously disclosed as revenue from non-exchange transactions.
5. Skills development levy expense totalling 629 was disclosed as general expenses instead of employee related costs in the 2014 financial statements.
6. Various expenses were incorrectly described in the general expenses note to the 2014 financial statements. The line items have been reclassified within the general expenses note. This reclassification did not result in changes to any other line items in the Statement of Financial Performance.



Notes to the Annual Financial Statements

The effects of the reclassification are as follows:

Statement of Financial Position

Property, plant and equipment (Furniture and equipment)
 Property, plant and equipment (Office equipment)
 Property, plant and equipment (Furniture)

Receivables from exchange transactions
 Trade and other payables from exchange transactions
 Collections for distribution

Non current assets held for sale
 Investment property

Statement of Financial Performance

Revenue from non-exchange transactions
 Revenue from exchange transactions
 Employee related costs
 General expenses

2015		2014
R '000		R '000

-		(2 121)
-		42
-		2 079
-		4 068
-		(3 680)
-		(388)
-		12 300
-		(12 300)
-		1 838
-		(1 838)
-		629
-		(629)

39. Change in estimate

Property plant and equipment and Intangible assets

During the period under review the estimated useful lives of fixture and fittings were increased from 10 years to 25 years, furniture was increased from 6-8 years to 20 years, computer equipment increased from 3-6 years to 4-10 years and office equipment increased from 3-8 years to 25 years.

Intangible assets estimated useful life increased from 2-3 years to 3-20 years.



Notes to the Annual Financial Statements

Depreciation expense for the year	Depreciation on original estimate R'000	Depreciation on revised estimate R'000	Impact of change in estimate R'000
Fixtures and fittings	266	194	(74)
Furniture	1 195	380	(815)
Computer equipment	553	445	(108)
Office equipment	40	114	74
Intangible assets	190	75	(115)
	2 244	1 208	(1 038)

Accumulated depreciation as at 31 March 2015	Depreciation on original estimate R'000	Depreciation on revised estimate R'000	Impact of change in estimate R'000
Fixtures and fittings	(1 057)	(985)	(72)
Furniture	(2 825)	(2 009)	(816)
Computer equipment	(1 163)	(1 055)	(108)
Office equipment	(541)	(614)	73
Intangible assets	(660)	(545)	(115)
	(6 246)	(5 208)	(1 038)

The change in estimate resulted in a decrease of R1 038 000 in the depreciation charge to the Statement of Financial Performance for the year under review.

40. Subsequent Events

The Board has decided to dismiss Ms Makhari as CFO of the board with immediate effect on 22 June 2015. The decision was taken after a due process of disciplinary inquiry chaired by an independent chairperson.



Notes

COMMITMENT ♠ CONSISTENCY ♣ **CONSULTATIVE**
EMPLOYEE CENTRICITY ♦ **EMPOWERMENT** ♥ INTEGRITY
PERFORMANCE RECOGNITION ♠ SERVICE EXCELLENCE
TEAMWORK ♠ COMMITMENT ♦ **CONSISTENCY**
CONSULTATIVE ♣ **EMPLOYEE CENTRICITY** ♥ EMPOWERMENT
INTEGRITY ♦ PERFORMANCE ♠ **RECOGNITION**
SERVICE EXCELLENCE ♥ **TEAMWORK** ♣ COMMITMENT
CONSISTENCY ♠ CONSULTATIVE ♦ **EMPLOYEE CENTRICITY**
EMPOWERMENT ♥ **INTEGRITY** ♣ PERFORMANCE
RECOGNITION ♠ SERVICE EXCELLENCE ♦ **TEAMWORK**
COMMITMENT ♣ **CONSISTENCY** ♥ CONSULTATIVE
EMPLOYEE CENTRICITY ♦ EMPOWERMENT ♠ **INTEGRITY**
PERFORMANCE ♥ **RECOGNITION** ♣ SERVICE EXCELLENCE
TEAMWORK ♠ COMMITMENT ♦ **CONSISTENCY**
CONSULTATIVE ♥ **EMPLOYEE CENTRICITY** ♣ EMPOWERMENT
INTEGRITY ♠ PERFORMANCE ♦ **RECOGNITION**
SERVICE EXCELLENCE ♥ **TEAMWORK** ♦ COMMITMENT
CONSISTENCY ♥ CONSULTATIVE ♣ **EMPLOYEE CENTRICITY**
EMPOWERMENT ♠ **INTEGRITY** ♦ PERFORMANCE



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