



GAUTENG GAMBLING BOARD

ANNUAL REPORT 2020/21



The GGB, as a leading regulator in the gambling industry, is dedicated to reducing problem gambling and promoting responsible gambling practices.

The GGB is fully committed to equip people with the knowledge to gamble responsibly.

GAUTENG GAMBLING BOARD

ANNUAL REPORT 2020/21

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PART A GENERAL INFORMATION

A1. PUBLIC ENTITY'S GENERAL INFORMATION



| | |
|----------------------|--|
| REGISTERED NAME: | Gauteng Gambling Board |
| REGISTRATION NUMBER: | Not applicable |
| PHYSICAL ADDRESS: | 125 Corlett Drive Bramley Johannesburg Gauteng South Africa 2090 |
| POSTAL ADDRESS: | Private Bag x15 Bramley 2018 |
| TELEPHONE NUMBER: | +27 (0)11 581 4800 |
| FAX NUMBER: | +27 (0)11 581 4900 |
| EMAIL ADDRESS: | info@ggb.org.za |
| WEBSITE ADDRESS: | www.ggb.org.za |
| EXTERNAL AUDITORS: | Auditor-General of South Africa 300 Middel Street New Muckleneuk Pretoria Gauteng South Africa 0001 |
| BANKERS: | Standard Bank Limited 9th Floor Standard Bank Centre 5 Simmonds Street Johannesburg Gauteng South Africa 2000 |
| COMPANY SECRETARY: | Ms N Matanzima Admitted non-practising attorney |

ABBREVIATIONS AND ACRONYMS

| ABBREVIATION/ ACRONYM | DESCRIPTION |
|--------------------------|--|
| 4IR | Fourth Industrial Revolution |
| AGSA | Auditor-General of South Africa |
| APP | Annual Performance Plan |
| B-BBEE | Broad-based Black Economic Empowerment |
| CASA | Casino Association of South Africa |
| CCMA | Commission for Conciliation, Mediation and Arbitration |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| COO | Chief Operating Officer |
| CSI | Corporate Social Investment |
| DED | Department of Economic Development |
| DPP | Directorate of Public Prosecutions |
| DTIC | Department of Trade, Industry and Competition |
| EXCO | Executive Committee |
| FICA | Financial Intelligence Centre Act |
| GCI | Grand Casino Investments |
| GCRA | Gauteng City Region Academy |
| GDARD | Gauteng Department of Agriculture and Rural Development |
| GEYODI | Standing Committee on Gender, Youth and People with Disabilities |
| GGB | Gauteng Gambling Board |
| GGT2030 | Growing Gauteng Together 2030 |
| GOBA | Gauteng Off-Course Bookmakers' Association |
| GPG | Gauteng Provincial Government |
| GRAP | Generally Recognised Accounting Practices |
| HR | Human Resources |
| iBAS | integrated Business Automation Solution |
| ICT | Information and Communication Technology |
| IESBA | International Ethics Standards Board for Accountants |
| IIA | Institute of Internal Auditors |
| ISA | International Standards on Auditing |
| IT | Information Technology |

| ABBREVIATION/ ACRONYM | DESCRIPTION |
|--------------------------|---|
| KPI | Key Performance Indicator |
| LPM | Limited Payout Machine |
| MEC | Member of the Executive Council for Economic Development |
| MTEF | Medium-term Expenditure Framework |
| NDPP | National Director of Public Prosecutions |
| NGB | National Gambling Board |
| NHRA | National Horseracing Authority of Southern Africa |
| NSFAS | National Student Financial Aid Scheme |
| PAA | Public Audit Act |
| PAIA | Promotion of Access to Information Act of 2000. |
| PAJA | Promotion of Administrative Justice Act of 2000. |
| POCA | Prevention of Organised Crime Act of 1998 |
| POCDATARA | Protection of Constitutional Democracy against Terrorist and Related Activities Act, 2004 |
| POPI | Protection of Personal Information |
| PFMA | Public Finance Management Act 1 of 1999, as amended |
| RFP | Request for Proposal |
| SABA | South African Bookmakers' Association |
| SACCAWU | South African Commercial Catering and Allied Workers Union |
| SAHRC | South African Human Rights Commission |
| SAPS | South African Police Service |
| SARGF | South African Responsible Gambling Foundation |
| SARS | South African Revenue Service |
| SCM | Supply Chain Management |
| SCOPA | Standing Committee on Public Accounts |
| SDF | Sports Development Fund |
| SED | Social Economic Development |
| TMR | Transformation, Modernisation and Reindustrialisation |
| UAT | Unit acceptance testing |
| WHO | World Health Organisation |

FOREWORD BY THE ADMINISTRATOR



ADVOCATE FANA J NALANE

Administrator of the Board

The COVID-19 pandemic has significantly impacted on gambling in all jurisdictions around the world.

Numerous land-based gambling venues, such as casinos and bingo venues, were forced to close their doors, in particular during the first phases of the nationwide lockdown in the first quarter of 2020.

Since the relaxation of the initial lockdown regulations, gaming venues have reopened in a modified fashion to ensure compliance with the COVID-19-related health protocols.

These have left gambling regulators around the world considering regulating the means and forms of gambling through online mediums.

As the country adopts measures to flatten the COVID-19 curve, while in parallel undertaking monetary and fiscal measures (lower interest rates and relief schemes for businesses) to mitigate the adverse economic impact, the gambling industry has implemented measures to adapt to the new way of doing business through, among others, cost-cutting exercises and salary reductions.

The Gauteng Gambling Board (GGB) has considered various interventions

to assist the industry, and has developed and implemented a strategy in this regard.

The unfortunate impact of COVID-19 is a crude realisation that the gambling industry in South Africa has not considered the opportunities of the Fourth Industrial Revolution (4IR). Being the biggest beneficiary in terms of South Africa's gambling revenue, Gauteng, as a province, would also have become the biggest loser. As a result, the GGB is motivating for the regulation of interactive gambling. This is a means to support the current gambling sector as part of government's economic recovery strategy due to the effects of the lockdown.

This proposal would mean a reformed gambling industry and its regulation, much to embrace the opportunities of the 4IR. These opportunities would result in an increase in gross gaming revenue with the ability to gamble remotely.

As part of crafting and executing this strategy, the GGB's Annual Performance Plan for the new financial year has been constructed in line with achieving this, as well as the priorities of government and the "Growing Gauteng Together 2030" planning document (GGT2030).

Over the last few years, South Africa has experienced service delivery protests, in which the people have expressed their frustration and discontent with government performance. These service delivery protests bring into sharp focus that effective service delivery is fundamental to a developmental and capable state.

The GGT2030 has highlighted the need to create efficient, effective and streamlined public service, articulated in the priority around "a capable, ethical and developmental state that delivers professional and innovative solutions to the public".

To this end, the GGB has proactively worked to improve service delivery through the business automation project, which will, among other things, facilitate automated gambling license applications and gambling tax returns through licensee system integration.

The industry has seen a slow recovery during the second wave of the COVID-19 pandemic. With the third wave hitting the already crippled industry, diminished revenue collection will result in the coming year. We anticipate that the gambling industry will also begin its road to recovery.

To this end, the GGB is prioritising revenue recovery, not only to increase the contribution of gambling to the province, but also to assist our licensees to improve profitability through new modes of gambling.

I am confident in the Executive and Management's ability to continue driving the GGB's strategy forward, albeit in tough conditions.

I would like to extend my appreciation to the team and staff of the GGB for their unwavering commitment in upholding the high standard of the GGB.

Finally, I would like to thank Parks Tau, Member of the Executive Council (MEC) of the Gauteng Department of Economic Development, Environment, Agriculture and Rural Development, and his team, for their support and leadership.

Advocate FJ Nalane
Administrator of the Board
Gauteng Gambling Board
Date: 31 July 2021

CHIEF EXECUTIVE OFFICER'S OVERVIEW



THIRAN MARIMUTHU

Acting Chief Executive Officer

The COVID-19 shut-down substantially reduced gambling availability in Gauteng.

Land-based gambling venues were closed and sporting events were cancelled, limiting sports betting options. The GGB reacted swiftly to implement measures to safeguard the future and sustainability of our entity and industry. The lockdown resulted in the industry having to pause to consider new ways to survive. For years, industry leaders have anticipated the gradual adoption and acceptance of cashless and contactless gaming methods. However, the pandemic has accelerated the need for digital solutions to ensure that consumers and gambling licensees can continue to operate safely while social distancing.

At the start of the financial year, despite the hard impact of the national lockdown on the industry, the GGB was able to collect a small percentage of taxes sourced from betting on events such as lucky numbers and e-sports through online sports betting operators. Revenue steadily recovered during the year with the easing of lockdown restrictions. The gambling taxes and levies distributed to the Gauteng Provincial Government for 2020/21 amounted to R795 million. This was a decline of 38% overall compared to the prior year's tax distributions against the backdrop of the lockdown.

The GGB self-sustains by deriving its income from the 8% collection commission of taxes and associated levies payable by the gambling sector, as well as license and application fees provided for in the enabling legislation. For 2020/21, the GGB achieved a revenue of R226 million against a budget of R217 million, and spent R202 million of the R217 million approved expenditure budget. The revenue was boosted by provincial grants of R44 million relating to the integrated Business Automation Solution (iBAS) and funding of the revenue shortfall from Provincial Treasury.

The 8% collection commission is linked to taxes and levies collections. As a result, collection commission declined by 38% compared to that of prior years. Although the industry shows signs of recovery, it is still operating under a severely impacted economy and budget. Revenue streams like employee registrations and applications of license fees will be dampened by licensees' low operating activities. This includes items such as the registration of new employees and any expansions of licensees' operations. Provincial Treasury allocated the GGB an additional R26.6 million to cover the collection shortfall.

The GGB has a fully operational Supply Chain Management Unit (SCM) that operates within the regulations, policies and procedures that govern this function. All members of the SCM team have signed the required code of conduct for SCM practitioners. No unsolicited bid proposals were received in this financial year. The latest SCM Internal Audit review outcome reflected that the system of internal controls within SCM is working as intended.

The GGB applied to Provincial Treasury to retain a surplus of R50 million relating to the 2019/20 financial year. Approval was obtained to retain R40.6 million and to surrender R10.5 million. The GGB will apply to Provincial Treasury to retain a surplus of R24.6 million relating to the 2020/21 financial year upon completion of the audit, as this funding was committed for the iBAS project.

The iBAS project is currently in the initial testing phase and plans are afoot to integrate our licensees' systems and the requirements of their businesses with those

of the GGB. The automation of the business processes are to improve service delivery, as well as the transparency and traceability of the requests submitted to the organisation, which are currently paper based. While we work on these phases of the project, plans are being developed to consider the future phases of the solution to integrate systems utilised by licensees with those of the GGB.

I am pleased to say that the GGB has received unqualified audit reports from the Auditor-General of South Africa (AGSA) since its inception. All audit findings raised by the AGSA in the previous financial years have been resolved with the exception of the two finding relating to irregular expenditure. The GGB is in the process of applying to Provincial Treasury for condonation of these amounts. The unqualified audit report from the AGSA shows the GGB's continuous commitment to long-term transparency, sustainability and accountability.

I would like to thank Parks Tau, MEC of the Gauteng Department of Economic Development, Environment, Agriculture and Rural Development, for his unwavering support and guidance during this financial year. I extend my gratitude to the members of the GGB Board, under the leadership of the Chairperson, Mr Mxolisi Zwane, as well as the independent members of the Audit and Risk Committee, for their continued encouragement, advice and oversight of the GGB during the financial year, and welcome the leadership of the newly appointed Administrator to the GGB.

To my management team and staff, a special word of appreciation for your commitment and loyalty to the GGB. I appreciate that many challenges still lie ahead, in particular, the recovery from the COVID-19 pandemic. I believe that together we are getting the basics right and look forward to enhancing the GGB's already sterling performance. You have once again shown that there is no substitute for hard work and dedication in achieving one's goals.

Mr Thiran Marimuthu
Acting Chief Executive Officer
Gauteng Gambling Board
Date: 31 July 2021

A5. STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT FOR THE YEAR THAT ENDED ON 31 MARCH 2020

To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General.
- The annual report is complete, accurate and free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practices (GRAP) standards applicable to the public entity.
- The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2021.

Yours faithfully



Mr Thiran Marimuthu
Acting Chief Executive Officer
Gauteng Gambling Board
Date: 31 July 2021



Advocate FJ Nalane
Administrator of the Board
Gauteng Gambling Board
Date: 31 July 2021



A6. STRATEGIC OVERVIEW

A6.1 Strategic goals and strategic outcome-oriented goals

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

To create a seamless business regulation and good governance environment that promotes ethical conduct, transforms industry, realises sustainable revenue generation and contributes towards the achievement of the goals of transformation, modernisation and reindustrialisation.

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 the socio-economic development of Gauteng

Taking the objectives of the DED into cognisance, the main strategic goal of the GGB is:

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

The following strategic outcome-oriented goals were formulated to drive and support the GGB's strategic goal:

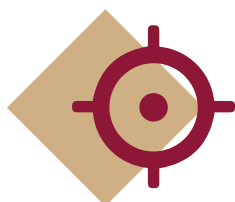
- Increase monitoring of broad-based black economic empowerment (B-BBEE) compliance
- Ensure compliance with the legislative framework
- Ensure the efficient and effective regulation of gambling
- Promote responsible gambling
- Enhance organisational performance by providing an enabling environment
- Practise financial accountability and ensure compliance to prescribed financial regulations and guidelines
- Contribute to the eradication of poverty



A6.2 Vision

The GGB's vision is:

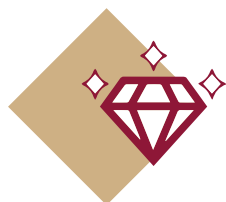
To be a leading and innovative regulator in the gambling industry.



A6.3 Mission

Our mission is:

To regulate and transform the industry in a transparent, ethical, equitable, competent and efficient manner for the benefit of all stakeholders.



A6.4 Values

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

Integrity and consistency: We behave in a trustworthy manner, where honesty, fairness, mutual respect, equity and transparency are the cornerstones of our daily engagement with people, at all levels, internal and external to our direct work environment.

Service excellence: Our service excellence is driven by a high level of consultative engagement and commitment towards our internal and external stakeholders. We embrace teamwork and synergy, and create a strong sense of organisational citizenship among all levels of employment. We foster an engaged, collaborative work environment through the relentless pursuit of performance excellence.

Empowerment: We enable and encourage people to make well-informed and responsible decisions, through the optimal utilisation of resources and information. We accept accountability for our actions and decisions. We make a conscious effort to embrace opportunities of transformation and diversity in every aspect of our business.

Employee-centricity: The GGB is the employer of choice due to the consideration of our employees as our most valuable resource. We are committed to unfold each employee's full potential through value-based performance results and comprehensive employee wellness programmes.

LEGISLATIVE AND OTHER MANDATES

The GGB is a statutory body, established in terms of section 3 of the Gauteng Gambling Act, Act No. 4 of 1995, as amended. It discharges its mandate in terms of the following legislation:

- The National Gambling Act, Act No. 7 of 2004, as amended
- The National Gambling Regulations, as amended
- The Gauteng Gambling Act, Act No. 4 of 1995, as amended
- The Gauteng Gambling Regulations, as amended
- The Financial Intelligence Centre Act, Act No. 38 of 2001, as amended (FICA)
- The Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA)

In terms of section 2A of the Gauteng Gambling Act, 1995, the policy mandate rests with the MEC responsible for gambling in the province. The GGB's mandate is therefore linked to the DED's programme relating to business regulation and governance.

The GGB is:

- A Schedule 3C public entity in terms of the PFMA
- A supervisory body in terms of FICA
- A regulatory authority in terms of the National Gambling Act, Act No. 7 of 2004

Regulators are administrative bodies and perform administrative actions in exercising state authority. The Constitution imposes a duty on all administrators exercising public power to act lawfully and responsibly, to follow fair procedures, and to give written reasons when the rights of any person in a subordinate position are adversely affected.

Schedule 4, Part A of the Constitution of South Africa, lists the functional areas over which national and the provincial legislatures have concurrent competence to legislate. The functional area that the GGB covers relates to "casinos, racing, gambling and wagering, excluding lotteries and sports pools".

The main functions of the GGB are as follows:

- Oversee and control gambling activities in Gauteng, including:
 - Licensing individuals and entities to conduct gambling and related activities
 - Registering persons engaged in such activities
 - Approving and registering all gaming devices
 - Collecting prescribed taxes and levies for the Gauteng Province and other specified beneficiaries
- Managing and administering the Sports Development Fund (SDF)

- Advising the MEC on matters relating to gambling
- Supervising and enforcing compliance with the requirements of FICA by the gambling industry, including:
 - Conducting FICA inspections
 - Taking disciplinary action in instances of non-compliance
 - Reporting to the Financial Intelligence Centre on enforcement
- Supervising and enforcing compliance with the requirements of the National Gambling Act by the gambling industry, including:
 - Investigation and issuing 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 gaming equipment standards, approval and registration of gaming equipment, registration of suitable persons to be engaged in gambling occupations and ensuring regulatory compliance by licensees on an ongoing basis.
- **Eradication of illegal gambling activities.** This is done to protect the public from unfair business practices as illegal operators are not subjected to any regulatory control to ensure fair business practices.
- **Dispute resolution and punter assistance.** The Board receives and adjudicates complaints from the public arising from gambling disputes or other gambling-related activities.
- **Tax collections.** The Board collects gambling taxes and levies on gambling transactions on behalf of the Gauteng Provincial Government (GPG) and other beneficiaries.
- **Measures to promote responsible gambling and minimise incidents of problem gambling.** The GGB recognises that opportunities for gambling pose particular risks for the people of Gauteng. To this end, the Board cooperates 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.** Self-exclusion is a system whereby gamblers can voluntarily request to be excluded from participating in gambling.
 - **Professional assistance.** A general practitioner can assist by referring people to clinics specialising in the treatment of addiction. There are also various voluntary organisations that can be approached for free counselling such as the National Responsible Gambling Programme that provides a toll-free number.

A8. ORGANISATIONAL STRUCTURE

A8.1 Accounting Authority

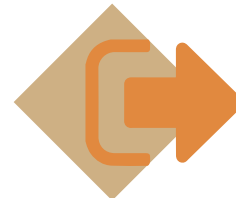
Board composition



Mr Mxoli Zwane
Ms Shaila Hari
Mr Leon G Marincowitz
Mr Thulani Sithole
Ms Matsi B Modise
Mr Pholoso A Matjele
Ms Shoba Chiboo
Ms Thabiso Kutumela
Ms Yondie Metu
Ms Zandile Mpungose



Chairperson of the Board
Deputy Chairperson
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member

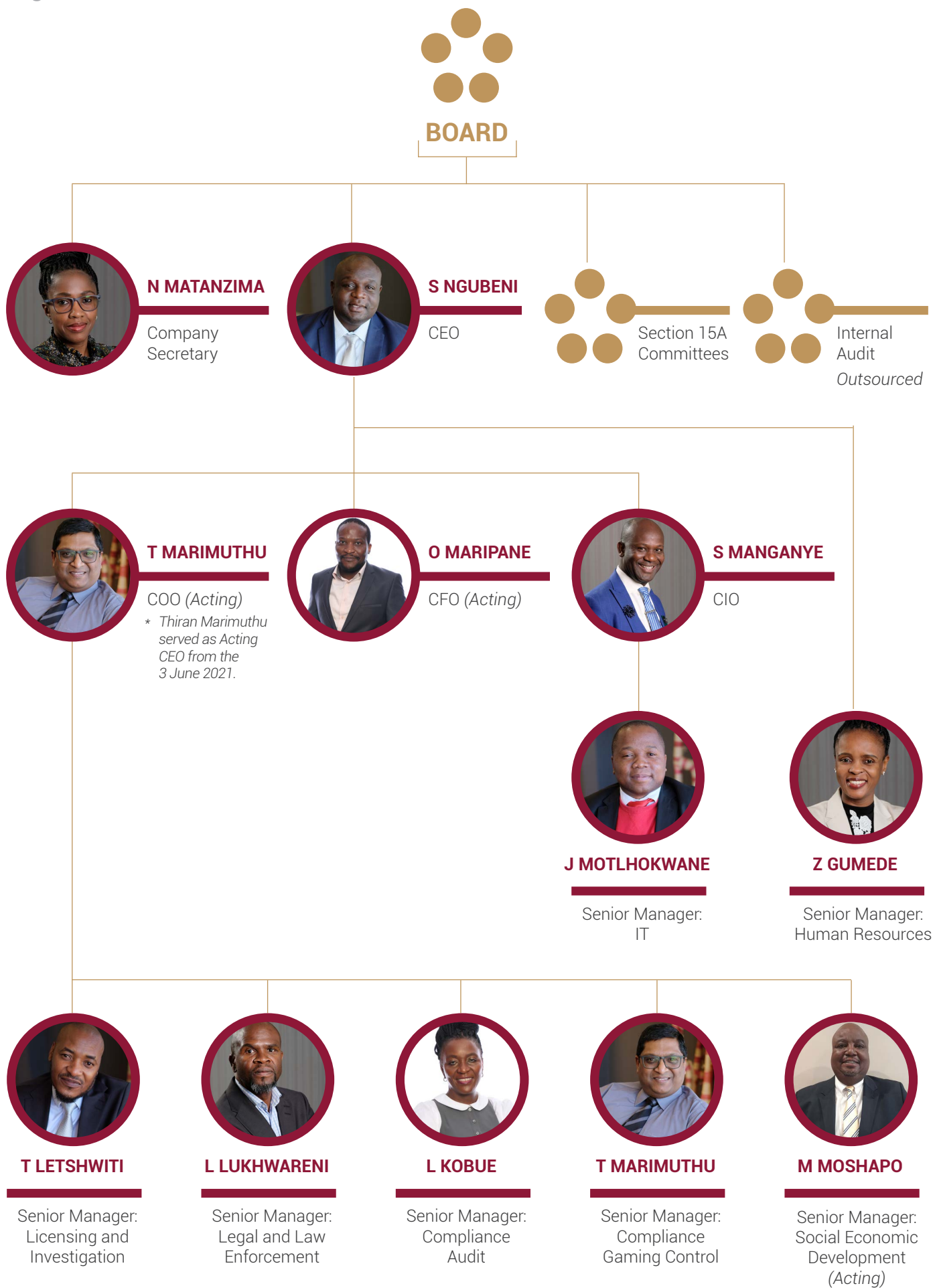


Resigned 9 February 2021
Resigned 2 October 2020
Resigned 18 November 2020
Resigned 9 February 2021
Resigned 9 February 2021
Resigned 9 February 2021
Resigned 4 October 2020
Resigned 9 February 2021
Resigned 9 February 2021
Resigned 9 February 2021

Administrator

Advocate Fana Johannes Nalane SC – appointed by the MEC from 6 April 2021

Organisational structure





PART B

PERFORMANCE INFORMATION

B1. PERFORMANCE INFORMATION

The GGB reports against an approved Strategic Plan and Annual Performance Plan (APP), as approved by the Executive Authority. In the financial year under review, the Board had seven programmes and 18 performance indicators. As per its mandate, the GGB offers a number of regulatory services to various stakeholders. These services are summarised in the table below:

| SERVICES PROVIDED BY THE GGB | | |
|------------------------------|---|---|
| Services | | Description |
| 1. | Monitoring and control | <ul style="list-style-type: none"> • Law enforcement • Investigation • Compliance audit • Gaming control • FICA |
| 2. | Standards setting (advice, input and documentation) | <ul style="list-style-type: none"> • Gambling Act • Regulations and rules • Technical standards |
| 3. | Licensing | <ul style="list-style-type: none"> • Gambling facilities • Employee registrations • Equipment registration • Manufacturers, suppliers 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 hearings - Execution of hearing results • Revenue collection: <ul style="list-style-type: none"> - Gambling taxes - License fees - Employee registration fees - Other revenue |

B1.1 Description of services provided

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

B1.1.1 Gambling regulation

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

Gambling regulation ensures the following:

- Gambling is free from criminal influence
- Appropriate harm-minimisation strategies for problem gambling are 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
- Gambling equipment and devices are of a high standard and are only purchased from licensed suppliers

B1.1.2 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 licensees are not required to be licensed.

B1.1.3 Compliance audits and inspections

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

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

These objectives are achieved by doing the following:

- Ensure the accuracy of gaming revenue paid by the licensees and compliance to applicable gaming legislation by performing revenue and compliance audits
- Conduct ongoing monitoring of compliance with B-BBEE requirements by performing reviews and monitoring audits on licensees
- Doing FICA inspections on licensees

B1.1.4 Compliance – Gaming Control

As the mandate of the Board is derived from the Gauteng Gambling Act, the entity continued to ensure that the gambling operators licensed in the province adhere to the prescripts of the Act, regulations and rules through the function of the Gaming Control Department.

Gaming Control's objective is to ensure the regulatory compliance of all gambling operations and equipment. The inspections that are conducted by the unit on all licensees and reported on as part of the performance information are supported by additional technical compliance checks over operations. These include, but are not limited to, surveillance checks and the verification of machine configuration changes. Its function allows us to place assurance on the revenue and fairness of gambling activity in the province by ensuring that the technical gambling solutions and equipment installed are equivalent to those certified against South African standards.

We continue to see technological development and advancement. Gaming Control has adopted a strategy to advance technical system audits and provides input into new ways of working, based on new and emerging trends.

Gaming Control endeavours to build expertise to improve technical assurance and provide advice to the organisation on the implications of technological changes and innovations as we look to embrace these changes and regulate effectively.

B1.1.5 Dispute resolution

In terms of Regulation 24 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 their precise amount to the patron by the licensee, or payment of a gambling debt or its precise amount by a patron to the licensee, and both parties are unable to resolve the dispute, either party may refer the dispute to the Board for resolution.

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

B1.1.6 Eradication of illegal gambling

The GGB continued its close working relationship with the South African Police Service (SAPS) and the Directorate of Public Prosecutions (DPP) to ensure the effective enforcement of gambling legislation in the province.

B1.1.7 Responsible gambling

As per legislation, the Board must make a concerted effort to ensure that responsible gambling, through its various messages, is promoted. It is therefore prudent for the Board to play a role in influencing the awareness messages on responsible gambling in and around Gauteng.

The messages are distributed through community outreach programmes, social media platforms such as Facebook, Twitter and LinkedIn, as well as cartoon strips and public outreach activities.

It is also prudent to acknowledge partnerships established with the South African Responsible Gambling Foundation (SARGF) and the Gauteng City Region Academy (GCRA) for joint initiatives that involve the integration of responsible gambling into the content of their training programmes.

B1.1.8 Corporate Social Investment

On an annual basis, the GGB receives and processes applications for corporate social investment (CSI) and sports development funding. These are reviewed in line with the prerogatives of the GGB and government, and in line with the approved social economic development (SED) policy. Furthermore, the team monitors and reports on approved projects to the Social and Ethics Committee, which is a committee of the Board.

B1.1.9 Enforcement of the Financial Intelligence Centre Act

The GGB is a supervisory body in terms of the enforcement and implementation of FICA in the gambling industry.

The objectives of FICA are to do the following:

- Preserve and enhance South Africa's reputation for sound governance and policies
 - Bring the South African 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, as well as the Protection of Constitutional Democracy against Terrorist and Related Activities Act, 2004 (POCDATARA)
 - Remove the business element from "the business of crime"
 - Establish South Africa as part of international efforts to combat money laundering and terror financing
-

B2. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa performs the necessary audit procedures on the performance information of the GGB to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance of the Board against its predetermined objectives is included in the report to management, with material findings reported in the relevant section of the Auditor's Report. Refer to page 59 for the Auditor's Report, published as part of the financial information.

B3. SITUATIONAL ANALYSIS

The GGB's APP for 2020/21 is a formal report that includes a set of key performance indicators (KPIs) that are aimed at measuring the achievement of the associated targets that support the GGB's Strategic Plan. 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 a means for the GGB to formally report on its performance in respect of the strategic goals set out in the Board's Strategic Plan, which was implemented from 1 April 2020 to 31 March 2021.

B3.1 Service delivery environment

B3.1.1 Licensing

The Licensing Department continued to meet its targets to process license applications within the prescribed time frames in terms of the APP. The industry was severely impacted by COVID-19, during which time the government placed the country under lockdown from the end of March 2020. Particularly, the limited payout machine (LPM) industry was severely impacted as most of the establishments, such as restaurants, pubs and hotels, where LPMs are operated, were closed in terms of the lockdown regulations. The rollout process of LPMs continues at a slow pace due to, among other things, the lack of properly zoned premises, illegal gambling and foreign owners without proper documents and business licenses. The Board continues to engage the relevant stakeholders to assist with removing blockages where possible.

In line with the Board's transformation objectives, the Board issued a Bookmaker request for proposal (RFP) with the intention to issue up to a maximum of 81 bookmaker licenses in the province. The successful applicants are required to, at a minimum, be 55% black owned, and 55% of management control must be in the hands of previously disadvantaged individuals. Some 48 applications were received during October 2019 in response to the invitation issued by the Board. The impact of the lockdown and the COVID-19 pandemic resulted in a delay in the process of investigation. This will occur in the new financial year.

The GGB's licensing profile is as follows:

| License type | Number of licenses (as at 31 March 2021) |
|----------------|---|
| BINGO | 11 |
| BOOKMAKER | 128 |
| CASINO | 7 |
| LPM SITES | 539 |
| MANUFACTURERS | 32 |
| RACE-MEETING | 1 |
| ROUTE OPERATOR | 5 |
| TESTING AGENT | 3 |
| TOTALISATOR | 1 |

B3.2 Gaming Control

The function of the Gaming Control Department is to support the principle of providing combined assurance as we perform necessary technical compliance checks to ensure that the regulatory compliance of all licensed gambling operations and equipment is adhered to.

The start of the financial year saw the implementation of regulations enacted under the National Disaster Management Act of South Africa. This regulation, commonly known as the COVID-19 lockdown regulations, saw South Africa institute full alert Level 5 implementation, which resulted in the closure of all non-essential businesses in the economy, including the gambling sector.

The COVID-19 pandemic is challenging industries around the world. Preventative measures to combat the spread of the virus, such as mandated business closures, physical distancing, reduced community mobility and travel restrictions, have been especially devastating to the hospitality industry.

As South Africa eased its regulations, the gambling sector saw the reopening of the industry with the publication, by the Minister of Tourism, of necessary preventative measures to be implemented to allow for the safe reopening of the sector at the start of the second quarter of the financial year.

The industry had seen only the element of online betting options operational during the first quarter, and the Department was not able to conduct any licensed site compliance inspections during this period. The reopening of the industry required the Department to focus on the implementation of COVID-19

compliance and readiness to provide assurance to the public that our licensees had implemented the necessary protocols to allow for the safe reopening of the industry. This was the primary focus of the Department during the second quarter, requiring the Department to conduct COVID-19 compliance inspections to ensure that licensees complied with the identified measures to integrate back into the economy.

With the industry successfully applying the necessary preventative measures, the Department reallocated resources during the second half of the financial year to ensure that it achieves the necessary APP targets for conducting technical compliance inspections. This reallocation of resources during the second half of the year and the application of a "work from home strategy" for the Department, supported by the GGB's IT Department, allowed the Department to achieve its targets for both conducting gaming equipment application approvals and conducting the technical compliance audits of licensed operational sites.

The COVID-19 pandemic has had far-reaching consequences, beyond the spread of the disease itself. It has resulted in widely spread recessions in many countries, including South Africa. When South Africa entered hard lockdown in March 2020, all land-based gambling operators were closed. Only online betting was legally available. Decreased freedom of movement, increased boredom, less opportunity to spend disposable income and a growing desire to connect led to a greater demand for online gambling offerings. It is therefore not a surprise that, during lockdown, many gambling-related advertisements began to air. Lockdown restrictions and consumer behaviour shifted quickly and resulted in a greater focus on online gambling.

The short-term effects also saw the cancelling of all sporting events, including horse racing, and the consumer at home turned to an online medium of gambling, which also included, but was not limited to, betting on e-sports and virtual sports events, as well as any alternative sporting events that were held.

We are currently in a period of accelerated change, which also presents an opportunity to focus on long-term strategies. Gaming Control will work closely with the Licensing, Compliance Audit and Legal departments to evaluate how new technologies will be considered, and will reshape gambling propositions, and additionally connect more meaningfully with consumers. It is anticipated that our licensees will assess opportunities to diversify their gambling revenue streams in order to ensure business security. The rise of the online gambling market and the post-pandemic restrictions on the activities of land-based casinos led to the fact that our licensees will need to rapidly embrace the attractiveness of the virtual space, and as such, it is important that the regulatory framework be updated to address the changes and advancements observed in the last financial year.

As technology is introduced and legislation allows for such to be considered in a gambling environment, Gaming Control will continue to assist in paving the way for updated compliance requirements and licensee oversight.

B3.3 Compliance Audit

The Compliance Audit Department ensures that licensees comply in all material aspects with the provisions of applicable and relevant legislation, that weekly returns are accurate and properly reflect licensees' activities, and the correct amounts of taxes and levies are paid to the Board. Furthermore, the Department monitors compliance with B-BBEE legislation and compliance with FICA.

The year under review saw changes in the industry due to the outbreak of COVID-19 and its ripple effect on the gambling industry. Land-based gambling institutions were closed and reported revenue losses, while online betting thrived. Regardless of the effects of the virus, the industry managed to recoup some of the losses with the easing of lockdown restrictions.

As a Department, we remain focused on the legislative compliance of all our licensees. To this end, we have also included compliance to COVID-19 regulations in our audits.

We are also planning to undertake a risk-rating exercise of the industry, in conjunction with the Financial Intelligence Centre.

Transformation remains high on the agenda for the GGB. The Department is monitoring the status of transformation in the industry on a continuous basis.

B3.4 Legal

B3.4.1 Law enforcement

The objective of the Department is to render legal services to the Board, as well as to investigate violations of gambling legislation. One of the challenges facing the Department and the gambling industry as a whole is the mushrooming of the internet's illegal gambling operations. Inspectors of the Board do not have the authority or power to conduct raids and seize exhibits. It therefore has a duty to assist law enforcement agencies to eradicate illegal gambling. To date, the Board has identified 423 illegal internet gambling sites (as opposed to 420 in the previous year) operating within the province, and it has reported these to SAPS for assistance. However, it has also appointed a firm of attorneys to assist the Board and the law enforcement agencies to root out illegal activities of this type. During the year under review, we assisted the law enforcement agencies to raid 104 illegal gambling sites (as opposed to 277 in the previous year) and confiscated more than 153 illegal gambling devices (as opposed to 726 in the previous year). We conducted seven information-sharing sessions with members of law enforcement agencies to create awareness of illegal gambling, disseminate information on gambling legislation and build working relationships.

B3.4.2 Legislative landscape

Further to the challenges mentioned above, the gambling industry is also facing the challenge of outdated legislation, and Gauteng, as a province, is not an exception to this. The Board has resolved to review its founding legislation to align it with the industry's best practice and trends. The review is further necessitated by, among others, a significantly transformed industry due to political, economic, social, technological, environmental and legal circumstances. Furthermore, the legislation is not aligned with the Constitution and other relevant legislation (the Protection of Personal Information (POPI), FICA and the Promotion of Administrative Justice Act (PAJA)), which came into effect after the Act was promulgated.

B3.4.3 Disciplinary Committee

The Board has established a disciplinary committee in terms of section 14(2)(a) of the Gauteng Gambling Act, 1994, to perform the following functions as contemplated in section 37(2) of the Act:

- Conduct investigations and charge any person who is suspected of contravening the Act
- Hold disciplinary proceedings in respect of the charges
- Make recommendations to the Board on sanctions to be imposed

The Disciplinary Committee is constituted of various experience and expertise, including legal, finance and gaming experience.

The Board has imposed recommended sanctions, which include fines and suspended sentences where licensees were found to have contravened the Act.

B3.4.4 Litigation

The GGB is a creature of statute. During the execution of its mandate, it is subject to various forms of litigation.

Current cases (opposed matters)

I SOUTH AFRICAN BOOKMAKERS' ASSOCIATION AND 5 OTHERS v NATIONAL GAMBLING BOARD AND 9 OTHERS – CASE NO. 75953/17

On 21 November 2017, the GGB received a court application made by the South African Bookmakers' Association (SABA) and five other bookmakers against all provincial gambling boards and the National Gambling Board (NGB). The NGB and the GGB are cited as the first and fourth respondents, respectively.

The applicants seek an order declaring that section 7 of the National Gambling Act, read with the applicable provincial gambling legislation, are not contravened when licensed bookmakers in South Africa offer fixed-odds bets on dog racing held outside South Africa. The pleadings are closed, and the matter has not yet been set down.

II GAUTENG OFF-COURSE BOOKMAKERS' ASSOCIATION v PHUMELELA GAMING AND LEISURE – CASE NO. 3296/18

The Gauteng Off-Course Bookmakers' Association (GOBA) complained to the GGB alleging that Phumelela breached Condition 10 of its race meeting license.

On 5 February 2018, GOBA issued a summons against Phumelela, Gold Circle, Kenilworth Racing, Telly Track, the NGB and all other nine provincial gambling boards.

The GGB is cited as the eighth defendant and no relief is sought against it, save in the event of the GGB defending the matter. The GGB has filed a notice of intention to abide by the court's decision.

III CASINO ASSOCIATION OF SOUTH AFRICA v PORTAPA (PTY) LTD T/A SUPABETS AND THE GAUTENG GAMBLING BOARD – CASE NO. 9547/2018 AND 38099/2018

On 13 March 2018, the Casino Association of South Africa (CASA) launched a court application against Portapa (Pty) Ltd, trading as Supabets, and the Board (respondents) seeking an order that Supabets, as a bookmaker, is unlawfully allowing gambling on the outcome of roulette games at its licensed site in contravention of section 76(2) of the Gauteng Gambling Act. The pleadings are closed, and the two matters are consolidated and ready for hearings.

IV GAUTENG GAMBLING BOARD v OTT MOBILE AND OTHERS – CASE NO. 12023/2018

The GGB launched a court application for interdictory relief against OTT Mobile Technologies (Pty) Ltd from developing and supplying a software system that enables retail supermarkets (Fruit & Veg, Freshstop (Pty) Ltd, Boxer Superstores) from generating and selling online betting vouchers to the public on behalf of Hollywood Sportsbook Gauteng and other bookmakers licensed by the GGB.

The essence of the cause of action is that such conduct contravenes section 57(1) of the Gauteng Gambling Act, which prohibits any person from acting as an agent for a bookmaker or as an intermediary between a bookmaker and any other person for the purpose of betting in sporting events. Therefore, providing the means to allow a person to act as such an agent or intermediary is equally prohibited. The application was dismissed with no order as to cost.

V JASPER JOHANNES MALAN v THE MINISTER OF POLICE NO AND OTHERS – CASE NO. 25953/18

On 10 July 2018, members of the South African Police Service (SAPS), assisted by GGB law enforcement inspectors, conducted a raid at Fun Net Games in Bronkhorstspuit operated by the applicant, and confiscated illegal gambling equipment. The operator brought an application against the Minister of SAPS and others, including the GGB, seeking the court to do the following:

- Set aside the warrant issued
- Grant a spoliation order

On 19 November 2018, the matter was heard, and the application was dismissed with costs. On 6 March 2019, the operator served an application on the GGB for leave to appeal the judgment. The court dismissed the applicant's appeal and found in favour of the GGB.

VI HOLLYWOOD SPORTBOOK GAUTENG AND OTHERS v GGB AND OTHERS – CASE NO. 33180/2018

On 13 March 2018, the applicants requested the GGB to direct Phumelela to make available the Telly Track channel to bookmakers at the fee that was provided for in 2013 (fee plus inflation), pending the GGB's final determination under section 37 of the Gauteng Gambling Act. In response, the GGB declined the request, and instead allowed the disciplinary process in terms of section 37 to be completed. The GGB furnished the applicants with reasons for its decision.

On 14 September 2018, the applicants again launched a court application against the GGB and Phumelela, the Bookmakers' Association and Telly Track (the respondents), seeking an order directing the GGB to furnish the applicants with adequate reasons, in writing, for its refusal of its request. The application was granted in favour of the applicants.

VII HOLLYWOOD SPORTSBOOK GAUTENG (PTY) LTD v GAUTENG GAMBLING BOARD – CASE NO. 18/45611X

On 6 December 2018, Hollywood issued a combined summons against the GGB, alleging that there were discrepancies in the manner in which the tax amounts were calculated, resulting in Hollywood paying the Board more tax than was due (R3 125 512,93).

Subsequent to exchange of documents between the parties, a settlement between the parties was concluded.

VIII VDIAM TRADING HOLDING (PTY) LTD v THE MINISTER OF POLICE NO AND OTHERS – CASE NO. 40647/18

On 19 October 2018, members of the South African Police Service (SAPS), assisted by GGB law enforcement inspectors, conducted a raid at Shop 11, Brackengate Shopping Centre, corner De Waal and Andries streets, Brackendowns, Alberton, operated by the applicant, and confiscated illegal gambling equipment.

The operator brought an application against the Minister of SAPS and others, including the GGB, seeking the court to do the following:

- Set aside the warrant issued
- Grant a spoliation order

The matter is opposed.

IX HENNING KANZELLAR PRETORIUS v THE MINISTER OF POLICE NO AND OTHERS – CASE NO. 80329/18

On 19 October 2018, members of the South African Police Service (SAPS), assisted by GGB law enforcement inspectors, conducted a raid at Oriental Plaza, 2nd Floor, Randburg, operated by the applicant, and confiscated illegal gambling equipment.

The operator brought an application against the Minister of SAPS and others, including the GGB, seeking the court to do the following:

- Set aside the warrant issued
- Grant a spoliation order

The matter is opposed.

X ELMIRO JOSE PESTANA MARTINS v THE MINISTER OF POLICE NO AND OTHERS – CASE NO. 13108/18

On 10 January 2019, members of the South African Police Service (SAPS), assisted by GGB law enforcement inspectors, conducted a raid at Rayton Internet Café, Shop 10 Rayton Park Plaza, corner of Treunich and R515 Rayton, Cullinan, operated by the applicant, and confiscated illegal gambling equipment.

The operator brought an application against the Minister of SAPS and others, including the GGB, seeking the court to do the following:

- Set aside the warrant issued
- Grant a spoliation order.

The matter is opposed.

XI HOLLYWOOD SPORTSBOOK GAUTENG (PTY) LTD v GAUTENG GAMBLING BOARD AND OTHERS – CASE NO. 9573/19

Hollywood was charged for contravening section 57(2) of the Gauteng Gambling Act, which prohibits any conduct that induces members of the public to bet on a sporting event. The GGB Disciplinary Committee recommended that Hollywood was not guilty for contravening section 57(2) of the Act.

On 29 October 2019, the Board remitted the matter to the Disciplinary Committee in terms of section 37(2)(g) of the Act for further investigation. On 14 March 2019, Hollywood launched a review application against the Board and the members of the Disciplinary Committee. The application seeks to declare unlawful and to set aside the Board's decision to remit the matter to the Disciplinary Committee in terms of section 37(2)(g) of the Act. The Board is opposing the application.

XII PHUMELELA GAMBLING AND LEISURE LIMITED v THE MEC AND OTHERS – CASE NO. 11734/19

On 28 March 2019, in the Provincial Gazette, the MEC published the amended of Regulation 276 of the Gauteng Gambling Regulations, which, in effect, withdrew the 3% levies payable to Phumelela. On 29 March 2019, Phumelela served on the Premier of Gauteng, the MEC and the GGB an urgent interim interdict pending a final determination of a review application against the MEC's decision to amend the Regulations. Both the GGB and the MEC opposed the application, and Phumelela has abandoned the urgent application and is pursuing the review application.

XIII MEISIE KGALADI v MINISTER OF POLICE, THE NDPP, KATIE TSIE, GAUTENG GAMBLING BOARD AND MAGISTRATE NP POONSAMY – CASE NO. 0011367

On 28 February 2019, members of the SAPS, assisted by the GGB's law enforcement inspectors, raided Big City at the Vorna Valley Shopping Centre, Midrand. On 28 April 2019, the applicant launched a court application against the Minister of Police, the National Director of Public Prosecutions (NDPP), the Board, Kate Tsie (the Board's law enforcement inspector) and the Magistrate of Midrand seeking the following orders:

- Setting aside the search and seizure warrant
- Declaring that raid was unlawful
- Ordering the respondents to pay the costs of this application jointly and severally, the one paying the other until absolved.

The pleadings are closed, and heads of arguments have been delivered.

XIV PHUMELELA GAMBLING AND LEISURE LIMITED v THE PUBLIC PROTECTOR OF THE REPUBLIC OF SOUTH AFRICA AND OTHERS – CASE NO. 44039/19 AND 48085/2019

On 24 June 2019, Phumelela launched a two-part court application. Part A of the application is an urgent interim interdict pending a final determination of a review application in Part B. The review application is against the Public Protector's report in respect of the "allegations of maladministration and improper conduct in connection with a Memorandum of Understanding entered into between the Gauteng Provincial Government and the Gauteng Horse Racing Industry in 1997, which subsequently led to the corporatisation of the Horse Racing Industry". The GGB is cited as an interested party to the proceedings. The application seeks the following orders

- The remedial action directed by the Public Protector in the final report be reviewed and set aside, in its entirety
- The Public Protector's findings in relation to Issue 3 of the final report be reviewed and set aside

The GGB also launched a similar application against the Public Protector under Case No. 48085/2019. Both applications will be heard on 30 August 2021.

XV MYSTIQUE INTERNET ENTERTAINMENT LOUNGE v MINISTER OF POLICE AND OTHERS – CASE NO. 37207/19

On 10 October 2019, members of the South African Police Service (SAPS), assisted by GGB law enforcement inspectors, conducted a raid at Mystique Internet Entertainment Lounge, Shop 22A and 228, Vaalgate Shopping Centre, corner of DF Malan and Attie Fourie streets, Vanderbijlpark.

During the execution of the warrant, illicit goods (computer equipment used for gambling) were confiscated by members of SAPS. Mystique Internet Entertainment Lounge (Pty) Ltd launched a court application against the Minister of Police and others, including the GGB, seeking to do the following:

- Reconsideration of the warrant that was granted *ex parte*, alternatively, to have it reviewed and set aside
- *Mandament van spolie*

The pleadings are closed.

XVI SANDTON SQUARE T/A MICHELANGELO TOWERS MALL AND OTHERS v CHAIRPERSON OF THE GAUTENG GAMBLING BOARD AND OTHERS – CASE NO. 44272/2019

Marco Polo Gaming submitted an application in terms of section 34 of the Gauteng Gambling Act, Act No. 4 of 1995, for the amendment of its bingo license. Marco Polo proposed two amendments:

- To relocate its site from Legacy Comer, Nelson Mandela Square, corner of Maude and Fifth streets, Sandton, to Shop 100–103 Sandton City, Nelson Mandela Square, corner of Maude and Fifth streets, Sandton
- To add 16 bingo seats at the proposed site, effectively increasing the number of licensed bingo seats from 352 to 368

The Board granted the following:

- Amendment on condition that Marco Polo obtains the necessary local authority approval for the site
- Marco Polo's operation at the proposed site shall only commence upon the rezoning application being granted

Sandton Square, t/a Michelangelo Towers Mall (Legacy Group) and others (the respondents) launched a review court application, seeking to review and set aside the Board's decision to relocate Marco Polo. The matter is opposed, and the parties have filed their respective affidavits.

XVII PHUMELELA GAMING AND LEISURE LIMITED v GAUTENG GAMBLING BOARD AND OTHERS – CASE NO. 41790/19

On or about 2013, Gauteng Off Course Bookmakers' Association (GOBA) lodged a complaint against Phumelela for contravening its license conditions. Subsequent to the investigation of the complaint, the GGB charged Phumelela with contravention of Condition 10 of its race meeting license. The GGB Committee recommended to the Board the following:

- Phumelela breached Condition 10 of its race meeting license
- A fine of R10 million be imposed, half of the amount to be suspended for a period of five years. During that period of suspension, the respondent should not be found to have committed a similar offence
- Phumelela is directed to comply with Condition 10 of its license condition with immediate effect, even before the Board considers its application for a fee increase for providing Telly Track visuals and commentary from within the jurisdiction of the Board to bookmakers.

On 27 May 2019, the Board considered the recommendation made by the Disciplinary Committee and resolved to find Phumelela guilty of contravention of Condition 10 and to impose a fine of R5 million, of which R2.5 million is suspended for a period of five years, provided it is not found guilty during this period for the same or a similar offence. Phumelela launched a review application to review and to set aside the decision of the Board.

The matter is opposed.

XVIII DR SVETLANA KREPELKOVA v PORTAPA 2 (PTY) LTD T/A SUPABETS AND THE MPUMALANGA GAMBLING BOARD – CASE NO. 41943/2019

Dr Svetlana Krepelkova issued and served a combined summons against Portapa 2 (Pty) Ltd t/a Supabets and the Mpumalanga Gambling Board, in which she sought to order Portapa 2 (Pty) Ltd t/a Supabets to pay a bet. Dr Krepelkova launched a court application against the Board. The application seeks the following orders:

- Portapa (Pty) Ltd shall be joined as the third defendant in the main action
- The GGB shall be joined as the fourth defendant in the main action

In support of its application, Dr Svetlana states that only after receiving Portapa 2 (Pty) Ltd t/a Supabets' plea, she realised that she had incorrectly pursued the wrong party, and that the correct party is Portapa (Pty) Ltd t/a Supabets, which is licensed by the GGB and not the Mpumalanga Gambling Board. The matter was opposed on the basis that Dr Svetlana failed to exhaust the dispute resolution process as outlined in terms of Regulation 24 and 25 of the Gauteng Gambling Regulations. Subsequently, Dr Svetlana withdrew the application.

XIX GRAND CASINO INVESTMENTS (PTY) LTD v CHAIRPERSON OF THE GAUTENG GAMBLING BOARD AND FIVE OTHERS – CASE NO. 2020/13643

Grand Casino Investments (Pty) Ltd (GCI) and Sun International launched an urgent application against the Chairperson of the GGB and five others. The urgent application sought the following orders:

- Review of the Board's decision on the application by Sun International Ltd for consent to acquire financial interest in its client in terms of section 38 of the Gauteng Gambling Act, 1995
- Direct the Board to issue a notice in the Provincial Gazette and local newspapers in terms of the Act, notifying the public of the hearing of the application
- The Board is to hold a public hearing on 29 June 2020 by electronic or other means
- The Board is to issue its decision on the application before 30 June 2020

The court found in favour of the applicants.

XX GOLDENTREE ASSET MANAGEMENT LUX SARL AND ANOTHER v THE CHAIRPERSON OF THE GAUTENG GAMBLING BOARD AND ANOTHER – CASE NO. 2020/12441

Goldentree Asset Management Lux SARL and Peermont Global (Pty) Ltd (the applicants) launched a review application against the Chairperson of the Board and the GGB (the respondents). The review application seeks the following orders:

- The respondents' decision (dated 7 October 2019) consenting to Goldentree Asset Management Lux SARL increasing its financial interest in Peermont Global (Pty) Ltd, subject to a condition that Peermont Global (Pty) Ltd attains and indefinitely maintains a minimum of 26% BEE shareholding, is reviewed, declared invalid and set aside
- The respondents are ordered to pay the applicants' costs.

The matter is opposed.

XXI LADOMAX (PTY) LTD v GAUTENG GAMBLING BOARD – CASE NO. 22220/2020

Ladomax launched a two-part court application against the GGB. Part A of the application is an urgent interim interdict pending a final determination of a review application in Part B. Part A of the application is based on the following grounds:

- Pending the final determination of Part B, interdicting and restraining Hollywood from opening or operating its sports betting business at Shop 29, 36 Rand Road, Georgetown, Germiston, Ekurhuleni
- Pending the final determination of Part B, suspending the decision of the Board granting an amendment to Hollywood's bookmaker's license to allow Hollywood to relocate to Shop 29, 36 Rand Road, Georgetown, Germiston, Ekurhuleni

The matter was heard on 15 September 2020 and Ladomax's urgent application was dismissed with costs in favour of the Board.

XXII MAGAGULA GEORGE MCETYWA INCORPORATED v GAUTENG GAMBLING BOARD – CASE NO. 20109

Magagula George Mcetywa Incorporated (Magagula) issued a combined summons against the GGB. The combined summons seeks the following orders:

- The GGB pays Magagula an amount of R500 000,00
- The GGB pays Magagula interest on the aforesaid sum at the rate of 15.5% per annum from the date of judgment to the date of payment
- The GGB provides a letter to Magagula, signed by the Chairperson of the Board;
 - retracting the statement that Magagula acted without instructions and to apologise;
 - confirming that Magagula at all times executed its mandate within all instructions provided to it by the GGB; and
 - that the mandate was executed to the satisfaction of the GGB.

The GGB is defending the matter.

Current cases (opposed labour matters)

I SACCAWU OBO WONDER MKHONTO AND FOUR OTHERS v CCMA AND OTHERS – CASE NO. 1542/20: REVIEW APPLICATION

Members of the South African Commercial Catering and Allied Workers Union (SACCAWU) (the applicants) lodged an internal grievance alleging that the GGB failed to pay them acting allowances for allegedly acting in four vacant positions on a rotational basis. The basis of their submission was that the above conduct contravened the Acting Allowance Policy of the GGB. The abovementioned internal procedures were exhausted without success, and, thereafter, the applicants referred the matter to the Commission for Conciliation, Mediation and Arbitration (CCMA) for adjudication. On 27 November 2019, SACCAWU referred the matter for conciliation, and on 20 December 2019, a certificate of non-resolution was issued. The applicants requested the CCMA to arbitrate the dispute on 17 June 2020, and the Commissioner made the following ruling in favour of the GGB:

- The GGB did not appoint the applicants in acting positions
- There is no evidence to suggest that the alleged 24 months' acting allowance is due to the applicants
- There is no evidence to assist the Commissioner to determine whether the GGB ought to have appointed the applicants into an acting position

Subsequently, the applicants launched a review application of the Commissioner's decision in the Labour Court and the matter is opposed.

II VUKANI GAMING GAUTENG (PTY) LTD AND ANOTHER v RIVERS EDGE PUB AND GRILL AND THE GAUTENG GAMBLING BOARD – CASE NO. 40278/19

On 25 June 2019, Vukani Gaming Gauteng (Pty) Ltd served on the GGB a combined summons seeking a final interdict prohibiting Rivers Edge Pub and Grill from operating illegal gambling and unlawfully competing with Vukani. The GGB is cited as an interested party and no relief is sought against it.

III EFTHIMIOS NICOLOPOULOS v PAZOZONE (PTY) LTD AND OTHERS – CASE NO. 2019/226471

Efthimios Nicolopoulos against Pazozone (Pty) Ltd launched an application against Pazozone and others seeking to declare, inter alia, that:

- The shareholders' agreement of Pazozone (Pty) Ltd, Eliocube (Pty) Ltd, Planet Bingo (Pty) Ltd, Ladomax (Pty) Ltd and Jonoforce (Pty) Ltd are null and void
- The management agreements between Vegas Management Solutions, licensee companies and Khumofon (Pty) Ltd are unlawful and not in the best interest of the shareholders

IV. NADOMINE (PTY) LTD v PHUMELELA GAMING AND LEISURE LIMITED AND ANOTHER – CASE NO. 2019/208522

The case is Nadomine (Pty) Ltd against Phumelela Gaming and Leisure Ltd and the National Horseracing Authority of Southern Africa (NHRA). The GGB is not cited as a party. The application seeks an order declaring that the license granted to Phumelela to hold horseracing meetings at Turffontein Racecourse has been cancelled in terms of Rule 44.3 of the Rules of the NHRA.

Current cases (unopposed matters)

I CASINO ASSOCIATION OF SOUTH AFRICA v MEC: ECONOMIC DEVELOPMENT, KWAZULU-NATAL – CASE NO. 988/2020

The Casino Association of South Africa launched a court application under Case No. 988/2020. The application seeks to review the determination by the MEC for KwaZulu-Natal of the Department of Economic Development, Tourism and Environmental Affairs on the following grounds:

- The determination allows various online games, which are events or contingencies upon which bets may be placed
- The relevant games constitute prohibited "gambling games", and, in particular, "interactive games", as contemplated in the National Gambling Act, 2004
- It is not permissible for the MEC to designate the relevant games as events or contingencies on which bets may be struck in terms of the KwaZulu-Natal Gaming and Betting Act, 2010, as these games constitute casino games, for which a casino license is required
- The determinations were made without affording the applicants an opportunity to make representations, which is procedurally unfair and procedurally irrational

The applicants withdrew the application.

B 3.5 Information technology

The GGB's Information Technology (IT) Department is responsible for developing modern and innovative services that adequately support the GGB's strategy in harnessing the potential of the IT architecture and infrastructure so that the GGB can deliver on its mandate to the people of Gauteng, optimise human resources, control risks, provide value for money and assist in shaping an organisation that sets itself the highest leadership standards in the public service. This is to enable the GGB to become a leading and innovative regulator in the gambling industry.

The GGB's IT Department has provided technical support services to the staff and Board of the GGB. The Department has implemented initiatives to support the GGB's strategy as per the approved IT Strategic Plan. The IT Strategic Plan 2020–2024 is being implemented annually, guided by the IT Implementation Plan, and is aligned with the GGB's Strategic Plan.

The GGB's IT Department complied with the Information and Communication Technology (ICT) Corporate Governance Policy Framework by ensuring that it accounts for all governance structures such as the IT Steering Committee, Senior Management Team, Audit and Risk Committee and the Board. The IT Risk Register has been developed and is monitored quarterly. IT audit issues identified by internal and external audit are continually being addressed to resolve such matters.

The integrated Business Automation Solution project is in progress. The automation of the business processes will improve service delivery, and both the transparency and traceability of the requests submitted to the organisation, which are currently paper based. The introduction of technology assists the GGB in increasing departmental efficiency in reporting and revenue collection. In the year under review, the iBAS project committees managed to ensure the development of the business automation processes targeted for the 2020/21 financial year. COVID-19 restrictions impacted on the finalisation of unit acceptance testing (UAT) and quality assurance work on the development work done. This is to be concluded in the first quarter of the 2021/22 financial year. The IT Department also accounts for the iBAS project to the Operations, Executive and Board committees. The 2021/22 financial year will focus on business process integration for internal (GGB applications) and external (licensee applications) business processes.

B 3.6 Finance

The gambling industry was one of the sectors that was affected by the COVID-19 pandemic, due to lockdown restrictions. The industry went through a three-month shutdown in the first quarter of 2020/21, and revenues plummeted to an average of 10% collection levels compared to the prior year. The industry resumed operation in the early part of the second quarter of the financial year, and revenue levels picked up from 10% collection levels to 70% collection levels in the later period of the third quarter. The revenue collections improved further in the fourth quarter, mainly driven by punter behaviour in line with the easing of lockdown restrictions.

The collection levels improved to an average of 80 to 90%. This also had a direct impact on the GGB's operational revenue generation. The organisation responded to the challenge by revising downwards its approved expenditure budget, scaling down on some APP targets and requesting funding for Provincial Treasury. In order to maintain services to its licensing and suppliers, the organisation adopted a work-from-home strategy and invested in IT infrastructure to enable the work-from-home strategy.

The gambling taxes and levies distributed to the GPG for the 2020/21 financial year amounted to R794 866 million against the backdrop of the restrictions. This was a sharp decline of 38% overall, compared to the prior year's tax distributions. Since inception, the GGB has distributed over R15 billion to the fiscus of the Gauteng province. The GGB self-sustains by deriving its income from the 8% collection commission of taxes and associated levies payable by the gambling sector, as well as license and application fees provided for by the enabling legislation. For the 2020/21 financial year, the GGB achieved revenue of R227 million against a budget of R217 million, and spent R202 million of the R217 million approved expenditure budget. The revenue was boosted by provincial grants of R53 million relating to the iBAS project and funding of the revenue shortfall.

The 8% collection commission is linked to taxes and levies collections, and as a result, collection commission declined by 38% compared to prior years. Although the industry shows signs of recovery, it is still operating under a severely impacted economy.

Revenue streams like employee registrations and applications of license fees will be dampened by the low operating activities at its licensees. This includes items such as the registration of new employees and any expansions of licensees' operations. Provincial Treasury allocated the GGB an additional R26.6 million to cover the collection shortfall.

The GGB continues to prioritise the province's Transformation, Modernisation and Reindustrialisation (TMR) targets, and is committed to paying service providers within two days of receipt of invoices.

B4. ORGANISATIONAL ENVIRONMENT

An investigation into the irregular expenditure that occurred in the previous financial year was concluded and disciplinary hearings initiated as a result. These hearings were concluded subsequent to year-end. The GGB will apply to the Gauteng Provincial Treasury for condonation of the irregular expenditure.

The Chief Financial Officer (CFO), Mr Kgaugelo Mahlaba, tendered his resignation during February 2021 after the parties agreed on a settlement. Mr Oscar Maripane was appointed as Acting CFO. Together with the support of the executives and management, he has minimised any resultant disruptions to the operations of the GGB.

This financial year saw the development of the iBAS project. The automation of business processes will enable the Board to remain abreast of the latest trends and technological developments, and improve service delivery and oversight of the industry. While the lockdown of the economy as a result of the pandemic has delayed the project for two months, the GGB concluded the development of the system by the end of the financial year. All stakeholders have been included in the process and engagements with staff and licensees are ongoing. The GGB has received financial support from both the Gauteng DED and the Gauteng Provincial Treasury for the funding of this project.

The GGB implements a stakeholder-inclusive approach to business and recognises that it has many stakeholders who are involved in, affected by or impact on the GGB in the achievement of its strategy and long-term sustainability. The GGB's stakeholder engagements provide insight into the quality of relationships with both internal and external stakeholders.

Its stakeholders range from its licensees to members of the gambling public, other regulators and government entities, not-for-profit organisations and business partners such as the SARGF. At the forefront of relations that the GGB has with its stakeholders is the GGB Board. The Board entrenches governance and accountability throughout all functions of the GGB. The stakeholder management function is informed and governed by a comprehensive stakeholder policy, which has been developed in line with King IV™.

The GGB had continuous engagements with and assisted industry businesses during this difficult year. The engagements included financial considerations to ensure the survival of the industry to assist in opening doors in line with the COVID-19 requirements.

The Gauteng DED continues to have a positive impact on the GGB through its support. This stakeholder, who enables the GGB to function from a political and legislative point of view, is part of the GGB's everyday stakeholder engagements.

During the period under review, the Gauteng Provincial Legislature and Provincial Treasury enabled discussions on pertinent issues pertaining to the GGB, its operations and financial aspects. Together with the relevant portfolio committee, the GGB has engaged with the public at grass roots level through engagements facilitated through online meetings.

B6. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The Gauteng Gambling Regulations were amended to provide an annual increase of 6% on license and application fees, which generate the necessary revenue to enable the entity to discharge its mandate in line with the 2020 analysis of the inflation rates and the forecast by National Treasury. The regulations are promulgated in terms of section 84 of the Gauteng Gambling Act.

The National Gambling Amendment Bill, 2018

The Department of Trade, Industry and Competition, through the National Gambling Board, initiated the process of amending the National Gambling Act, 2004, by introducing the National Gambling Amendment Bill, 2018, to Parliament. The GGB participated in the public consultation processes and submitted comments to object to the proposed amendments.

The voting on the Bill by provinces reflected an impasse, as the vote was evenly split. The Bill was referred to Parliament where it was rejected.

Other than the above, there have been no significant changes to the GGB's legislative and other mandates.

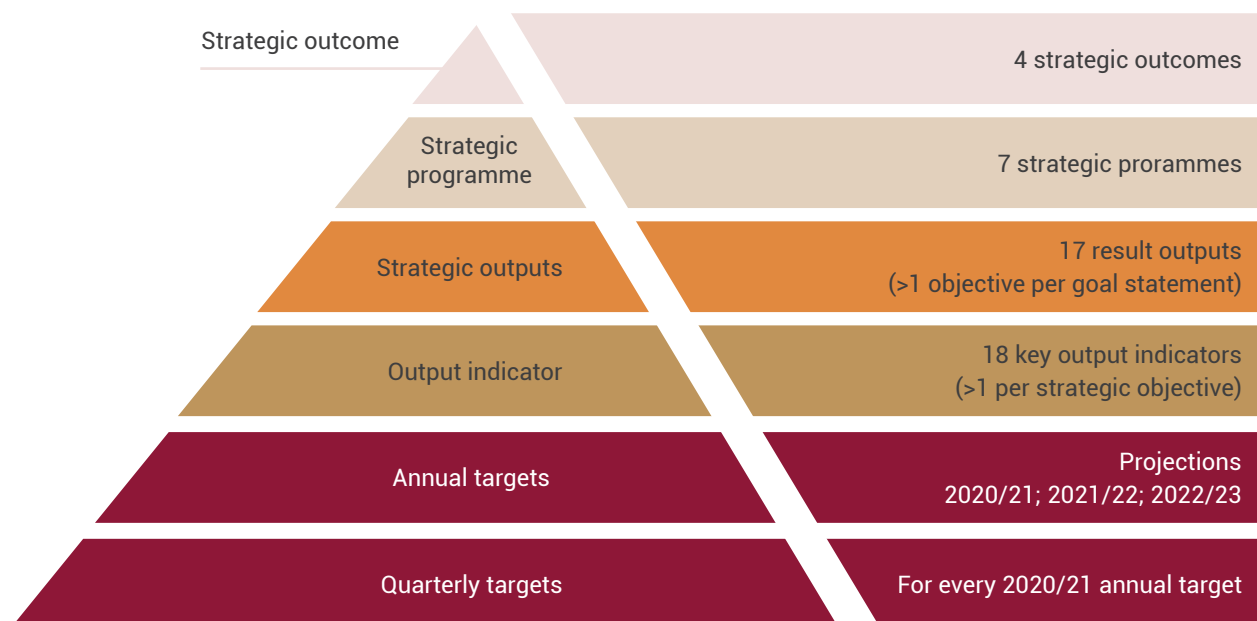
B7. STRATEGIC OUTCOME-ORIENTED GOALS

The GGB formulated and aligned its goals with the strategic goals of the DED. The budget and Medium-term Expenditure Framework (MTEF) allocation contribute to the Board's strategic outcome-orientated objectives as follows:

- ICT integration into business goals and objectives. The total tender cost of the iBAS is set to be R59 million.
- Gambling Regulations: The GGB is a service-driven entity and the achievements of the strategic goals, as set out in the APP, are reliant on human capital. Therefore, the main expenditure output relates to employee-related costs and the operational expenses associated with service delivery, such as travelling, telephone and copier charges. The majority of the budget funds the achievement of the objective of regulating the gambling industry.
- Efficient revenue generation/collection. The tax revenue distribution for the 2020/21 financial year amounted to R795 million. This shows a decrease from the previous year's actual revenue of 38%.
- Entrench and broaden transformation of the gambling industry.
- Eradication of illegal gambling through initiatives funded through the operational expenses of the organisation. An amount of R259 000 was spent on investigation and enforcement costs for the 2020/21 financial year.
- Public protection: The Responsible Gambling Programme promotes responsible gambling, which is aimed at ensuring that the citizens of Gauteng are aware of the dangers associated with gambling, taking steps to assist persons who have developed problem gambling.
- The GGB's CSI spending strategy is linked to the achievement of the TMR strategy. The actual spend on CSI for the 2020/21 financial year amounted to R10,1 million.

B8. PERFORMANCE INFORMATION BY KEY PERFORMANCE AREA

The diagram below represents the cascading of the hierarchy of planning concepts, with their application to the GGB's APP.



Representation of GGB Annual Performance Plan's planning concepts

Summary of the GGB's strategic goals and objectives

The table below sets out a summary of the strategic outcomes, strategic-oriented goals and the strategic objectives of the GGB's APP for 2020/21.

| THE GGB'S STRATEGIC OBJECTIVES LINKED TO THE STRATEGIC OUTCOMES | | |
|---|--|---|
| Strategic objective | Strategic programme | Strategic outcome |
| A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province | 1. Administration | Institutional excellence Purpose: Provide effective support in line with regulations and governance requirements |
| | 2. Gambling Regulation | Compliant gambling industry Purpose: Regulate the gambling industry in order to generate revenue towards the socio-economic development of the province |
| | 3. Revenue Collection | Maximised revenue Purpose: Ensure complete and accurate gambling tax revenue collection |
| | 4. Transformation of the Gambling Industry | Competitive economic growth Purpose: Entrench and broaden transformation of the gambling industry |
| | 5. Eradication of Illegal Gambling | Compliant gambling industry Purpose: Ensure that gambling activities are conducted in terms of the gambling legislation |
| | 6. Responsible Gambling | Compliant gambling industry Purpose: Minimise the negative impact of gambling in Gauteng |
| | 7. Corporate Social Investment | Maximised revenue Purpose: Reduce the hardships of society from the hardships of socio-economic challenges |

Overview of performance for 2020/21 financial year

The performance information for the year under review indicates that all performance targets have been achieved, except one performance indicator. There is an over-achievement on nine performance indicators:

- There was an over-achievement in the percentage of gambling license applications and employee registrations processed within the required timelines. This was as a result of the effective implementation of the GGB's COVID-19 workplan. A percentage of 100% was achieved against a target of 95%.
- There was an over-achievement on the number of gambling compliance and revenue audits. Some 122 compliance audits were achieved against a target of 103, and 133 revenue audits were achieved against a target of 111. This was due to the availability of licensees during the lockdown, which enabled audits to continue remotely.
- There was an over-achievement on the percentage of gaming equipment applications processed. A percentage of 100% was completed against a target of 85%. This was as a result of the effective implementation of the GGB's COVID-19 workplan.
- There was an over-achievement on the percentage of gambling disputes processed against those received within the standard time frame, as well as the percentage of licensees' non-compliance incidents investigated and concluded or reported to the Disciplinary Committee. This was due to the availability of licensees during lockdown, which enabled investigations into disputes and non-compliance incidents to continue remotely. Some 97% of the disputes were processed within the required time frames against a target of 74%, and 63% of non-compliance incidents were concluded in the required time frames against a target of 35%.
- There has been an over-achievement in relation to the number of people reached with responsible and illegal gambling messages. The number of people reached with illegal gambling messaging is 3.2 million people against a target of 2.5 million, and 4.6 million people with responsible gambling messaging against a target of 2.5 million. The over-achievement was due to an increase in the popularity of online advertising and the GGB's social media campaigns.
- There was an under-achievement on the percentage of levies collected for the SDF distributed for sports development. This target was set for the fourth quarter of the year and there was no distribution of monies due to the unavailability of the governance structure to approve the projects. This will be remedied by the roll-out of projects scheduled in the first quarter of the new financial year under the approval of the Administrator.

B9. ANNUAL PERFORMANCE PLAN – OUTPUT INDICATORS, TARGETS AND ACHIEVEMENTS

B9.1 Performance report against the original tabled Annual Performance Plan, retabulated in July 2021

| Outcomes | Outputs | Output indicators | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned annual target 2020/21 | Actual achievement 2020/21 until date of re-tableting in July 2020 | Deviation from planned target to actual achievement 2020/21 | Reasons for deviations | Reasons for revisions to the outputs/output indicators/annual targets |
|----------------------------------|---|---|------------------------------------|--|---|--|---|---------------------------------------|---|
| Programme 2: Gambling Regulation | | | | | | | | | |
| Compliant gambling industry | Gambling license applications processed | Percentage of gambling license applications processed | 100% | 100% | 100% | 100% | None | N/A | Anticipated disruption of lockdown restrictions due to COVID-19 |
| | Gambling compliance audits conducted | Percentage of employee registration applications processed | 100% | 100% | 100% | 100% | None | N/A | Anticipated disruption of lockdown restrictions due to COVID-19 |
| | Gambling compliance inspections conducted | Number of compliance audits conducted | 186 | 177 | 188 | 9 | 66 under | Lockdown restrictions due to COVID-19 | Anticipated disruption of lockdown restrictions due to COVID-19 |
| | Gambling application checklist completed | Number of gambling inspections conducted | 678 | 780 | 820 | 0 | 164 under | Lockdown restrictions due to COVID-19 | Anticipated disruption of lockdown restrictions due to COVID-19 |
| | Resolved gambling disputes in terms of the gambling legislation | Percentage of gaming equipment applications processed | 100% | 100% | 100% | 100% | None | N/A | Anticipated disruption of lockdown restrictions due to COVID-19 |
| | Enforced compliance with legislation | Percentage of gambling disputes processed against those received within the standard time frame | 100% | 100% | 100% | 100% | None | N/A | Anticipated disruption of lockdown restrictions due to COVID-19 |
| | Draft proposed amendments to the Gauteng Gambling Act | Percentage of licensees' non-compliance incidents investigated and reported to the Disciplinary Committee | 100% | 100% | 100% | 100% | None | N/A | Anticipated disruption of lockdown restrictions due to COVID-19 |
| | Regulated gambling industry | Percentage progress towards the review of the Gauteng Gambling Act | – | – | 50% | 0 | 50% under | Lockdown restrictions due to COVID-19 | Anticipated disruption of lockdown restrictions due to COVID-19 |
| | | Draft amendments of gambling legislation submitted to Gauteng DED | 1 | Annual draft amendments of gambling legislation submitted to MEC | Draft amendments of gambling legislation submitted to MEC | Draft amendments of gambling legislation submitted to MEC | None | None | Relegated to the operational plan |

| Outcomes | Outputs | Output indicators | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned annual target 2020/21 | Actual achievement 2020/21 until date of re-tableting in July 2020 | Deviation from planned target to actual achievement 2020/21 | Reasons for deviations | Reasons for revisions to the outputs/output indicators/annual targets |
|---|--|--|------------------------------------|--|---|--|---|--|---|
| Programme 3: Revenue Collection | | | | | | | | | |
| Maximised revenue | 100% of rand value of tax revenue distributed | Percentage of rand value of gambling tax distributed within one calendar month | 100% | 100% | 100% | 0% | 50% under | Industry closed due to lockdown restrictions (COVID-19) | Anticipated disruption of lockdown restrictions due to COVID-19 |
| | Gambling revenue audits conducted | Number of revenue audits conducted | 112 | 155 | 159 | 29 | 26 under | Lockdown restrictions due to COVID-19 | Anticipated disruption of lockdown restrictions due to COVID-19 |
| Programme 5: Irradiation of Illegal Gambling | | | | | | | | | |
| Compliant gambling industry | Illegal gambling awareness | Number of people reached with illegal gambling messages | – | 2 852 451 | 3 500 000 | 0 | 335 254 | Lockdown restrictions due to COVID-19 | Anticipated disruption of lockdown restrictions due to COVID-19 |
| | Education and training sessions conducted | Number of gambling education and training sessions held | 20 | 25 | 26 | 0 | 19 under | Lockdown restrictions due to COVID-19 | Anticipated disruption of lockdown restrictions due to COVID-19 |
| Programme 6: Responsible Gambling | | | | | | | | | |
| Compliant gambling industry | People reached through responsible gambling messaging | Number of people reached through responsible gambling messaging | 2 481 898 | 3 216 211 | 3 500 000 | 0 | 1 153 438 over | Lockdown restrictions due to COVID-19 | Anticipated disruption of lockdown restrictions due to COVID-19 |
| | Research paper on prevalence of gambling produced | Number of research papers on prevalence of gambling produced | 1 | Research paper produced on the impact of gambling in Gauteng | Research paper on prevalence of gambling produced | 0 | Research paper on prevalence of gambling produced | Lockdown restrictions due to COVID-19 | Anticipated disruption of lockdown restrictions due to COVID-19 |
| Programme 7: Socio-economic Development | | | | | | | | | |
| Maximised revenue | Rand value spent on sports development programmes received through applications and granted by the Board | Rand value spent on sports development | R24,161 million | R15,482 million | R24 million | Not applicable | Target changed to percentage | Not applicable | Improvement of target |
| | Rand value spent on CSI programmes received through applications and granted by the Board | Rand value spent on CSI | R3.6 million | R6.8 million | R4.8 million | R10.1 million | R5.2 million over | Reprioritisation of budget due to COVID-19 and lockdown crises | Reprioritisation of budget due to COVID-19 and lockdown crises |

B9.2 Performance report against the retabled Annual Performance Plan

Programme 1 – Administration

Purpose: Provide effective support in line with regulations and governance requirements

| Outcomes | Outputs | Output indicators | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned annual target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Reasons for deviations |
|--------------------------|---|--|------------------------------------|--|--|--|---|------------------------|
| Institutional excellence | Strong governance and regulatory compliance | Auditor-General audit outcome | 1 | Unqualified audit opinion received from AGSA | Unqualified audit opinion received from AGSA | Unqualified audit opinion received from AGSA | None | N/A |
| | Developed iBAS system | Percentage of iBAS development completed | – | – | 100% | 100% | None | N/A |

Programme 2 – Gambling Regulation

Purpose: Regulate the gambling industry in order to generate revenue towards the socio-economic development of the province

| Outcomes | Outputs | Output indicators | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned annual target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Reasons for deviations |
|-----------------------------|---|--|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|---|
| Compliant gambling industry | Gambling license applications processed | Percentage of gambling license applications processed | 100% | 100% | 95% | 100% | 5% over-achievement | Implementation of an effective COVID-19 work plan |
| | | Percentage of employee registration applications processed | 100% | 100% | 95% | 100% | 5% over-achievement | Implementation of an effective COVID-19 work plan |
| | Gambling compliance auditing | Number of compliance audits conducted | 186 | 177 | 103 | 122 | 19 over-achievement | Implementation of an effective COVID-19 work plan |
| | Gambling compliance inspections | Number of gambling inspections conducted | 678 | 780 | 656 | 656 | None | None |
| | Gaming equipment applications processed | Percentage of gaming equipment applications processed | 100% | 100% | 85% | 100% | 15% over-achievement | Implementation of an effective COVID-19 work plan |
| | Resolved gambling disputes in terms of the gambling legislation | Percentage of gambling disputes processed against those received within the standard time frame | 100% | 100% | 74% | 97% | 23% over-achievement | Implementation of an effective COVID-19 work plan |
| | Enforced compliance with legislation | Percentage of licensees' non-compliance incidences investigated and reported to the Disciplinary Committee | 100% | 100% | 35% | 63% | 28% over-achievement | Implementation of an effective COVID-19 work plan |
| | Draft proposed amendments to the Gauteng Gambling Act | Percentage progress towards the review of the Gauteng Gambling Act | – | – | 0% | 0% | None | None |

Programme 3 – Revenue Collection

Purpose: Ensure complete and accurate gambling tax revenue collection

| Outcomes | Outputs | Output indicators | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned annual target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Reasons for deviations |
|-------------------|----------------------------------|--|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|---|
| Maximised revenue | Gambling tax revenue distributed | Percentage of rand value of gambling tax distributed within one calendar month | 100% | 100% | 50% | 50% | None | N/A |
| | Gambling revenue audits | Number of revenue audits conducted | 112 | 155 | 111 | 133 | 22 over-achievement | Implementation of an effective COVID-19 work plan |

Programme 4 – Transformation of the Gambling Industry

Purpose: Entrench and broaden transformation of the gambling industry

| Outcomes | Outputs | Output indicators | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned annual target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Reasons for deviations |
|-----------------------------|-------------------------------|---|------------------------------------|---|---|---|---|------------------------|
| Competitive economic growth | B-BBEE status report produced | Assessment report of B-BBEE levels and the future opportunities in the Gauteng gambling sector produced | – | Assessment report of B-BBEE levels and the future opportunities in the Gauteng gambling sector produced | Assessment report of B-BBEE levels and the future opportunities in the Gauteng gambling sector produced | Assessment report of B-BBEE levels and the future opportunities in the Gauteng gambling sector produced | None | N/A |

Programme 5 – Eradication of Illegal Gambling

Purpose: Ensure that gambling activities are conducted in terms of the gambling legislation

| Outcomes | Outputs | Output indicators | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned annual target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Reasons for deviations |
|--------------------|--|---|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|--|
| Compliant gambling | Illegal gambling verified and reported to SAPS | Percentage of information verified on illegal gambling and reported to SAPS within 30 working days of receipt | 100% | 100% | 100% | 100% | None | N/A |
| | Illegal gambling awareness | Number of people reached with illegal gambling messages | – | 2 852 451 | 2 500 000 | 3 164 746 | 664 746 over-achievement | Due to effective social media campaign |
| | Education and training on illegal gambling | Number of gambling education and training sessions held with law enforcement agencies | 26 | 25 | 7 | 7 | None | N/A |

Programme 6 - Responsible Gambling

Purpose: Minimise the negative impact of gambling in Gauteng

| Outcomes | Outputs | Output indicators | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned annual target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Reasons for deviations |
|--------------------|--------------------------------|---|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|--|
| Compliant gambling | Responsible gambling awareness | Number of people reached through responsible gambling messaging | 2 481 898 | 3 216 211 | 2 500 000 | 4 653 438 | 2 153 438 over-achievement | More people were reached through online advertising and social media campaigns |

Programme 7 - Socio-economic Development

Purpose: Reduce the hardships of society from the hardships of socio-economic challenges

| Outcomes | Outputs | Output indicators | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned annual target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Reasons for deviations |
|-------------------|---------------------------|---|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|--|
| Maximised revenue | Distribution of SDF | Percentage of levies collected for SDF distributed for sports development | R24.161 million | R15.482 million | 100% | 21% | 79% under-achievement | No distribution due to unavailability of governance structure to approve |
| | Distribution of CSI funds | Rand value spent on CSI | R3.646 million | R6.800 million | R10.1 million | R10.1 million | None | N/A |

B9.3 Progress on institutional response to the COVID-19 pandemic

| Programme | Intervention | Geographic location | Number of beneficiaries | Disaggregation of beneficiaries (where possible) | Total budget per intervention | Budget per intervention | Contribution to the outputs in the APP (where applicable) | Immediate outcome |
|--------------------------------|--|---------------------|-------------------------|--|-------------------------------|-------------------------|---|--|
| Occupational Health and Safety | Training employees on COVID-19 awareness | Gauteng | 119 | N/A | R8 000 | R8 000 | All | Awareness on the mitigation of COVID-19 spread |
| | Sanitisers for all employees | Gauteng | 119 | N/A | R39 500 | R39 500 | All | Personal protection |
| | Disinfecting of Surfaces | Gauteng | 119 | N/A | R295 795 | R295 795 | All | Personal protection |
| | Fogging and disinfecting GGB building | Gauteng | 119 | N/A | R8 800 | R8 800 | All | Personal protection |
| | Digital thermometer scanners | Gauteng | 119 | N/A | R6 743 | R6 743 | All | Personal protection |
| | Face shields | Gauteng | 119 | N/A | R12 600 | R12 600 | All | Personal protection |
| | 3-ply washable masks | Gauteng | 119 | N/A | R11 557 | R11 557 | All | Personal protection |

B9.4 Performance programmes against budget

| Programme | 2020/21 | | | | 2019/20 | | | |
|--|----------------|-----------------|--------------------|--------------------------|----------------|-----------------|--------------------|--------------------------|
| | Budget | Adjusted budget | Actual expenditure | (Over)/under-expenditure | Budget | Adjusted budget | Actual expenditure | (Over)/under-expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| 1. Administration | 90 584 | 115 675 | 98 985 | 16 690 | 1 840 | 2 589 | 2 010 | 579 |
| 2. Gambling Regulation | 62 860 | 60 901 | 58 942 | 1 959 | 158 962 | 181 566 | 160 098 | |
| 3. Revenue Collection | 11 049 | 11 049 | 11 049 | None | 22 747 | 22 747 | 22 747 | None |
| 4. Transformation of the Gambling Industry | 1 | – | – | None | 1 060 | – | – | None |
| 5. Eradication of Illegal Gambling | 11 028 | 10 275 | 10 170 | 105 | 2 395 | 3 842 | 1 172 | 2 670 |
| 6. Responsible Gambling | 7 774 | 7 774 | 7 718 | 56 | 7 819 | 8 470 | 6 820 | 1 650 |
| 7. Socio-economic Development | 12 236 | 12 236 | 15 422 | (3 186) | 4 354 | 7 977 | 6 800 | 1 177 |
| Subtotal | 195 532 | 217 910 | 202 286 | | 199 177 | 227 191 | 199 647 | |

B10. REVENUE COLLECTION

The GGB budgeted for operational revenue collections of R217.9 million for the 2020/21 financial year. The organisation was able to exceed its revenue collection target by R9 million and, as at year-end, the organisation had collected R226.9 million. This positive variance was due to the following reasons:

- Increase in sports betting levies due to the mobile platforms that bookmakers were able to offer during lockdown.
- The GGB recovered monies from the Gauteng DED for the fogging and sanitisation project during lockdown.
- Monies transferred from the SDF to cover operations as approved by the executive authority.

| Description | 2020/21 | | | 2019/20 | | |
|-----------------------------------|----------------|----------------|-------------------------|----------------|----------------|-------------------------|
| | Actual | Budget | (Over)/under-collection | Actual | Budget | (Over)/under-collection |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| License fees | 66 291 | 59 819 | 6 472 | 60 054 | 59 107 | 947 |
| Sports betting levy | 19 112 | 17 354 | 1 758 | 21 689 | 20 436 | 1 253 |
| Application and registration fees | 3 812 | 4 386 | (574) | 20 793 | 26 538 | (5 745) |
| Collection commission | 64 513 | 68 326 | (3 813) | 102 626 | 104 543 | (1 917) |
| Recoveries from investigations | 400 | 585 | (185) | 1 134 | 2 206 | (1 072) |
| Interest received | 5 447 | 3 948 | 1 499 | 7 132 | 6 317 | 815 |
| Sundry income | 23 042 | 34 189 | (11 147) | 2 020 | 585 | 1 435 |
| Penalties | – | 2 830 | (2 830) | 8 160 | 7 460 | 700 |
| Government grants and subsidies | 44 370 | 26 473 | 17 897 | 33 000 | – | 33 000 |
| | 226 987 | 217 910 | 9 077 | 256 608 | 227 192 | 29 416 |

License fees: The Board receives annual renewal license fees at the beginning of the financial year. The positive variance is due to licensees increasing their gaming machine positions.

Sports betting levy: The Board exceeded its targeted budget amount in collections of sports betting levies for the year ending 31 March 2021 by a positive variance of 9%. The higher collection was boosted by mobile platforms that bookmakers were offering during lockdown restrictions.

Collection commission: Collection commission was lower than the target budget by R3.8 million (6%). This was due to lower taxes and levies collected during the year ending 31 March 2021. Tax and levies collections were heavily impacted by alcohol restrictions. Collection levels were around 50 to 60% as compared to 70 to 80% collection levels when there were no hard alcohol restrictions.

Recoveries from investigations: The variance is due to fewer investigations performed for this financial year in comparison to the prior year. This was mainly due to the cut-back of operations by licensees as a result of declined revenues during the lockdown and recovery period.

Interest received: The favourable variance of 28% in the interest received is due to the cash management investment solution that was implemented through Standard Bank. The GGB maintained higher bank balances during the lockdown due to a delay in the distribution of taxes and levies, and qualified for a higher interest rate.

Sundry income: The sundry income amount relates mostly to the SDF transfer to cover operations upon approval by the executive authority and invoice recoveries of R4.5 million for the Alexandra fogging and sanitation project from the Gauteng DED and the Gauteng Department of Agriculture and Rural Development (GDARD).

Penalties: The Board projected collecting R2 million in penalties as at 31 March 2021. However, the actual penalties could not be recognised as the accounting authority was not able to conclude the disciplinary recommendations before year-end.

Government grants and subsidies: The GGB received funding from the GPG in line with the GPG's revenue enhancement strategy. The funding was for the organisation's business automation to improve efficiency and revenue collection. The organisation received a government grant from the Gauteng DED to the amount of R26 million. Furthermore, the Board got approval from the Provincial Treasury to retain R26.6 million of taxes and levies collected for March 2021 to cover the collection commission shortfall. The shortfall was due to the decline in taxes and levies collected from licensees as a result of the impact of COVID-19 restrictions.

B11. CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

The GGB had the following capital investments during the year under review:

- The GGB acquired an additional building within the Waverly Office Park of R52 million and increased its portfolio from R69.2 million to R119.6 million in total.
- The GGB is currently developing a business automation system to improve the IT system and integrate the GGB's systems to licensees. The GGB has invested R26 million towards the project to date. It is estimated to cost R59.8 million upon completion.

The GGB has neither a maintenance plan nor capital investment. Its building is fairly new and is currently maintained in-house. During the year, the GGB obtained reports from a valuer, which indicates that the building is well maintained, and that the workmanship is of a very good standard.

The estimated useful lives of assets were assessed at year-end, and found to be reasonable.

Assets with a cost price under R1 000 are not capitalised. Such assets capitalised prior to this amendment in policy were written off as an expense.



PART C

GOVERNANCE



C1. 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 ongoing development and implementation of best practices. Assisted by management, the Board is ultimately responsible for ensuring high governance standards, and aims to instil a culture of performance, compliance and good governance.

C2. GAUTENG PROVINCIAL LEGISLATURE

The Gauteng Provincial Legislature exerts oversight authority over government policy, performance and the budget of the provincial public entities and Gauteng government departments by holding the Provincial Executive (MEC) to account. The Gauteng Provincial Legislature exercises its oversight role through portfolio committees. Portfolio committees scrutinise legislation, oversee government action and interact with the public. Portfolio committees of the Gauteng Legislature responsible for overseeing the GGB's activities are as follows:

- 1.1 Standing Committee on Public Accounts (SCOPA):** Reviews the annual financial statements and the audit reports of the AGSA.
- 1.2 Portfolio Committee:** Exercises oversight over the service delivery performance of the public entity and, as such, reviews the non-financial information contained in the annual reports of the public entity and is concerned with service delivery and enhancing economic growth.
- 1.3 Standing Committee on Gender, Youth and People with Disabilities (GEYODI):** Reviews the processes of service implementation relating to gender, youth, women and people with disabilities.

1.4 Committee on the Scrutiny of Subordinate Legislation:

During the year under review, the Gauteng Gambling Regulations were amended to achieve an increase in the annual license fees, as well as application fees, in terms of the Regulations promulgated in terms of section 84 of the Gauteng Gambling Act. The draft amendments were presented and approved by the Legislature in March 2020.

During the period under review, questions raised by the Gauteng Provincial Legislature portfolio committees were focused on the following key areas:

- Vacancies within the GGB and employment equity
- Gambling revenue collection
- COVID-19 projects and related spending
- COVID-19 interventions for the gambling industry
- Illegal gambling and the establishment of a dedicated law enforcement unit
- The GGB's integrated Business Automation Solution project
- The Sports Development Fund
- Supplier payments and supply chain processes
- Corporate social investment
- The status of the Bookmaker Request for Proposal
- Change of legislation relating to Phumelela and the status of Phumelela's business rescue process.

C3. EXECUTIVE AUTHORITY

The Gauteng MEC for Economic Development is the Executive Authority of the GGB. Oversight by the Executive Authority rests, by and large, on the prescripts of the PFMA. The PFMA and the Gauteng Gambling Act give authority to the Executive Authority for oversight powers with particular reference to the Strategic Plan, Annual Performance Plan, budget, Memorandum of Understanding, annual and quarterly reports.

The Board is the Accounting Authority of the GGB. The relationship between the Executive Authority and the Accounting Authority is managed through a Memorandum of Understanding that assists in establishing a transparent and accountable working relationship

on matters relating to the implementation of the provisions of the PFMA, the Gauteng Gambling Act and the objectives of the Gauteng Department of Economic Development. The GGB's quarterly reports, budget, five-year strategic plan and annual report submitted to the Executive Authority are also submitted to the relevant portfolio committees by the Executive Authority.

On a monthly basis, the Board reports to the Gauteng 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 Part B of this report.

C4. ACCOUNTING AUTHORITY

C4.1 Introduction

The Board is a statutory body established in terms of section 3 of the Gauteng Gambling Act, Act No. 4 of 1995, as amended, to exercise public power to regulate and control gambling activities in Gauteng on behalf of the Gauteng Provincial Government.

The Board should comprise 12 non-executive members. All members of the Board, including the Chairperson and the Deputy Chairperson, are appointed by the MEC in accordance with the Gauteng Gambling Act.

The roles of the Chairperson of the Board and the Chief Executive Officer (CEO) are, in line with best practice, separated with a clear division of responsibilities. The Deputy Chairperson, who is a non-executive member, leads the Board in the absence of the Chairperson and also in the discussions and decision making on matters where the Chairperson has a conflict of interest. The CEO is responsible for leading the implementation and execution of the approved strategy, policies, as well as the day-to-day operations of the organisation.

As required in terms of the Gauteng Gambling Act and Codes of Good Governance, the Board members originate 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 and also monitor and measure the GGB's performance, against the KPIs.

C4.2 The role of the Board

The Board focuses on the key elements of the corporate governance processes that underpin its operations. In particular, its role is to do the following:

- Provide strategic direction to the GGB
- Consider, and if appropriate, adopt operating budgets and business plans proposed by management for the achievement of its strategic direction
- Delegate authority for capital expenditure
- Provide oversight of and hold absolute responsibility for performance against targets and objectives
- Provide oversight of reporting on the direction, corporate governance and performance of the Board
- Identify, consider and review key risk areas
- Ensure ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, and the Board's internal governing documents and codes of conduct
- Act responsibly towards the Board's relevant stakeholders
- Be aware of, and commit to the underlying principles of good corporate governance and ensure that compliance with corporate governance principles is reviewed regularly
- Maintain integrity, responsibility and accountability

The Board regularly reviews its annual agenda to ensure that sufficient time is allocated for the review of its strategy. This involves the analysis and choice of the strategy, as well as ongoing review of progress against approved plans.

Conflicts of interest

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

C4.3 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 for ensuring that the GGB conducts itself as a responsible corporate citizen.

The Board's Charter confirms the following:

- The Board's responsibility for the adoption of strategic plans
- Monitoring operational performance and management
- Determining policy processes to ensure the integrity of the public entity risk management and internal controls
- Communication policy, and executive selection, orientation and evaluation

The Board consists of between eight and twelve members. Board meetings are conducted at least quarterly, and more frequently when 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 the following:

- An agenda
- Previous meeting minutes
- Committee reports
- A governance update to assist Board members to keep abreast with relevant legislation

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

C4.4 Composition of the Board

The section below summarises the attendance of the various committees from 1 April 2020 until 31 March 2021.

CHAIRPERSON OF THE BOARD

Mr Mxolisi Zwane

Appointment date

1 October 2015

Reappointed: 1 October 2018

Qualifications

BProc – Wits University (1993);
Master of Laws (LLM) in
Fundamental Rights and
Constitutional Law and Practice
– University of Pretoria (2006);
Higher Diploma in Company
Law – Wits University (2000);
Advanced Diploma in Labour Law
– University of Pretoria (2015).

In addition, Mr Zwane has several other qualifications behind his name. These include certificates in Arbitration, Insolvency and Business Rescue, as well as Pension Law and Administration. As a member of the International Masters of Gaming Lawyers, he has also completed several short courses in gaming law, sports betting and online gaming with the International Centre for Gaming Regulators at the University of Nevada, Las Vegas.

Experience and expertise

Mr Mxolisi Zwane is a senior legal practitioner and innovative business leader who specialises in corporate governance, business restructuring and project management. After being admitted as an Attorney of the High Court of South Africa in 1997, he appeared as an attorney in the Magistrate's Court, labour and high courts. Mr Zwane is a senior legal practitioner and innovative business leader who specialises in corporate governance, business restructuring and project management. In 2009, he was granted the right of appearance for the High Court, Supreme Court of Appeals, as well as for the Constitutional Court.

For more than 20 years, Mr Zwane has adopted a no-nonsense analytical approach in representing many high-profile companies and individuals in criminal, commercial and civil, and constitutional matters. Moreover, his invaluable commercial insights into the private sector have enabled him to achieve successful organisational turnaround

initiatives in both the public and private sectors.

Current professional affiliations and memberships include the following:

- Registered mediator and arbitrator, and member of the Management Committee of the Association of Arbitrators of Southern Africa
- Member of the South African Restructuring and Insolvency Practitioners Association
- Chairperson of the Gauteng Gambling Board

Some of Mr Zwane's past affiliations and leadership roles include the following:

- Serving on the Distributing Agencies of the National Lotteries Commission
- Acting as Convenor of the Disciplinary Committee of the Premier Soccer League
- Chairman of the Gauteng Department of Transport's Advisory Committee
- First Vice-President of the Chamber of Commerce and Industries

Board Committee Membership

Chairperson of the Technical Committee on Legal and Transformation Matters and the Board EXCO

DEPUTY CHAIRPERSON

Ms Shaila Hari

Appointment date

1 June 2013.

Appointed as Deputy Chairperson on 1 October 2015

Reappointed: 1 October 2018

Qualifications

BCom Honours in Accounting Science;
BCompt Honours – Unisa;
Public Sector Governance – Unisa School of Business Leadership; Articles with PwC; Member of the Institute of Directors.
Recently completed training on Global Reporting Initiative on Sustainability Reporting, Carbon Tax Assessment, Oil and Gas Value Chain incorporating Upstream, Middle and Downstream.

Board Committee Membership

Chairperson of the Gaming Committee
Member of the Technical Committee on Legal and Transformation Matters

Experience and expertise

Ms Shaila Hari is a member of the Institute of Directors in Southern Africa and serves as a consultant in the field of corporate finance, public-sector governance, and social and ethics matters.

Ms Hari also serves as the following:

- International Association of Gaming Regulators: Member of Statistical and Technical committees
- Sizwe Medical Aid Fund: Audit Committee
- Non-executive Director of Board Longyear, South Africa: Chairperson of Social and Ethics Committee
- Council on Higher Education: Member of the Audit Committee and ICT Committee
- European and Developing Countries Clinical Trials Partnership EDCTP-Hague: Audit Committee
- Department of Transport: Audit Committee

Her past directorships and Audit Committee memberships include:

- Non-executive Director-Spanjaard Limited: Chairperson of Audit Committee, Chairperson of Social and Ethics Committee, Chairperson of Remuneration Committee
- Construction Education Training Authority (CETA): Chairperson of the Audit Committee
- Air Traffic Navigation Services: Non-executive Director and Chairperson of Social and Ethics Committee
- Chairperson of Audit and Risk Committee of the following:
 - International Trade and Administration Commission of South Africa
 - National School of Government
 - National Department of Housing
 - National Department of Communications
- Member of the Audit Committee of the following:
 - Gauteng Economic Development Agency
 - Government Employee Medical Scheme
 - Medical Research Council
 - South African Pharmaceutical Council
 - Department of Social Development

BOARD MEMBER

Mr Leon G Marincowitz

Appointment date

1 October 2015

Reappointed: 1 October 2018

Qualifications

BA General – University of Pretoria (UP);
BA Honours in Philosophy – UP; Masters in Philosophy – University of Johannesburg

Board Committee Membership

Chairperson of the Corporate Committee.
Member of the Social Ethics and Responsible Gambling Committee, Technical Committee on Legal and Transformation Matters and Board EXCO

Experience and expertise

Mr Leon G Marincowitz is an experienced business and real estate investor in Johannesburg, where he founded his own investment firm focused on solving peoples' property problems, while creating above-market returns. He is an experienced non-executive director, returning to the GGB in his second appointment. He also serves on the Gauteng Enterprise Propeller (GEP) and chairs the Business Development Committee.

Previously, he has served on the inaugural Gauteng Youth Commission as a Commissioner of Youth and volunteered in several non-governmental organisations (NGOs) in the country and across the continent. Mr Marincowitz has also published several academic papers and presented papers at local and international conferences.

BOARD MEMBER

Mr Thulani Sithole

Appointment date

1 October 2015

Reappointed: 1 October 2018

Qualifications

BCom – University of North Dakota; Higher Diploma in Tax – Rand Afrikaans University; BCom Honours – University of Pretoria; Leadership Development Programme (GIBS); MCom – University of North-West (in progress)

Board Committee Membership

Chairperson of the Social, Ethics and Responsible Gambling Committee, Member of the Audit and Risk Committee and Board EXCO

Experience and expertise

Mr Thulani Sithole has served as a board member in various organisations such as the Gauteng Enterprise Propeller (GEP) and TRG International. He is a member of the National Working Group of the National Audit Committee Forum and an invitee to King IV™ as a participant.

His areas of aptitude include risk management, and audit and tax competencies, Treasury Regulations, the PFMA, King IV™, GAAP, Tax Law and IFRS, advisory, strategy development and implementation, organisational reengineering and transformation, efficient stakeholder alignment, strategic investment and financing expertise. Mr Sithole is a social activist and social entrepreneur. He is the Founder of SFFG, which promotes entrepreneurship among youths.

BOARD MEMBER

Ms Matsi Bonolo Modise

Appointment date

1 October 2018

Qualifications

BCom in Marketing and Advanced Management – University of the Witwatersrand

Board Committee Membership

Member of the Social, Ethics and Responsible Gambling Committee, and the Audit and Risk Committee

Experience and expertise

Ms Matsi Bonolo Modise is the Founder and CEO of Furaha Afrika Holdings (Pty) Ltd, with subsidiaries including Furaha Solutions (a joint venture partnership with Work Force, a listed AltX-JSE company), Furaha Investments and Advisory. Her experience ranges from investment banking, enterprise development and building entrepreneurship ecosystems on the African continent. She is an advisory board member on the Barclays Africa Shared Growth Advisory Board, Agri-Vie Private Equity Fund, a non-executive board member of The Innovation Hub, a subcommittee member of the South African Venture Capital/Private Equity Association (SAVCA) and a trustee of the MMI Masikhululise Trust.

BOARD MEMBER

Mr Pholoso Andrew Matjele

Appointment date

1 October 2018

Qualifications

Master's in Business Administration (MBA) – Regenesys School of Business; BCom in Marketing and Business Management – Damelin; Postgraduate Diploma in Advanced Business Management – University of Johannesburg; Certificate in Investment and Finance – University of the Witwatersrand; Communications and Business Environment Certificate – University of Natal; Media Certificate – Media and Training Centre; PhD in Organisational Development and Leadership – Unisa (currently enrolled)

Board Committee Membership

Member of the Corporate Committee and Social, Ethics and Responsible Gambling Committee

Experience and expertise

- Director and Shareholder at Spectrum Utility Management, a subsidiary in the DMB Holdings Group of Companies
- Board member at Manufacturing Accelerator Programme (MAP-SA)
- Management consultant for Nokubusa-Ernst & Young Joint Venture
- Research Strategist and Research Project Manager in the Department of Applied Chemistry at the University of Johannesburg
- National Outreach Manager for Love Life Trust and Miles & Associates, Success by Choice International Consulting
- National Outreach and Assessment Manager for Love Life Trust
- Gauteng Regional Project Manager for Champs Retail Africa (Pty) Ltd
- Foreign Exchange and Home Loans Consultant at Absa
- Trainer and facilitator for UNICEF and Miles & Associates, Success by Choice International Consulting
- Financial Officer at the Road Accident Fund

BOARD MEMBER

Ms Shoba Chiboo

Appointment date 1 October 2018

Qualifications

BA Law – University of the Witwatersrand (Wits); Energy Law Diploma – Wits; Accredited Mediator – University of Stellenbosch; International Commercial Mediator – Centre for Effective Dispute Resolution (CEDR) (UK); Construction Adjudication Programme – University of Pretoria

Board Committee Membership

Member of the Corporate Committee and Technical Committee on Legal and Transformation Matters

Experience and expertise

Ms Shoba Chiboo is an Admitted Attorney and a registered International Commercial Mediator. Her expertise is in construction and engineering law, including commercial and contract management and construction claims. She has advised on mitigation of commercial risk and assisted with the implementation of risk management frameworks, and has attended to a wide array of legal matters and contract drafting, including engineering, procurement and construction contracts, construction and engineering contracts, memoranda of understanding, joint venture and consortium agreements, and enterprise development agreements.

BOARD MEMBER

Ms Thabiso Kutumela

Appointment date 1 October 2018

Qualifications

BCom – Wits; LLB – Wits; LLM – Wits; Certificates in Advanced Company Law – Wits; Certificate in Risk, Compliance and Governance – Wits; Certificate in Competition Law – Wits

Board Committee Membership

Member of the Gaming Committee and the Technical Committee on Legal and Transformation Matters

Experience and expertise

Ms Thabiso Kutumela is an admitted attorney. She runs her own consulting company in which she advises clients on commercial law, corporate governance and administrative law.

Her expertise is in negotiating, drafting and the vetting of agreements. She also advises clients on compliance-related matters and has advised on the implementation of risk management frameworks. She is a member of the Institute of Directors in South Africa, and has received her certified director designation.

Ms Kutumela serves as the following:

- Member of the Appeals Board of the South African Institute for Drug-free Sport
- Chairperson of the National Home Builders' Registration Council's Disciplinary Committee.

BOARD MEMBER

Ms Yondie Metu

Appointment date 1 October 2018

Qualifications

Chartered Accountant (SA); BCom in Accounting – University of KwaZulu-Natal (UKZN); BCom Honours – UKZN; Graphic Design Certificate – University of Cape Town

Board Committee Membership

Deputy Chairperson of the Risk and Audit Committee; Member of the Gaming Committee

Experience and expertise

Ms Yondie Metu is a Chartered Accountant with experience and proficiency in providing financial solutions spanning different sectors, from the South African Revenue Service, the Auditor-General, Sasol and the Aveng Group. She is currently a director at YAM Solutions, providing solutions in financial and management accounting, investment and funding strategies, going-concern analysis, taxation, and internal audit and controls. She possesses a wide-ranging set of skills, from SAP, Buildsmart, Cognos Disclosure Management, Hyperion Financial Management and TM1. She is a member of the South African Institute of Chartered Accountants, the Institute of Directors in South Africa, as well as the Black Management Forum. She also serves as an Advisory Board Member for the African Leadership Academy.

BOARD MEMBER

Ms Zandile Mpungose

Appointment date 1 October 2018

Qualifications

BA Law – University of Durban-Westville (UDW); LLB – UDW; Certificate in Development Management for Community and Labour Studies – UDW; Diploma in Corporate Law – Rand Afrikaans University; LLM in Commercial Law – University of South Africa (Unisa); Certificate in Rural Telecoms – Delft University

Board Committee Membership

Member of the Corporate Committee and Technical Committee on Legal and Transformation Matters

Experience and expertise

Ms Zandile Mpungose is an Attorney in private practice who has many years' experience in senior and executive management in public sector entities and local government. She has a special interest in public sector law, property law, alternate dispute resolution mechanisms, policy development, governance, compliance management and regulation. She was admitted as an Attorney in 1997. Over the years, she has served on various boards and is involved in governance advisory and compliance management.

She is a former member of the Board of Directors of the Tshwane Economic Development Agency (TEDA), the Thaba Chweu Local Economic Development Agency (THALEDA) and a former Council Member of the Central Johannesburg College (CJC), where she played a strategic role in shaping the direction the different entities and agencies are taking in fulfilling their respective mandates.

She is a current member of the Regulation Committee for the Airports Company South Africa and the Air Traffic Navigation Services on behalf of the Ministry of Transport, where she does economic regulation in the aviation sector. She is also a member of the Department of Trade, Industry and Competition's Black Economic Empowerment (BEE) Commission's Governance Committees.

The table below summarises the Committee Membership 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 expiry of term of office | Membership in committees | Number of Board and Special Board meetings attended | Number of Board hearings attended |
|------------------------------|---|-------------------------------------|----------------------------------|---|---|-----------------------------------|
| Mr Mxolisi Zwane | Chairperson of the Board | Extended: 1 October 2018 | Resigned 9 February 2021 | Legal and Transformation Committee; EXCO | 9 of 9 | 3 of 3 |
| Ms Shaila Hari | Board Member | Extended: 1 October 2018 | Resigned 2 October 2020 | Gaming Committee Legal and Transformation Committee; EXCO | 5 of 9 | 3 of 3 |
| Mr Leon Marincowitz | Board Member | Extended: 1 October 2018 | Resigned 18 November 2020 | Corporate Committee Legal and Transformation Committee; EXCO | 9 of 9 | 3 of 3 |
| Mr Thulani Sithole | Board Member | Extended: 1 October 2018 | Resigned 9 February 2021 | Social, Ethics and Responsible Gambling Committee Corporate Committee Audit and Risk Committee EXCO | 6 of 9 | 3 of 3 |
| Mr Andrew Pholoso Matjele | Board Member | Appointed: 1 October 2018 | Resigned 9 February 2021 | Corporate Committee Social, Ethics and Responsible Gambling Committee | 9 of 9 | 3 of 3 |
| Ms Matshidiso Bonolo Modise | Board Member | Appointed: 1 October 2018 | Resigned 9 February 2021 | Social, Ethics and Responsible Gambling Committee Audit and Risk Committee | 7 of 9 | 3 of 3 |
| Ms Ntsoaki Ntsokolibane | Board Member | Appointed: 1 October 2018 | Resigned 30 September 2019 | Corporate Committee Audit and Risk Committee | 0 of 9 | 0 of 3 |
| Ms Shoba Chiboo | Board Member | Appointed: 1 October 2018 | Resigned 4 October 2020 | Corporate Committee Legal and Transformation Committee | 4 of 9 | 3 of 3 |
| Ms Simthandile Siwisa | Board Member | Appointed: 1 October 2018 | Resigned 31 December 2019 | Gaming Committee Social, Ethics and Responsible Gambling Committee | 0 of 9 | 0 of 3 |
| Ms Thabiso Vuyisile Kutumela | Board Member | Appointed: 1 October 2018 | Resigned 9 February 2021 | Gaming Committee Legal and Transformation Committee | 9 of 9 | 3 of 3 |
| Ms Zandile Mpungose | Board Member | Appointed: 1 October 2018 | Resigned 9 February 2021 | Corporate Committee Legal and Transformation Committee | 4 of 9 | 3 of 3 |
| Ms Yondie Awiwe Metu | Board Member | Appointed: 1 October 2018 | Resigned 9 February 2021 | Gaming Committee Audit and Risk Committee | 9 of 9 | 3 of 3 |

C4.5 Board Committees

In terms of the Gauteng Gambling Act, the Board may establish committees to assist in the execution of its duties, powers and authorities, including monitoring the performance of the organisation to gain assurance that progress is made towards the organisation's objectives, within the limits imposed by the Board. Each committee has clear terms of reference under which authority is delegated by the Board. The Office of the Company Secretary provides secretarial services to the Board and each of the committees. As such, the Board established the following permanent committees:

- **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.
- **Gaming Committee:** The Gaming Committee oversees the gambling activities on behalf of the Board and formulates policies on matters related thereto.
- **Social, Ethics and Responsible Gambling Committee:** The purpose of this Committee is to advise the Board on the formulation and implementation of responsible gambling policy and to assist the Board with the oversight of social and ethical matters relating to the GGB.
- **Corporate Committee:** The purpose of this Committee is to review, advise and make recommendations to the Board on matters relating to all corporate services matters such as human resources, facilities management, corporate governance and any other related matters as delegated by the Board.
- **Executive Committee of the Board (EXCO):** The EXCO is delegated with the responsibility to oversee the GGB's strategic direction, and provide guidance to the management team, and attend to all urgent matters where it is impossible for the Board to meet and when delegated by Board.
- **Technical Committee on Legal and Transformation Matters:** The role of the Committee is to assist the Board with oversight on transformation and legal matters relating to the GGB and the gambling sector.

The table below summarises the attendance of the various committees from 1 April 2020 until 31 March 2021.

| Name | Corporate Committee | Gaming Committee | Social, Ethics and Responsible Gambling Committee | Audit and Risk Committee | Legal and Transformation Committee | Board EXCO |
|--|---------------------|------------------|---|--------------------------|------------------------------------|------------|
| Total number of meetings | 2 | 2 | 2 | 5 | 3 | 0 |
| Mr Mxolisi Zwane | | | | | 3/3 | |
| Ms Shaila Hari | | 2/2 | | | 2/3 | |
| Mr Thulani Sithole | 2/2 | | 2/2 | 5/5 | | |
| Mr Leon Marincowitz | 2/2 | | 2/2 | | 3/3 | |
| Ms Zandile Mpungose | 1/2 | | | | 2/3 | |
| Ms Matsi Modise | | | 2/2 | 5/5 | | |
| Ms Thabiso Kutumela | | 2/2 | | | 3/3 | |
| Mr Pholoso Matjele | 2/2 | | 2/2 | | | |
| Ms Shoba Chiboo | 1/2 | | | | 1/3 | |
| Ms Yondie Metu | | 2/2 | | 5/5 | | |
| Mr Zola Fihlani (independent member) | | | | 5/5 | | |
| Dr Stephen Louw (independent member) | | 1/2 | 1/2 | | | |
| Ms Lulekwa Ngcwabe (independent member) | 1/2 | | | | | |
| Adv. Lentswe Mokgatle (independent member) | | | 2/2 | | | |
| Mr Krishna Govender (independent member) | | | | 2/5 | | |
| Prof Wedzerai Musvoto (independent member) | | | | 5/5 | | |

C4.6 Remuneration of Board members

The remuneration of Board members is paid out of the funds of the Board, as determined by the MEC after consulting with the Standing Committee of the Provincial Legislature responsible for financial matters. The latest review was in 2018 and the same rates are still applied in this financial year.

Even though the correspondence by the MEC makes reference to claiming travel expenses, that dispensation has never been actioned by the Board save for the South African Revenue Service (SARS)'s allowable subsistence allowance payable to Board members when travelling overseas. Such dispensation is governed by the GGB's Travel Policy.

The remuneration of the Board is disclosed in the annual financial statements.

C5. RISK MANAGEMENT

The GGB continued to embed an enterprise-wide risk management system within the GGB. This has marked a continuous improvement in the maturity of the risk management system, with a clear allocation of responsibilities across the Board and committees, management and employees.

The GGB is committed to an enterprise-wide risk management process that is in accordance with the provisions of the PFMA, Act No. 1 of 1999, and other prescripts of good governance, such as the King IV™ reports on Corporate Governance for South Africa. The GGB recognises risk management as an integral part of responsible management. The process is fully outlined in the Risk Management Framework, as well as in the policy and procedures.

During the year under review, the GGB continued to build on the existing foundation, which, among others, includes the following:

- Continuing with fraud, risk and ethics awareness workshops
- Strengthening the risk maturity within the entity at all levels by embedding the GGB's risk management culture
- Updating risk registers for all departments within the GGB, with allocated responsible senior managers and completion dates
- Reviewing the GGB's risk management policy and procedures
- Review of the strategic and operational risks and alignment of the internal audit plan accordingly
- Quarterly review of the Risk Register by the Senior Management Committee
- Quarterly reporting to the Audit and Risk Committee, which independently monitors the Risk Register

C6. INTERNAL CONTROL UNIT

The Internal Audit function is outsourced to Ngubane & Co, which acts as an independent business unit reporting administratively to the CEO and functionally to the Audit and Risk Committee, as provided for in the PFMA. Its main function is to give assurance to Management and the Board on the adequacy and effectiveness of controls, governance and risk management. At the beginning of each financial year, the Audit and Risk Committee approves the Internal Audit Plan, which is based on critical risks facing the GGB and covers all business units within the GGB. In the year under review, the Internal Audit Charter, within which Internal Audit functions, was reviewed and approved by the Audit and Risk Committee.

The GGB's Internal Audit complies with all the International Standards for Professional Practice of Internal Auditing, as issued by the Institute of Internal Auditors (IIA). This is predicated on the outcome of the External Quality Assessment Review, which adjudged Internal Audit to have obtained a "generally conforms" rating.

Performance during the period under review

During the period under review, Internal Audit did not complete all auditable areas as per the approved Internal Audit Plan as two audits were still in process at year-end.

The plan covered 11 auditable areas that spanned the following business units: Financial Management, Human Resources, the Compliance Division, Information Technologies, Socio-economic Development and Organisational Performance, which falls within the Office of the CEO. The two audits that were in still in progress at year-end were those for Cyber Security and Gaming Control.

The plan included reviews of the Quarterly Performance Information Report, the annual financial statements, and the follow-up on the Auditor-General and Internal Audit findings.

Relevant outcomes

The overall Internal Audit outcome was that the system of internal controls within the GGB is working as intended.

Strategic outlook

The Strategic Internal Audit Plan for 2021–2023 covers all high-risk areas that may impede the achievement of strategic and operational objectives and was approved by the Audit and Risk Committee.

C7. THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Board consisted of six non-executive members, three of whom were Board Members for the majority of the financial year. After the resignation of the Board members on 9 February 2021, the Audit and Risk Committee consisted of the remaining three independent members. It was subsequently confirmed by the Administrator as the current Audit and Risk Committee. The Audit and Risk Committee was and is chaired by an independent member. The Committee meets at least four times per annum. The Committee ensures effective communication between the Board, Internal Audit and the Auditor-General. The Auditor-General and Internal Audit have independent access to the Audit and Risk Committee.

The Audit and Risk Committee operates within an approved charter and has discharged its responsibilities for the year, in compliance with its terms of reference.

The Board has delegated the oversight of risk management to the Audit and Risk Committee. Its purpose is as follows:

- 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
- The review of the preparation of accurate and timely financial reports and statements by management

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

- The approval of non-audit services 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 Board's mandate in terms of the Act. Each year, the Board reviews and considers the risk profile of the whole business. This risk profile covers both operational and strategic risks. 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 the following:

- 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 ongoing 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 in place and regularly reviewed, and that all uninsured risks are reviewed and managed

Attendance of Audit and Risk Committee meetings by members

| Name | Qualifications | Date appointed | Date of expiry of term of office | Audit Committee meetings attended |
|------------------------------|--|--|---|-----------------------------------|
| Mr Zola Fihlani | CA(SA) BCom BCom CTA Higher Diploma in Tax Higher Diploma in International Tax Law MCom (Tax) | 27 October 2015 and reappointed 1 October 2018 | Current and term ending 30 September 2021 | 5 of 5 |
| Mr Thulani Sithole | BCom Higher Diploma in Tax BCom (Hons) Leadership Development Programme | 27 October 2015 and reappointed 1 October 2018 | Resigned 9 February 2021 | 5 of 5 |
| Prof Wedzerai Musvoto | DCom (Financial Management) MCom (Financial Management) BCom | 4 May 2016 and reappointed 1 October 2018 | Current and term ending 30 September 2021 | 5 of 5 |
| Mr Krishna Govender | CA(SA) BCom BCom (Hons) (Accounting) | 4 May 2016 and reappointed 1 October 2018 | Current and term ending 30 September 2021 | 2 of 5 |
| Ms Matsi Modise | BCom (Marketing and Advanced Management) | 1 October 2018 | Resigned 9 February 2021 | 5 of 5 |
| Ms Yondie Metu | CA(SA) BCom (Accounting) BCom (Hons) | 1 October 2018 | Resigned 9 February 2021 | 5 of 5 |

C8. COMPLIANCE WITH LAWS AND REGULATIONS

The Board is responsible for the compliance of statutory, regulatory, supervisory and best practice requirements, and as a result, it has ensured the establishment and maintenance of an effective legal compliance function. Business units are required to be familiar with laws and regulations that are relevant to the effective and efficient operations of the Board, and are required to monitor and evaluate compliance with such relevant legislations.

A comprehensive compliance framework, which defines the compliance universe and provides for compliance monitoring and reporting, was approved by the Audit and Risk Committee of the Board.

The Legal Services Department is mandated to assist the Board in the management of compliance risks and has, on a quarterly basis, reported on the level of compliance to the Audit and Risk Committee. In order to ensure compliance, the Board utilises a software tool to track and monitor the level of compliance with legislation.

Compliance with the Promotion of Access to Information Act

Three requests for information were received in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) (PAIA). Two have been dealt with and one is currently pending. The report on the requests was compiled and submitted to the South African Human Rights Commission (SAHRC), as required in terms of section 32 of PAIA.



C9. 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 a fraud prevention plan in place, which includes details on whistle-blowing. This emphasises the GGB's commitment to ensure that the Board's exposure to corrupt activity is constrained, mitigated, regularly monitored and subject to periodic risk assessments. The plan provides 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 in instances when they have reasonable grounds to believe that there are irregular activities involving the GGB.

Whistle-blowing provides the means for informing the GGB of any suspicious or reportable conduct, or any other inappropriate activity. The GGB pledges to do everything within its power and reach to protect a whistle-blower that has made a protected disclosure in terms of this policy.

The Tip-Offs Anonymous Hotline was also purposefully established to enable employees and all stakeholders within the gambling industry to report known or suspected incidents, without fear of 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.

The GGB does not tolerate acts of bribery or fraud and corruption by members of the Board, employees, contractors, suppliers and/or other business partners.

C10. 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 of the meeting.

A policy document is in place, which provides guidance and details of disclosures to be made. In scenarios where conflict of interest is identified, an evaluation is made of its materiality,

and corrective measures are taken to address the matter. The Gauteng Gambling Act furthermore provides detailed procedures on how conflict of interest for Board members should be handled.

All Supply Chain Management staff members have signed the Code of Conduct for SCM practitioners. In the year under review, no breach of the Code of Conduct has occurred. Further, segregation of duties has been implemented within the SCM Department as an additional control.

C11. CODE OF CONDUCT/ETHICS

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

Further, the GGB has developed a Code of Ethics that is aimed at preventing unethical behaviour and to promote and encourage ethical behaviour among 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.

Although responsibility for managing the Code of Ethics lies with the Social and Ethics Committee, the Accounting Authority is ultimately accountable for ethical business conduct at the GGB. Failure to follow the Code of Ethics can result in disciplinary action and possible dismissal.



C12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The Board is committed to ensuring a safe and healthy workplace for all its employees, visitors and invitees. The GGB has complied with and implemented all measures and guidelines as recommended by the World Health Organisation (WHO) relating to the Coronavirus disease (COVID-19) pandemic.

The Board complies with all relevant legislation, and in particular, the Occupational Health and Safety Act 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-efficient behaviour becoming a priority of national importance, the GGB recognises that it has a contribution to make towards environmental issues, particularly with regard to energy saving. To reduce our electricity usage, the building occupied by the GGB is fitted with energy-saving lights that automatically switch off when there is no movement in the area. Furthermore, during this financial year, the GGB installed solar panels to reduce the use of electricity.

C13. COMPANY SECRETARY

The Company Secretary is the head of Corporate Governance Services, which plays a vital role in ensuring the effectiveness of the Board and its committees, as well as the achievement of good corporate governance.

The Company Secretary ensures that the Board and Board Committee procedures are complied with and advises the Board and Board Committees on governance matters. The Company Secretary, in consultation with the Board

Chairperson, oversees the induction and performance evaluation of the Board and Board Committees. The Board is responsible for the selection and appointment of the Company Secretary in consultation with the CEO. All members of the Board have unrestricted access to the advice and services of the Company Secretary in pursuance and execution of their duties. The Company Secretary also assists in providing access to external independent professional advice at the Board's expense, when required.

C14. SOCIAL RESPONSIBILITY

This financial year brought financial restraints due to the COVID-19 pandemic and resultant lockdown. The GGB, as a result, had a constraint on the available budget for its corporate social investment programmes. The GGB did, however, reallocate funds for two projects: Pegasus NPO was engaged to fund a feeding scheme in communities that were in dire need. The distribution of food parcels took place in needy communities in and around Gauteng, and was implemented during the Level 5 lockdown. The total amount spent was R10.180 million.

The Gauteng Youth Council is a bursary scheme for disadvantaged students across all five regions of Gauteng. The amount paid out for student bursaries in this financial year totalled R3 million.

The total amount spent on Sports Development Fund projects in 2020/21 was R4.35 million.

The SDF invested in four programmes in 2020/21. The aim of supporting the programmes it funded was to ensure that the GGB's stakeholders are enabled and its people are able to participate in sporting competitions, that community sport facilities are sustained, that sport cohesion is supported and that sport equipment and training is available. Furthermore, it also ensures that sporting codes are nurtured and upheld, especially in disadvantaged communities.

The funded non-profit organisations achieved the following:

- Gauteng Sports Confederation developed sports toolkits for the youth. The project aimed to support the development of the Youth Sports Toolkit for the administrators and coordinators of sporting events. The project is part of the promotion of awareness on COVID-19 regulations and safety protocols at sporting events, and could also be used at home.

The project was able to reach almost 2 000 youth across all the regions of the province. The project cost was R450 000.

- The Gauteng Sports Confederation developed content for learning modules and materials for 54 sports federations and their clubs on COVID-19 regulations related to sporting activities in line with the Level 1 adjusted strategy. This project cost totalled R450 000.
- Molefe FC NPC promoted social cohesion through the KATHORUS Football Tournament with funding to the

amount of R450 000. The tournament was held under strict COVID-19 regulations and targeted the youth of Katlehong, Thokoza and Vosloorus (KATHORUS) through the participation of clubs from the abovementioned townships.

The SDF and CSI funds are distributed to approved beneficiaries in accordance with the Gauteng Gambling Act and the GGB's Social Economic Development Policy.

C15. THE SOCIAL, ETHICS AND RESPONSIBLE GAMBLING COMMITTEE

The Social and Ethics Committee of the Board consists of six non-executive members, all of whom are Board members. The Committee meets at least four times per annum.

The Social and Ethics Committee operates within an approved charter and has discharged its responsibilities for the year, in compliance with its terms of reference. The GGB is aware of its social responsibility and contributes towards the goal of eradicating poverty in the province. The Social and Ethics Committee is a Board-appointed committee that oversees the GGB's social responsibility. 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 do the following:

- Monitor the GGB's activities, while considering any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- Social and economic development
- Good corporate citizenship, including the GGB's promotion of equality, prevention of unfair discrimination, and reduction of corruption, as well as its contribution to the development of the communities in which its activities are predominantly conducted, or within which its products or services are predominantly marketed
- Recording sponsorships, donations and charitable giving
- The environment, health and public safety, including the impact of the GGB's activities and of its products or services
- Labour and employment, including the following:
 - Drawing matters within its mandate to the attention of the Board as an occasion requires
 - Reviewing and approving any application for financial assistance for CSI projects or from the SDF that is reasonably within its mandate. At the discretion of the Committee, applications for major monetary assistance will be reverted and recommended to the Board for final approval.

C16. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The gambling industry has a great potential to unlock the employment and empowerment for our people as part of building an inclusive economy. The GGB, as the regulator of this industry, has an important mandate to regulate this industry in a manner that will promote inclusive growth. In terms of the government policy and legislative framework, B-BBEE is one of the pillars utilised to promote an inclusive economy by ensuring

that persons who were previously disadvantaged are given an opportunity to participate in the economic benefits derived from gambling. Some of the legislative provisions include section 10 of the Broad-based Black Economic Empowerment Act, Act No. 53 of 2003, as amended, section 32 of the Gauteng Gambling Act of 1995, as amended and section 53 of the National Gambling Act, Act No. 7 of 2004.

B-BBEE compliance performance information

Has the public entity applied any relevant Code of Good Practice (B-BBEE certificate levels 1–8) with regards to the following:

| Criteria | Response | Discussion |
|--|----------|--|
| Determining qualification criteria for the issuing of licenses, concessions or other authorisations in respect of economic activity in terms of any law? | Yes | Licenses are approved according to specific B-BBEE shareholding status. This level of B-BBEE shareholding must also be maintained throughout the tenure of the license and is reviewed by the GGB's Compliance Audit Department. |
| Developing and implementing a preferential procurement policy? | Yes | The GGB's supply chain processes are aligned to the implementation of the preferential procurement policy. B-BBEE procurement spend relates to discretionary goods and services procured by the GGB. Achieving the targets for businesses owned by women, youth, and people living with disabilities continues to be a priority for the GGB. |
| Determining qualification criteria for the sale of state-owned enterprises? | N/A | The GGB is not involved in the sale of state-owned enterprises. |
| Developing criteria for entering into partnerships with the private sector? | N/A | The GGB does not enter into partnerships. |
| Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE? | Yes | The GGB's SED Policy outlines the promotion of equality and the prevention of unfair discrimination. This is enforced by the Board's Social and Ethics Committee. |

C17. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is established as an independent statutory committee in terms of the PFMA and the Gauteng Gambling Act. The GGB has adopted the King IV™ Report on Corporate Governance in South Africa, and the Audit and Risk Committee has complied with the principles and recommended practices of King IV™ during the period under review. We are pleased to present our report for the financial year ended 31 March 2021.

C17.1 Audit Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 51(1)(a)(ii) of the PFMA and Treasury Regulation 27.1. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, as well as reviewed changes in accounting policies and practices.

The PFMA, and particularly section 51(1)(a)(i), states that the accounting authority must ensure that the entity maintained an effective, efficient and transparent system of financial and risk management and internal control.

The CEO, Acting CFO, Acting Chief Operating Officer (COO), internal and external auditors, as well as some of the senior executive managers have a standing invitation to all meetings of the Committee.

C17.2 Governance of risk

The Audit and Risk Committee is responsible for ensuring that a risk management process is in place at the GGB. In this regard, the Committee can report that, at the meetings conducted during the year, it was informed that risks are being managed and that, over and above strategic risk assessment being executed, strategic and operational risks are managed on a continuous basis. Additional information regarding risk events and their effect on this annual report, are detailed elsewhere in the report.

C17.3 The effectiveness of internal control

The Audit and Risk Committee is responsible for ensuring that the GGB's Internal Audit function, which is outsourced, is independent and has the necessary resources, standing and authority within the GGB to discharge its duties.

The Audit and Risk Committee furthermore oversees cooperation between the internal and external auditors and serves as a link between the accounting authority and these functions. As indicated by the various reports of the internal auditors issued during the year under review, the system of internal control and the concomitant control environment within the GGB has improved.

The Audit and Risk Committee is pleased to report that there was no significant non-compliance with legal and regulatory provisions and that the policies and procedures of the GGB have been implemented.

C17.4 Quality of monthly and quarterly management reports submitted in terms of the PFMA

The Committee is satisfied that it received sufficient, reliable and timely information from management to enable it to fulfil its responsibilities. During the period under review, management presented monthly and quarterly management reports to enable the Committee to do the following:

- Monitor the integrity, accuracy and reliability of the financial position of the GGB
- Review the management accounts of the GGB and provide the accounting authority with an authoritative and credible view of the financial position of the GGB
- Review the GGB's internal financial and operational controls, as well as the risk management systems
- 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.

The Committee reviewed the quarterly and annual reports on the GGB's performance against predetermined objectives.

C17.5 Combined assurance

Internal Audit provides the Audit Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. The Committee thus gains combined assurance from Management, the various reports of the internal auditors, the Management Letter and the Audit Report on the annual financial statements of the AGSA.

C17.6 Evaluation of the annual financial statements

The Committee reviewed the GGB's annual financial statements for the year under review and is satisfied that they comply with the relevant financial reporting standards and that the accounting policies used are appropriate and consistent with those of prior years. The Committee recommended the approval of the annual financial statements and the integrated annual report to the Board.

The annual financial statements were reviewed with the following focus:

- Significant financial reporting judgements and estimates contained in the annual financial statements
- Clarity and completeness of disclosure and whether disclosures made have been set properly in context
- Changes in the accounting policies and practices
- Significant adjustments resulting from the audit
- Compliance with accounting standards and legal requirements
- Explanation for the accounting treatment adopted
- Reasons for year-on-year fluctuations
- Asset valuations and revaluations
- The basis for the going-concern assumption

C17.7 Auditor's Report

We have reviewed the entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately addressed.

C17.8 Conclusion

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 Zola Fihlani
Chairperson of the Audit and Risk Committee
Gauteng Gambling Board
Date: 31 July 2021



PART D

HUMAN RESOURCE MANAGEMENT



D1. INTRODUCTION

The COVID-19 pandemic brought significant changes to the culture of the organisation. The GGB's employees and management were forced to respond with resilience, while we were striving to reach the organisational objective through the optimal use of our human resources. The GGB had to prioritise the health and safety of its colleagues by fast-tracking initiatives that support the well-being of our people.

D1.1 Human Resources rolls up its sleeves

The COVID-19 pandemic brought sadness, pain and frustration to a lot of our people. The GGB prides itself with the support it is able to afford employees through its outsourced Employee Wellness Programme, which is available to all employees and their families. Employees are constantly reminded to use this facility. Statistics without employee identification shows that they are taking advantage of the programme. The service offered cuts across stress management, financial management and coping with loss. Our greatest strength is our people. The pandemic threatened the health and safety of our people. Health and safety committees have always been in place. We continue to strive for zero injuries. Health and safety initiatives such as first aid kits, emergency evacuation drills, and site inspections to promote health and safety are in place. These basics played a major role as we upgraded the safety of the workplace to ensure that we were COVID-19 compliant as advocated by the government. During the period under review, the GGB's human resources (HR), occupational health and safety representatives, and senior managers had to roll up their sleeves to ensure that we faced the unprecedented challenge as presented by the pandemic. The COVID-19 protocols were developed, communicated and adhered to. This was evident in the health status of our employees as at the end of the financial year, and also in the success of our occupational health and safety compliance audit results.

D1.2 Successfully responding with great attitude

All employees signed their annual performance contracts, which are appraised at mid-term and at the end of the financial year. In 2020, we had to adjust our plans and behaviour to meet the challenges of the space in which we operate. HR partnered with IT to ensure that business transformation enabled by the technology was realised. The work-from-home strategy was developed and rolled out to all staff members. Employees were trained in the use of new technology. The work-from-home strategy would not have been successful without the aggressive deployment of technology that was adopted by our teams. Our teams quickly responded with great attitudes towards the evolving environment, which was without a doubt volatile, uncertain, complex and ambiguous. This is evident in the GGB's performance results.

D1.3 Continued learning and development in the face of adversity

The GGB continued to invest in skills that are critical to the organisation as part of its talent management approach. During the year under review, the GGB offered more tertiary bursaries than short-term training interventions. This is to ensure that the GGB is able to meet the current and future core capabilities and achieve the GGB's mandate. Digital training became the new vehicle for training initiatives, and the GGB was able to adjust and benefit from the planned initiatives.

D1.4 Safe return to the office

The GGB's HR Unit has had to shift the approach to policy development. The new era during and after the COVID-19 pandemic has presented compelling circumstances for HR to review its policies. While the GGB's executives may be prompted to create more conversation and dialogue around the safe return to the workplace, policies that are in line with the new standards and regulations must be developed to ensure safety and compliance. Facilities management therefore became one of HR's future goals.

D1.5 Challenges encountered as we walk together

The HR Unit had employee relations challenges in the compensation and rewards area of specialisation. While the GGB prides itself with the rewards that it is able to afford its employees, it is inevitable that it may need to evolve and review the policies and procedures that are applicable in this space. Due to the COVID-19 pandemic, we had to reduce some project expenses, such as training expenses, which were on the original plan for the year. The budget was redirected to business priorities and to ensure the GGB's staff's safety and well-being.

D1.6 What does the future hold?

HR has to ensure that the GGB has compliant policies in line with the changed environment in which we find ourselves. The major focus areas are facilities management and employee relations.

D2. HUMAN RESOURCES OVERSIGHT STATISTICS

D2.1 Personnel cost by programme, activity or objective

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

| Programme | Personnel expenditure | Personnel expenditure as a percentage of total expenditure | Number of employees at year-end | Average personnel cost per employee |
|------------------------------|-----------------------|--|---------------------------------|-------------------------------------|
| Office of the CEO | 8 722 970 | 7.4% | 4 | 2 180 743 |
| Office of the COO | 761 762 | 0.6% | 1 | 761 762 |
| Company Secretariat | 4 838 347 | 4.1% | 5 | 967 669 |
| Compliance Audit | 24 119 475 | 20.5% | 25 | 964 779 |
| Gaming Control | 15 089 413 | 12.9% | 16 | 943 088 |
| Licensing and Investigations | 11 472 800 | 9.8% | 14 | 819 486 |
| Legal and Law Enforcement | 10 747 693 | 9.2% | 10 | 1 074 769 |
| Human Resources | 8 758 598 | 7.5% | 12 | 729 883 |
| Finance | 15 061 556 | 12.8% | 16 | 941 347 |
| Information Technology | 10 330 447 | 8.8% | 8 | 1 291 306 |
| Social Economic Development | 3 314 037 | 2.8% | 4 | 828 509 |
| Communications | 4 155 946 | 3.5% | 4 | 1 038 987 |
| | 117 373 045 | 100.0% | 119 | 986 328 |

D2.2 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 Levy and other staff-related provisions.

| Level | Personnel expenditure | Personnel expenditure as a percentage of total expenditure | Number of employees at year-end | Average personnel cost per employee |
|--------------------------|-----------------------|--|---------------------------------|-------------------------------------|
| Top Management | 9 574 121 | 8.2% | 2 | 4 787 060 |
| Senior Management | 18 051 113 | 15.4% | 8 | 2 256 389 |
| Professionally qualified | 28 110 392 | 23.9% | 20 | 1 405 520 |
| Technically skilled | 52 202 379 | 44.5% | 68 | 767 682 |
| Semi-skilled | 7 023 888 | 6.0% | 13 | 540 299 |
| Unskilled | 2 411 151 | 2.1% | 8 | 301 394 |
| | 117 373 045 | 100.0% | 119 | 986 328 |

D2.3 Performance rewards

| Level | Performance rewards | Personnel expenditure | Percentage of performance rewards to total personnel cost |
|--------------------------|---------------------|-----------------------|---|
| Top Management | 758 431 | 9 574 121 | 0.6% |
| Senior Management | 3 521 611 | 18 051 113 | 3.0% |
| Professionally qualified | 3 846 733 | 28 110 392 | 3.3% |
| Technically skilled | 7 123 191 | 52 202 379 | 6.1% |
| Semi-skilled | 1 034 814 | 7 023 888 | 0.9% |
| Unskilled | 206 990 | 2 411 151 | 0.2% |
| | 16 491 770 | 117 373 045 | 14.1% |

Performance rewards include gratuity payments.

D2.4 Training Interventions and bursaries

Training interventions are conducted with the approved personal development plans of individual staff:

| Programme | Personnel expenditure | Training expenditure | Training expenditure as a percentage of personnel cost | Number of employees trained | Average training cost per employee |
|------------------------------|-----------------------|----------------------|--|-----------------------------|------------------------------------|
| Office of the CEO | 8 722 970 | 41 500 | 0.04% | 4 | 10 375 |
| Office of the COO | 761 762 | 18 270 | 0.02% | 1 | 18 270 |
| Company Secretariat | 4 838 347 | 392 240 | 0.33% | 5 | 78 448 |
| Compliance Audit | 24 119 475 | 71 860 | 0.06% | 25 | 2 874 |
| Gaming Control | 15 089 413 | 159 199 | 0.14% | 16 | 9 950 |
| Licensing and Investigations | 11 472 800 | 112 500 | 0.10% | 14 | 8 036 |
| Legal and Law Enforcement | 10 747 693 | 130 000 | 0.11% | 10 | 13 000 |
| Human Resources | 8 758 598 | 93 150 | 0.08% | 12 | 7 763 |
| Finance | 15 061 556 | 208 042 | 0.18% | 16 | 13 003 |
| Information Technology | 10 330 447 | 74 530 | 0.06% | 8 | 9 316 |
| Social Economic Development | 3 314 037 | 41 160 | 0.04% | 4 | 10 290 |
| Communications | 4 155 946 | 37 130 | 0.03% | 4 | 9 283 |
| | 117 373 045 | 1 379 581 | 1.2% | 119 | 11 593 |

D2.5 Employment and 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.

| Programme | 2019/20 Number of employees | 2020/21 Approved posts | 2020/21 Number of employees | 2020/2021 Vacancies | Percentage of vacancies |
|------------------------------|-----------------------------|------------------------|-----------------------------|---------------------|-------------------------|
| Office of the CEO | 5 | 9 | 4 | -7 | 5% |
| Office of the COO | 2 | 2 | 1 | -1 | 1% |
| Company Secretariat | 5 | 8 | 5 | -3 | 2% |
| Compliance Audit | 22 | 29 | 25 | -2 | 1% |
| Gaming Control | 17 | 19 | 16 | -2 | 1% |
| Licensing and Investigations | 12 | 13 | 14 | 1 | 1% |
| Legal and Law Enforcement | 10 | 10 | 10 | -1 | 1% |
| Human Resources | 12 | 16 | 12 | -3 | 2% |
| Finance | 15 | 18 | 16 | -4 | 3% |
| Information Technology | 7 | 9 | 8 | 0 | – |
| Social Economic Development | 4 | 4 | 4 | 0 | – |
| Communications | 4 | 5 | 4 | -1 | 1% |
| | 115 | 142 | 119 | -23 | 16% |

| Level | 2019/20 Number of employees | 2020/21 Approved posts | 2020/21 Number of employees | 2020/21 Vacancies | Percentage of vacancies |
|--------------------------|-----------------------------|------------------------|-----------------------------|-------------------|-------------------------|
| Top Management | 3 | 4 | 2 | -2 | 1% |
| Senior Management | 8 | 8 | 8 | 0 | – |
| Professionally qualified | 19 | 25 | 20 | -5 | 4% |
| Technically skilled | 64 | 81 | 68 | -13 | 9% |
| Semi-skilled | 13 | 16 | 13 | -3 | 2% |
| Unskilled | 8 | 8 | 8 | 0 | – |
| | 115 | 142 | 119 | -23 | 16% |

D2.6 Employment changes

The GGB has a very stable workforce with a low employee turnover rate. The table below summarises the employment changes during the 2020/21 financial year.

| Level | Employment at beginning of period | Appointments | Terminations | Employment at the end of the period |
|--------------------------|-----------------------------------|--------------|--------------|-------------------------------------|
| Top Management | 3 | 0 | 1 | 2 |
| Senior Management | 8 | 1 | 1 | 8 |
| Professionally qualified | 19 | 3 | 2 | 20 |
| Technically skilled | 64 | 4 | 0 | 68 |
| Semi-skilled | 13 | 1 | 1 | 13 |
| Unskilled | 8 | 1 | 1 | 8 |
| | 115 | 10 | 6 | 119 |

D2.7 Reasons for staff leaving

| Reason | Number | Percentage of total number of staff leaving |
|------------------------------|--------|---|
| Resignation | 2 | 33 |
| Retirement | 1 | 16 |
| Temporary contract completed | 3 | 50 |
| | 6 | 100 |

D2.8 Labour relations: misconduct and disciplinary action

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

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

D2.9 Equity target and employment equity status

The GGB uses the national economically active population by race and gender as its benchmark for equity targets and representation. The table below summarises the national economically active population by gender and race. The HR Department is actively managing the recruitment process of the existing vacancies to ensure that priority is given to those targets that require attention.

| Levels | MALE | | | | | | | |
|--------------------------|---------|--------|----------|--------|---------|--------|---------|--------|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 2 | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 3 | 3 | 0 | 0 | 1 | 1 | 0 | 0 |
| Professionally qualified | 10 | 10 | 0 | 0 | 0 | 0 | 3 | 0 |
| Technically skilled | 36 | 40 | 2 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled | 2 | 8 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unskilled | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 54 | | 2 | | 1 | | 3 | |

| Levels | FEMALE | | | | | | | |
|--------------------------|---------|--------|----------|--------|---------|--------|---------|--------|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 4 | 6 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professionally qualified | 4 | 15 | 0 | 0 | 0 | 0 | 3 | 0 |
| Technically skilled | 31 | 41 | 1 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled | 9 | 8 | 0 | 0 | 0 | 0 | 2 | 0 |
| Unskilled | 5 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 53 | | 1 | | 0 | | 5 | |

| Levels | DISABLED STAFF | | | |
|--------------------------|----------------|--------|----------|--------|
| | African | | Coloured | |
| | Current | Target | Current | Target |
| Top Management | | | | |
| Senior Management | | | | |
| Professionally qualified | | | | |
| Technically skilled | 1 | 1 | 0 | 1 |
| Semi-skilled | | | | |
| Unskilled | | | | |
| | 1 | 1 | 0 | 1 |



PART E FINANCIAL INFORMATION



E1.

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Gauteng Gambling Board set out on pages 64 to 109, which comprise the Statement of Financial Position as at 31 March 2021, the Statement of Financial Performance, Statement of Changes in Net Assets, Cash Flow Statement and the Statement of Comparison of Budget and Actual Amounts for the year then ended, as well as Notes to the Financial Statements, including a Summary of Significant Accounting Policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Gambling Board as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the PFMA.

Basis for opinion

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

Responsibilities of the accounting authority for the financial statements

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

Auditor-General's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this Auditor's Report.

Report on the audit of the Annual Performance Report

Introduction and scope

10. In accordance with the Public Audit Act, Act No. 25 of 2004 (PAA), and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the Annual Performance Report. I performed procedures to identify material findings, but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of the achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's Annual Performance Report for the year ended 31 March 2021:

| Programme | Pages in the Annual Performance Report |
|-----------------------------------|--|
| Programme 2 – Gambling Regulation | 26 and 28 |

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify material findings on the usefulness and reliability of the reported performance information for the following programme:
- Programme 2 – Gambling Regulation

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the Annual Performance Report on pages 26 to 30 for information on the achievement of planned targets for the year and Management's explanations provided for the under-achievement of targets.

Report on the audit of compliance with legislation

Introduction and scope

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

Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the Auditor's Report and those selected programmes presented in the Annual Performance Report that have been specifically reported in this Auditor's Report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the Annual Performance Report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. No material inconsistencies were identified.

Internal control deficiencies

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

Other reports

24. There is an investigation that is currently being conducted at the parent provincial department that could potentially have an impact on the public entity's financial statements and compliance with applicable legislation or other related matters. The investigation was in progress at the date of this report.

Auditor-General

Johannesburg
31 July 2021



Annexure – Auditor-General's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this Auditor's Report, I also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than of one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
 - Conclude on the appropriateness of the accounting authority's use of the going-concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Gauteng Gambling Board to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention, in my Auditor's Report, to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this Auditor's Report. However, future events or conditions may cause a public entity to cease operating as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

**E2.**

INTRODUCTION TO THE ANNUAL FINANCIAL STATEMENTS

E2.1 General Information

| | |
|---|--|
| Country of incorporation and domicile | South Africa |
| 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 |
| Chief Executive Officer | Mr S Ngubeni |
| Acting Chief Financial Officer | Mr O Maripane |
| Board Secretary | Ms N Matanzima |
| Bankers | Standard Bank Limited |
| Auditors | Auditor-General South Africa Chartered Accountants (SA) Registered Auditors |
| Telephone number | +27 11 581 4800 |
| Fax number | +27 11 581 4900 |
| Email address | info@ggb.org.za |
| Website address | www.ggb.org.za |

E2.2 Index

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

| | Page |
|--|-------------|
| Accounting Authority's Report | 63 |
| Statement of Financial Position | 64 |
| Statement of Financial Performance | 65 |
| Statement of Changes in Net Assets | 66 |
| Cash Flow Statement | 67 |
| Statement of Comparison of Budget and Actual Amounts | 68 |
| Accounting Policies | 69 |
| Notes to the Annual Financial Statements | 90 |

E3. ACCOUNTING AUTHORITY'S REPORT

Accounting Authority

The members of the entity during the 12 months and to the date of this report are as follows:

| Name | Changes |
|-----------------------------|---------------------------|
| M Zwane (Chairperson) | Resigned 9 February 2021 |
| S Hari (Deputy Chairperson) | Resigned 2 October 2020 |
| L Marincowitz | Resigned 18 November 2020 |
| T Sithole | Resigned 9 February 2021 |
| A Matjele | Resigned 9 February 2021 |
| S Chibobo | Resigned 4 October 2020 |
| Z Mpungose | Resigned 9 February 2021 |
| M Modise | Resigned 9 February 2021 |
| Y Metu | Resigned 9 February 2021 |
| T Kutumela | Resigned 9 February 2021 |

The annual financial statements set out on page 64 to 109, which have been prepared on the going-concern basis, were approved by the accounting authority on 31 May 2021.

In terms of section 49(2)(b) of the PFMA, if the public entity does not have a controlling body, the CEO or another person in charge of the public entity is the accounting authority for that public entity unless specific legislation applicable to that public entity designates another person as the accounting authority. On 6 April 2021, the MEC of the Gauteng Department of Economic Development appointed Administrator Advocate FJ Nalane SC as the accounting authority, effective from 6 April 2021, for a period of six months, in the absence of the Board. The annual financial statements were signed by Advocate Nalane:



Administrator
Advocate FJ Nalane SC

E4. STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

| | | 31 March 2021 | 31 March 2020 Restated |
|--|---------|----------------|---------------------------|
| | Note(s) | R'000 | R'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 2 | 247 759 | 292 932 |
| Receivables from exchange transactions | 4 | 19 166 | 12 245 |
| Receivables from non-exchange transactions | 3 | 7 248 | 1 714 |
| Deposits | 5 | 242 | 242 |
| Inventories | 6 | 1 507 | 1 561 |
| | | 275 922 | 308 694 |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 135 758 | 85 631 |
| Intangible assets | 8 | 27 423 | 17 168 |
| Heritage assets | 9 | 539 | 539 |
| | | 163 720 | 103 338 |
| Total assets | | 439 642 | 412 032 |
| Liabilities | | | |
| Current liabilities | | | |
| Finance lease obligation | 10 | 459 | 414 |
| Payables from exchange transactions | 11 | 45 927 | 25 136 |
| Collections for distributions | 12 | 113 996 | 124 258 |
| Accruals | 13 | 8 346 | 6 793 |
| Provisions | 14 | 11 901 | 18 392 |
| License fees received in advance | | 49 822 | 41 486 |
| | | 230 451 | 216 479 |
| Non-current liabilities | | | |
| Finance lease obligation | 10 | 290 | 749 |
| Total liabilities | | 230 741 | 217 228 |
| Net assets | | 208 901 | 194 804 |
| Reserves | | | |
| Revaluation reserve | 15 | 266 | 266 |
| Accumulated surplus | 16 | 208 634 | 194 538 |
| Total net assets | | 208 901 | 194 804 |

E5. STATEMENT OF FINANCIAL PERFORMANCE

| | | 31 March 2021 | 31 March 2020 |
|--|---------|------------------|------------------|
| | Note(s) | R'000 | R'000 |
| Revenue | | | |
| Revenue from non-exchange transactions | 17 | 85 403 | 89 903 |
| Revenue from exchange transactions | 17 | 91 609 | 126 573 |
| Rental income | | 158 | – |
| Interest received – investment | 17 | 5 447 | 7 132 |
| Government grants and subsidies | 18 | 44 370 | 33 000 |
| Total revenue | | 226 987 | 256 608 |
| Expenditure | | | |
| Employee-related costs | 19 | (140 263) | (129 830) |
| Administration | 20 | (1 378) | (3 431) |
| Depreciation and amortisation | | (4 440) | (4 239) |
| Reversal of impairments | | – | (7 639) |
| Finance costs | | (100) | (54) |
| Loss on disposal of assets and liabilities | | (51) | – |
| General expenses | 21 | (56 107) | (54 454) |
| Total expenditure | | (202 339) | (199 647) |
| Surplus for the 12 months | | 24 648 | 56 961 |

E6. STATEMENT OF CHANGES IN NET ASSETS

| | Revaluation reserve | Accumulated surplus | Total net assets |
|--|------------------------|------------------------|---------------------|
| | R'000 | R'000 | R'000 |
| Balance at 1 April 2019 | 15 862 | 132 717 | 148 579 |
| Changes in net assets | | | |
| Surplus to be retained | – | 4 920 | 4 920 |
| Prior year error adjustment (refer to Note 33) | – | 56 901 | 56 901 |
| Reversal of revaluation reserves – land and building | (15 596) | – | (15 596) |
| Total changes | (15 596) | 61 821 | 46 225 |
| Balance at 1 April 2020 restated | 266 | 194 538 | 194 804 |
| Changes in net assets | | | |
| Surplus surrendered to Provincial Treasury | – | (10 551) | (10 551) |
| Surplus for the year | – | 24 648 | 24 648 |
| Total changes | – | 14 097 | 14 097 |
| Balance at 31 March 2021 | 266 | 208 635 | 208 901 |
| Note(s) | 15 | | |

E7. CASH FLOW STATEMENT

| | Note(s) | 31 March 2021 R'000 | 31 March 2020 R'000 |
|---|---------|------------------------|------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Interest income | | 5 447 | 7 132 |
| Cash receipts from licensees and other institutions | | 221 540 | 249 476 |
| | | <u>226 987</u> | <u>256 608</u> |
| Payments | | | |
| Cash paid to suppliers and employees | | (206 771) | (187 779) |
| Net cash flows from operating activities | 23 | <u>20 216</u> | <u>68 829</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 7 | (54 549) | (3 469) |
| Capitalised development costs | 8 | (10 326) | (16 504) |
| Net cash flows from investing activities | | <u>(64 875)</u> | <u>(19 973)</u> |
| Cash flows from financing activities | | | |
| Finance lease payments | | (514) | — |
| Net increase/(decrease) in cash and cash equivalents | | <u>(45 173)</u> | <u>48 856</u> |
| Cash and cash equivalents at the beginning of the year | | 292 932 | 244 076 |
| Cash and cash equivalents at the end of the year | 2 | <u>247 759</u> | <u>292 932</u> |

E8. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on accrual basis

| | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|------------------|-------------|------------------|------------------------------------|--|-------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Revenue from non-exchange transactions | 80 003 | – | 80 003 | 85 403 | 5 400 | 32.1 |
| Revenue from exchange transactions | 107 486 | – | 107 486 | 91 609 | (15 877) | 32.2 |
| Rental income | – | – | – | 158 | 158 | 32.3 |
| Interest received – investment | 3 948 | – | 3 948 | 5 447 | 1 499 | 32.4 |
| Total revenue from exchange transactions | 191 437 | – | 191 437 | 182 617 | (8 820) | |
| Revenue from non-exchange transactions | | | | | | |
| Transfer revenue | 26 473 | – | 26 473 | 44 370 | 17 897 | 32.5 |
| Government grants and subsidies | | | | | | |
| Total revenue | 217 910 | – | 217 910 | 226 987 | 9 077 | |
| Expenditure | | | | | | |
| Personnel | (133 534) | – | (133 534) | (140 263) | (6 729) | 32.6 |
| Administration | (3 058) | – | (3 058) | (1 378) | 1 680 | 32.7 |
| Depreciation and amortisation | (4 987) | – | (4 987) | (4 440) | 547 | 32.8 |
| Finance costs | – | – | – | (100) | (100) | |
| General expenses | (76 331) | – | (76 331) | (56 107) | 20 224 | 32.9 |
| Total expenditure | (217 910) | – | (217 910) | (202 288) | 15 622 | |
| Operating surplus | – | – | – | 24 699 | 24 699 | |
| Loss on disposal of assets and liabilities | – | – | – | (51) | (51) | |
| Surplus before taxation | – | – | – | 24 648 | 24 648 | |
| Actual amount on comparable basis as presented in the budget and actual comparative statement | – | – | – | 24 648 | 24 648 | |

E9. ACCOUNTING POLICIES

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the Standards of GRAP, issued by the Accounting Standards Board in accordance with section 91(1) of the PFMA.

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below.

These accounting policies are consistent with the previous period.

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 entity 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. Significant judgements include the following:

Trade receivables

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

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 and tangible assets.

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 14 – Provisions.

Accounting policies

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.

Allowance for impairment

For receivables, an impairment loss is recognised in surplus or deficit (Statement of Financial Performance) 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.

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.

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.

Recognition

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

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

Property, plant and equipment is initially measured at cost.

Measurement at recognition

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). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Accounting policies

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.

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.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluation model

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.

When land and buildings are revalued, any accumulated depreciation at the date of their valuation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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 (Statement of Financial Performance) to the extent that it reverses the valuation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit (Statement of Financial Performance) in the current period. 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 asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Subsequent measurement

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses except for land and buildings, which are carried at the revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

| Item | Depreciation method | Average useful life |
|------------------------|---------------------|---------------------|
| Land | Straight-line | Indefinite |
| Buildings | Straight-line | 40–50 years |
| Furniture and fixtures | Straight-line | 20 years |
| Motor vehicles | Straight-line | 5 years |
| Office equipment | Straight-line | 25 years |

Accounting policies

| Item | Depreciation method | Average useful life |
|-----------------------|---------------------|---------------------|
| IT equipment | Straight-line | 4–10 years |
| Fixtures and fittings | Straight-line | 25 years |
| Finance leased assets | Straight-line | 3 years |

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

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

The depreciation charge for each period is recognised in surplus or deficit (Statement of Financial Performance) 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 (Statement of Financial Performance) 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 intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if:

- It is separable, i.e. is capable of being separated or divided from an 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.
- It 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.

Recognition

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity.
- The cost or fair value of the asset 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.

Measurement

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

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

Accounting policies

Subsequent measurement

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

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

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

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. For all other intangible assets, amortisation is provided on a straight-line basis over their useful life.

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, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Internally generated goodwill is not recognised as an intangible asset.

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

| Item | Depreciation method | Average useful life |
|---|---------------------|---------------------|
| Computer software, internally generated | Straight-line | Indefinite |
| Computer software | Straight-line | 3–20 years |

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 if 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 of the asset 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.

Initial measurement

Heritage assets are measured at cost.

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

Accounting policies

Subsequent measurement

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

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 heritage assets 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.

Derecognition

The entity derecognises a heritage asset on its 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 included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and lease back).

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.

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

- Financial assets
- Financial liabilities

Classification

The Board has the following types of financial assets 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 |
| Receivable from non-exchange transactions | Financial asset measured at amortised cost |
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Deposits | Financial asset measured at amortised cost |

Accounting policies

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 |
|---|--|
| Trade and other payables from exchange transactions | Financial liability measured at amortised cost |
| Collections for distributions | Financial liability measured at amortised cost |
| License fees received in advance | Financial liability measured at amortised cost |

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition

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.

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

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.

Accounting policies

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.

Accounting policies

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.
- 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 is 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 entity assesses the classification of each element separately.

Finance leases – lessee

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

Accounting policies

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 on the remaining balance of the liability.

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

Operating leases – lessee

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

1.9 Inventories

Inventories are initially measured at cost, except where inventories are acquired through a non-exchange transaction, 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. Inventories are measured at the current replacement cost where they are held for:

- Distribution at no charge or for a nominal charge
- 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 entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises 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 entity.

Inventory comprises stationery, consumables, marketing and promotional items 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 assets used with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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

Accounting policies

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

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

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

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

Criteria developed by the Board to distinguish cash-generating assets from non-cash-generating assets are as follows:

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 was tested for impairment before the end of the current reporting period.

Value in use

The 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 the 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.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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.

Accounting policies

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 entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

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 entity 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.
- 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 entity 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)
- 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 entity 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.

Accounting policies

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 the following:

- Its recoverable amount (if determinable)
- 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

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

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

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is:

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

Criteria developed by the Board to distinguish non-cash-generating assets from cash-generating assets are as follows:

Identification

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

Accounting policies

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 entity 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 asset's 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 current 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 entity 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 that 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.

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 entity 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 entity 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.

Accounting policies

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.

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 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as the following:

- 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 12 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 12 months after the end of the reporting period in which the employees render the related service
- 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 entity during a reporting period, the entity 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 entity 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.
- 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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance-related payments when the entity 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 entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

Termination benefits

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

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

Accounting policies

The entity is demonstrably committed to a termination when the entity 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
- 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 12 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 shall be 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
- 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.

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

Accounting policies

A constructive obligation to restructure arises only when an entity:

- Has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an 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.
- 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 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
- 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.

A contingent assets 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.

Contingent assets and contingent liabilities are recognised. Contingencies are disclosed in Note 26.

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 of 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 entity
- The stage of completion of the transaction at the reporting date can be measured reliably
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion.

Accounting policies

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.

Control of an asset arises when the Board can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the Board either receives value from another Board without directly giving approximately equal value in exchange, or gives value to another Board 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 in terms of laws or regulations, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting Board.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others. 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.

Accounting policies

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.

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.

Fines

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

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 fine will not be revenue of the collecting entity.

License fees

Revenue from license fees is recognised on an accrual basis in accordance with the terms of the license conditions and the Gauteng Gambling Act.

1.16 Borrowing costs

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

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current 12 months.

1.18 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the 12 months 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.

Accounting policies

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 the following:

- This Act
- The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act
- Any provincial legislation providing for procurement procedures in that provincial government

National Treasury Practice Note No. 4 of 2008/09, which was issued in terms of sections 76(1) to 76(4) of the PFMA, requires the following (effective from 1 April 2008):

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

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

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

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

1.20 Segment information

A segment is an activity of an entity:

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

Reportable segments are the actual segments that are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.21 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:

- Where the purchase orders are approved and contracted for as commitments
- Where the expenditure has been approved and the contract has been awarded at the reporting date
- Where disclosure is required by a specific Standard of GRAP

Accounting policies

1.22 Budget information

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

The approved budget covers the fiscal period from 1 April 2020 to 31 March 2021.

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.

1.23 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 those family members who may be expected to influence, or be influenced by that person in their dealings with the Board.

1.24 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)
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

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

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

1.25 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

1.26 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.

1.27 Offsetting

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

E10. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | 31 March 2021 | 31 March 2020 |
|--|----------------|----------------|
| | R'000 | R'000 |
| 2. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | – | 1 |
| Bank balances | 247 759 | 292 931 |
| | 247 759 | 292 932 |
| 3. Receivables from non-exchange transactions | | |
| Receivables – license fees, taxes and levies | 7 248 | 1 714 |
| 4. Receivables from exchange transactions | | |
| Gauteng Provincial Government: Collection commission | 15 021 | 7 415 |
| Staff receivables | 539 | 141 |
| Accrued bank interest | 353 | 976 |
| Sundry receivables | 3 253 | 3 710 |
| | 19 166 | 12 242 |
| 5. Deposits | | |
| Designated at fair value | | |
| City Power Johannesburg (SOC) Ltd. | 242 | 242 |
| 6. Inventories | | |
| Responsible gambling promotional materials and other | 1 507 | 1 561 |

7. Property, plant and equipment (figures in rand thousand)

| | 2021 | | | 2020 | | |
|------------------------|----------------|---|----------------|----------------|---|----------------|
| | Cost/valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost/valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 40 959 | – | 40 959 | 23 582 | – | 23 582 |
| Buildings | 80 246 | (1 563) | 78 683 | 45 618 | – | 45 618 |
| Furniture and fixtures | 6 065 | (2 550) | 3 515 | 5 871 | (2 259) | 3 612 |
| Motor vehicles | 1 033 | (566) | 467 | 1 033 | (361) | 672 |
| Office equipment | 4 028 | (1 339) | 2 689 | 3 702 | (1 188) | 2 514 |
| IT equipment | 9 264 | (4 331) | 4 933 | 8 768 | (4 083) | 4 685 |
| Leased assets | 1 323 | (618) | 705 | 1 323 | (182) | 1 141 |
| Furniture | 8 098 | (4 291) | 3 807 | 7 701 | (3 894) | 3 807 |
| Total | 151 016 | (15 258) | 135 758 | 97 598 | (11 967) | 85 631 |

Notes to the Annual Financial Statements

Reconciliation of property, plant and equipment – 2021

| | Opening balance | Additions | Disposals | Depreciation | Total |
|------------------------|-----------------|---------------|-------------|----------------|----------------|
| Land | 23 582 | 17 377 | – | – | 40 959 |
| Buildings | 45 618 | 34 628 | – | (1 563) | 78 683 |
| Furniture and fixtures | 3 612 | 194 | – | (291) | 3 515 |
| Motor vehicles | 672 | – | – | (205) | 467 |
| Office equipment | 2 514 | 325 | – | (150) | 2 689 |
| IT equipment | 4 685 | 1 628 | (51) | (1 329) | 4 933 |
| Leased assets | 1 141 | – | – | (436) | 705 |
| Furniture | 3 807 | 397 | – | (397) | 3 807 |
| Total | 85 631 | 54 549 | (51) | (4 371) | 135 758 |

Reconciliation of property, plant and equipment – 2020

| | Opening balance | Additions | Devaluations | Depreciation | Impairment loss | Total |
|------------------------|-----------------|--------------|-----------------|----------------|-----------------|---------------|
| Land | 23 582 | – | – | – | – | 23 582 |
| Buildings | 70 369 | – | (15 596) | (1 516) | (7 639) | 45 618 |
| Furniture and fixtures | 3 605 | 292 | – | (285) | – | 3 612 |
| Motor vehicles | 877 | – | – | (205) | – | 672 |
| Office equipment | 2 159 | 486 | – | (131) | – | 2 514 |
| IT equipment | 4 635 | 1 328 | – | (1 278) | – | 4 685 |
| Leased assets | 27 | 1 323 | – | (209) | – | 1 141 |
| Furniture | 4 150 | 39 | – | (382) | – | 3 807 |
| Total | 109 404 | 3 468 | (15 596) | (4 006) | (7 639) | 85 631 |

Pledged as security

No property, plant and equipment were pledged as security for liabilities

Finance lease assets relate to photocopier machines leased. (Also refer to Note 11: Deemed finance leases.)

Revaluation of land and building

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, Mr Themba Kunene, a professional valuer of Fair Prop Valuations at R69.2 million. The R69.2 million is a combination of land and buildings. The effective date of the revaluation was 31 March 2020. The professional valuer of Fair Prop Valuations 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 capitalisation rate. The GGB revalues its land and building after each three- to five-year cycle.

Notes to the Annual Financial Statements

8. Intangible assets (figures in rand thousand)

| | 2021 | | | 2020 | | |
|-------------------------------------|----------------|---|----------------|----------------|---|----------------|
| | Cost/valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost/valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 1 416 | (823) | 593 | 1 539 | (875) | 664 |
| Intangible assets under development | 26 830 | – | 26 830 | 16 504 | – | 16 504 |
| Total | 28 246 | (823) | 27 423 | 18 043 | (875) | 17 168 |

Reconciliation of intangible assets – 2021

| | Opening balance | Internally generated | Amortisation | Total |
|-------------------------------------|-----------------|----------------------|--------------|---------------|
| Computer software | 664 | – | (71) | 593 |
| Intangible assets under development | 16 504 | 10 326 | – | 26 830 |
| | 17 168 | 10 326 | (71) | 27 423 |

Reconciliation of intangible assets – 2020

| | Opening balance | Internally generated | Amortisation | Total |
|-------------------------------------|-----------------|----------------------|--------------|---------------|
| Computer software | 896 | – | (232) | 664 |
| Intangible assets under development | – | 16 504 | – | 16 504 |
| | 896 | 16 504 | (232) | 17 168 |

Pledged as security

No intangible assets were pledged as security for liabilities.

| 31 March 2021 | 31 March 2020 |
|---------------|---------------|
| R'000 | R'000 |

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets

| | | |
|---|--------|--------|
| Computer software, internally generated | 26 830 | 16 504 |
|---|--------|--------|

The R26.8 million relates to internally generated assets, which are currently being developed by the service provider appointed by the GGB. The GGB is currently developing a business automation system to improve internal processes and integrate to licensees' systems in order to improve the revenue collection process, as well improve licensees' interface experience.

Notes to the Annual Financial Statements

9. Heritage assets (figures in rand thousand)

| | 2021 | | | 2020 | | |
|-----------|----------------|---|----------------|----------------|---|----------------|
| | Cost/valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost/valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Paintings | 539 | – | 539 | 539 | – | 539 |

Reconciliation of heritage assets – 2021

| | Opening balance | Total |
|-----------|-----------------|-------|
| Paintings | 539 | 539 |

Reconciliation of heritage assets – 2020

| | Opening balance | Total |
|-----------|-----------------|-------|
| Paintings | 539 | 539 |

Pledged as security

No heritage assets were pledged as security for liabilities.

| 31 March 2021 | 31 March 2020 |
|---------------|---------------|
| R'000 | R'000 |

10. Finance lease obligation

Minimum lease payments due

- within one year
- in second to fifth year inclusive

Less: Future finance charges

Present value of minimum lease payments

Non-current liabilities

Current liabilities

| | |
|------------|--------------|
| 515 | 515 |
| 299 | 814 |
| 814 | 1329 |
| (65) | (166) |
| 749 | 1 163 |
| 290 | 749 |
| 459 | 414 |
| 749 | 1 163 |

The GGB applies GRAP 13 whereby certain assets, mainly photocopiers, are classified as deemed finance leases.

The average lease term is three years and the average effective borrowing rate is fixed at 17% (2019: 11%). Interest is fixed at the contract date. Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Notes to the Annual Financial Statements

| 31 March 2021 | 31 March 2020 |
|---------------|---------------|
| R'000 | R'000 |

11. Payables from exchange transactions

| | | |
|----------|--------|--------|
| Payables | 45 927 | 25 136 |
|----------|--------|--------|

12. Collections for distributions

Gambling taxes are collected on behalf of the GPG on a weekly basis from licensees and distributed to the province monthly. The GGB 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.

The amount is reflected under Current liabilities – Collections for distribution on the Statement of Financial Position.

Section 279(1) of the Gauteng Gambling Act was amended, effective 1 April 2019, whereby the 3% levies for Phumelela was abolished and transferred to the province to form part of the taxes of the Gauteng province.

| | | |
|---|----------------|------------------|
| Gauteng Provincial Administration | 79 837 | 94 224 |
| Sports Development Fund | 34 159 | 30 034 |
| | 113 996 | 124 258 |
| Reconciliation of taxes and levies collected | | |
| Gauteng Provincial Government | | |
| Betting tax | | |
| Provincial taxes | | |
| Totalisator – horse racing | 17 503 | 13 079 |
| Totalisator – other sport | 8 570 | 22 319 |
| On-course bookmakers – horse racing | 151 | 1 347 |
| On-course bookmakers – other sport | 1 355 | 2 945 |
| Off-course bookmakers – horse racing | 157 978 | 192 577 |
| Off-course bookmakers – other sport | 121 727 | 136 886 |
| | 307 284 | 369 153 |
| Gaming tax | | |
| Casinos – machines | 262 893 | 520 932 |
| Casinos – tables | 109 001 | 220 121 |
| Casinos – unclaimed dividends | 909 | 632 |
| Bingo | 40 684 | 79 818 |
| Limited payout machines | 58 802 | 96 166 |
| Total gambling tax | 472 289 | 917 669 |
| Taxes collected for the GPG | 779 573 | 1 286 822 |

Notes to the Annual Financial Statements

| | 31 March 2021 | 31 March 2020 |
|--|----------------|------------------|
| | R'000 | R'000 |
| Levies collected | | |
| Sports Development Fund levies | | |
| Levies | 32 075 | 35 610 |
| Interest earned | 581 | 672 |
| Total SDF collected | 32 656 | 36 282 |
| Total levies collected for SDF and Phumelela | 326 56 | 36 282 |
| Interest earned and penalties received | 904 | 4 063 |
| Grand total collected for distribution | 813 133 | 1 327 166 |
| Taxes and levies for distribution to beneficiaries at period end | (113 995) | (124 258) |
| | 699 138 | 1 202 908 |
| Taxes and levies distributed during the period | | |
| Gauteng Provincial Administration | 794 867 | 1 290 167 |
| Phumelela Gaming and Leisure Limited | – | 9 460 |
| Sports Development Fund | 28 530 | 15 482 |
| Less: Prior year-end collections distributed during the period | (124 259) | (112 201) |
| | 699 138 | 1 202 908 |
| 13. Accruals | | |
| Leave pay | 7 141 | 5 895 |
| 13th cheque | 1 205 | 898 |
| | 8 346 | 6 793 |

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 13th cheque bonuses to those employees who opted for their 13th cheque payment to be made annually during December.

14. Provisions

| | Opening Balance | Additions | Reversed during the year | Total |
|-------------------|-----------------|--------------|--------------------------|---------------|
| Legal proceedings | 1 000 | – | – | 1 000 |
| Bursary provision | 504 | – | (504) | – |
| Performance bonus | 16 888 | 10 901 | (16 888) | 10 901 |
| | 18 392 | 10901 | (17 392) | 11 901 |

Notes to the Annual Financial Statements

Reconciliation of provisions – 2020

| | Opening Balance | Additions | Utilised during the year | Total |
|-------------------|-----------------|---------------|--------------------------|---------------|
| Legal proceedings | 1 800 | – | (800) | 1 000 |
| Bursary provision | 504 | – | – | 504 |
| Performance bonus | 16 407 | 16 888 | (16 407) | 16 888 |
| | 18 711 | 16 888 | (17 207) | 18 392 |

The provision for performance bonus is created through the assessment of employees' performance throughout the year and the Board's practice of paying performance bonuses. The performance bonus is paid on or before August each year based on the performance policy of the organisation, each employee's performance score and based on the availability of budget. The estimated amount is based on historical payout and cannot be determined with certainty due to the factors stated that are determined after the financial year-end and approval by the accounting authority.

Legal proceedings provisions

The legal provisions relate to matters in which the Board's applications were dismissed and the courts awarded the legal cost of the applicant against the Board. No certainty exists as to the timing of when these amounts will be paid.

Bursary provisions 2020

Bursary provisions relate to outstanding amounts the National Student Financial Aid Scheme (NSFAS) has claimed from the Board for payments of students that the Board committed to fund in the 2016/17 and 2017/18 financial years. The amount is not certain as the Board has requested information from NSFAS to validate the claims.

| | 31 March 2021 | 31 March 2020 |
|--------------------------------|---------------|---------------|
| | R'000 | R'000 |
| 15. Revaluation reserve | | |
| Opening balance | 266 | 15 862 |
| Change during the year | – | (15 596) |
| | 266 | 266 |

The revaluation reserves are non-distributable reserves, which relate to the revaluation of land and buildings, and heritage assets. During the previous financial year, the GGB appointed a service provider to do the valuation of land and buildings, hence there is a movement within the revaluation reserve due to the devaluation of land and buildings. The non-distributable reserves are not distributable to the shareholder.

16. Accumulated surplus

In terms of section 17(6) of the Gauteng Gambling Act 1995, as amended, and section 53(3) of the PFMA, 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. The GGB opened with an accumulated surplus of R132.7 million in the 2019/20 financial year.

The accumulated surplus for the prior year increased by R61.8 million, which related to surplus realised in the 2019/20 financial year and a retained surplus of R4.9 million. The GGB's accumulated surplus closed with a balance of R194.5 million.

The accumulated surplus for the 2020/21 financial year had a net increase of R14 million, which related to the R24.6 million surplus realised during the current financial year and R10.5 million surrendered to the Provincial Revenue Fund. The accumulated surplus closed with a balance of R208.6 million at year-end.

Notes to the Annual Financial Statements

| | 31 March 2021 | 31 March 2020 |
|--|----------------|----------------|
| | R'000 | R'000 |
| 17. Revenue | | |
| Revenue from non-exchange transactions | 85 403 | 89 903 |
| Revenue from exchange transactions | 91 609 | 126 573 |
| Rental income | 158 | – |
| Interest received | 5 447 | 7 132 |
| | 182 617 | 223 608 |
| The amount included in other revenue arising from non-exchange transactions is as follows: | | |
| Taxation revenue | | |
| Penalties collected | – | 8 160 |
| License fees | 66 291 | 60 054 |
| Sports betting levies | 19 112 | 21 689 |
| | 85 403 | 89 903 |
| The amount included in other revenue arising from exchanges of goods or services is as follows: | | |
| Recoveries of investigation expenses | 400 | 1 134 |
| Collection commission | 64 513 | 102 626 |
| Application and registration fees | 3 812 | 20 793 |
| Sundry income | 22 884 | 2 020 |
| | 91 609 | 126 573 |

Sundry income consists of R15.8 million transferred from the SDF in line with section 100 of the Gauteng Gambling Act, and R1.4 million received from the Gauteng DED. There is also an amount of R4.5 million for the fogging of houses in Alexandra.

18. Government grants and subsidies

| | | |
|-----------------------------------|---------------|---------------|
| Operating grants | | |
| Government grant (operating) | 17 897 | – |
| Capital grants | | |
| Government grant | 26 473 | 33 000 |
| | 44 370 | 33 000 |
| Government grant (capital) | | |
| Current-year receipts | 26 473 | 33 000 |

A government grant of R33 million was received from the Gauteng DED in the 2019/20 financial year for the development of the business automation of the GGB. As at 31 March 2020, the Board had paid R16.5 million to the service provider (see note on intangible assets above) for business automation for 2019/20, which has been reduced by the unspent grant (refer to Note 32). For the current financial year, the Board capitalised an additional R10 million towards the project (also see the note on intangible assets above). The Board received an additional amount of R26.4 million for the current financial year.

The business automation development system had nine milestones. To date, only four milestones have been completed. There are still five milestones to be completed to fully meet the requirements of funding.

Notes to the Annual Financial Statements

| | 31 March 2021 | 31 March 2020 |
|---------------------------------------|---------------|---------------|
| | R'000 | R'000 |
| Government Grant (operational) | | |
| Current-year receipts | 26 600 | – |
| Revenue surrendered to GPG | (8 703) | – |
| | 17 897 | – |

The Board received approval from Provincial Treasury to retain R26.6 million in taxes and levies collected in March 2021 to supplement the Board's cash liquidity. Further to that, the Board received a letter from Provincial Treasury informing the Board about the fiscal consolidation process undertaken by the GPG. The province implemented budget cuts across the board in the province and the GGB was requested to set-off R8.7 million from the revenue collected and surrender it to the province. This was also approved by the Premier Budget Committee.

19. Employee-related costs

| | | |
|-------------------------------------|----------------|----------------|
| Salaries, bonuses and allowances | 117 629 | 108 783 |
| Medical aid – company contributions | 5 231 | 4 773 |
| Other employer contributions | 215 | 201 |
| Workman's Compensation | – | 189 |
| Skills Development Levy | 808 | 1 166 |
| Leave pay contribution | 1 627 | 1 682 |
| Defined contribution plans | 12 270 | 10 954 |
| Group life contributions | 2 483 | 2 082 |
| | 140 263 | 129 830 |

Remuneration of S Ngubeni – Chief Executive Officer

| | | |
|-----------------------|--------------|--------------|
| Annual remuneration | 3 227 | 3 024 |
| Allowance | 410 | 410 |
| 13th cheque | 299 | 282 |
| Performance bonus | 758 | 850 |
| Employer contribution | 872 | 835 |
| | 5 566 | 5 401 |

Remuneration of E Lalumbe – Chief Operating Officer

| | | |
|--|----------|--------------|
| Annual remuneration | – | 572 |
| Allowance | – | 9 |
| 13th cheque | – | 108 |
| Performance bonus | – | 711 |
| Contribution to UIF, medical and pension funds | – | 159 |
| Leave payout | – | 270 |
| | – | 1 829 |

* Mr Lalumbe passed away on 16 June 2019

Remuneration of M Mahlaba – Chief Financial Officer

| | | |
|--|--------------|--------------|
| Annual remuneration | 1 352 | 1 913 |
| Allowance | 20 | 30 |
| 13th cheque | 113 | 160 |
| Performance bonus | 210 | 348 |
| Contribution to UIF, medical and pension funds | 338 | 419 |
| Mutual settlement | 4 212 | – |
| Leave payout | 521 | – |
| | 6 766 | 2 870 |

Mr Mahlaba reached a mutual separation agreement with the GGB and settled out of court at the end December 2020.

Notes to the Annual Financial Statements

Remuneration of ZN Gumede – Senior Manager: Human Resources

| | 31 March 2021 | 31 March 2020 |
|--|---------------|---------------|
| | R'000 | R'000 |
| Annual remuneration | 1 840 | 1 747 |
| Allowance | 20 | 20 |
| 13th cheque | 151 | 146 |
| Performance bonus | 389 | 437 |
| Contribution to UIF, medical and pension funds | 450 | 420 |
| | 2 850 | 2 770 |

Remuneration of L Kobue – Senior Manager: Compliance

| | | |
|--|--------------|--------------|
| Annual remuneration | 1 999 | 1 884 |
| Allowance | 62 | 62 |
| 13th cheque | 168 | 161 |
| Performance bonus | 422 | 350 |
| Contribution to UIF, medical and pension funds | 440 | 422 |
| | 3 091 | 2 879 |

Remuneration of O Maripane – Acting Chief Financial Officer

| | | |
|------------------|-------|-----|
| Acting allowance | 1 579 | 749 |
|------------------|-------|-----|

Mr Maripane was appointed on 1 October 2019 as Acting Chief Financial Officer of the GGB

Remuneration of T Letshwiti – Senior Manager: Licensing

| | | |
|--|--------------|--------------|
| Annual remuneration | 1 977 | 1 871 |
| Allowance | 20 | 20 |
| 13th cheque | 163 | 156 |
| Performance bonus | 413 | 494 |
| Contribution to UIF, medical and pension funds | 452 | 429 |
| | 3 025 | 2 970 |

Remuneration of S Manganye – Chief Information Officer

| | | |
|--|--------------|--------------|
| Annual remuneration | 2 156 | 1 588 |
| Allowance | 270 | 270 |
| 13th cheque | 177 | 152 |
| Performance bonus | 466 | 67 |
| Contribution to UIF, medical and pension funds | 521 | 434 |
| | 3 590 | 2 511 |

Remuneration of TT Marimuthu – Senior Manager: Gaming

| | | |
|-----------------------|--------------|--------------|
| Annual remuneration | 1 979 | 1 867 |
| Allowance | 20 | 20 |
| 13th cheque | 163 | 155 |
| Performance bonus | 426 | 477 |
| Employer contribution | 528 | 503 |
| Acting allowance | 236 | 171 |
| | 3 352 | 3 193 |

Mr Marimuthu was appointed as Acting Chief Operation Officer from 18 June 2019.

Notes to the Annual Financial Statements

Remuneration of NM Matanzima – Board Secretary

| |
|-----------------------|
| Annual remuneration |
| Allowance |
| 13th cheque |
| Performance bonus |
| Employer contribution |

| 31 March 2021 | 31 March 2020 |
|---------------|---------------|
| R'000 | R'000 |
| 1 763 | 1 663 |
| 20 | 20 |
| 145 | 139 |
| 361 | 406 |
| 358 | 345 |
| 2 647 | 2 573 |

Remuneration of KT Mbele – Senior Manager: Social Economic Development

| |
|-----------------------|
| Annual remuneration |
| Allowance |
| 13th cheque |
| Performance bonus |
| Employer contribution |
| Leave payout |

| | |
|--------------|--------------|
| 663 | 1 492 |
| 73 | 176 |
| 61 | 137 |
| 357 | 297 |
| 143 | 341 |
| 206 | – |
| 1 503 | 2 443 |

Ms Mbele resigned at the end of July 2020.

Remuneration of RJ Motlhokwane – Senior Manager: Management Information System

| |
|-----------------------|
| Annual remuneration |
| Allowance |
| 13th cheque |
| Performance bonus |
| Employer contribution |

| | |
|--------------|--------------|
| 1 788 | 1 700 |
| 92 | 74 |
| 155 | 146 |
| 263 | 311 |
| 335 | 323 |
| 2 633 | 2 554 |

Remuneration of L Lukhwareni – Senior Manager: Legal Services

| |
|-----------------------|
| Annual remuneration |
| Allowance |
| 13th cheque |
| Performance bonus |
| Employer contribution |

| | |
|--------------|--------------|
| 1 967 | 1 856 |
| 20 | 20 |
| 162 | 155 |
| 423 | 350 |
| 524 | 500 |
| 3 096 | 2 881 |

Remuneration of B Simelane – Senior Manager: Social Economic Development

| |
|-----------------------|
| Annual remuneration |
| Allowance |
| 13th cheque |
| Employer contribution |

| | |
|------------|----------|
| 149 | – |
| 2 | – |
| 12 | – |
| 35 | – |
| 198 | – |

Ms B Simelane was appointed on 1 March 2021.

Notes to the Annual Financial Statements

| | 31 March 2021 | 31 March 2020 |
|---|---------------|---------------|
| | R'000 | R'000 |
| 20. Administrative expenditure | | |
| Administration and management fees – third party | 1 378 | 3 431 |
| Board and committee member emoluments for services rendered during the year: Includes Disciplinary Committee members' fees. | | |
| Zwane ME – Resigned 9 February 2021 | 151 | 348 |
| Hari S – Resigned 2 October 2020 | 86 | 341 |
| Marincowitz LG – Resigned 18 November 2020 | 118 | 231 |
| Sithole TI (Audit and Risk Committee member) – Resigned 9 February 2021 | 134 | 232 |
| Matjele A – Resigned 9 February 2021 | 91 | 269 |
| Chiboo S – Resigned 4 October 2020 | 71 | 157 |
| Mpungose Z – Resigned 9 February 2021 | 101 | 222 |
| Tsokolibane N – Resigned 2 October 2019 | – | 35 |
| Modise M (Audit and Risk Committee member) – Resigned 9 February 2021 | 127 | 243 |
| Metu Y (Audit and Risk Committee member) – Resigned 9 February 2021 | 147 | 263 |
| Kutumela T – Resigned 9 February 2021 | 135 | 284 |
| Siwisa S – Resigned 31 December 2019 | – | 197 |
| | 1 161 | 2 822 |
| Gaming Committee and Social and Ethics Committee | | |
| Mokgatle L – Appointed as a co-opted member | 15 | 10 |
| Rapulana S – Appointed as a co-opted member | – | 5 |
| Ngcwabe L – Appointed as a co-opted member | 5 | 5 |
| Louw SJ – Appointed as a co-opted member | 10 | 25 |
| Total amount paid to co-opted members | 30 | 45 |
| Audit and Risk Committee (independent members) | | |
| Fihlani ZL – Chairperson | 41 | 96 |
| Govender K | 15 | 81 |
| Musvoto SW | 35 | 61 |
| Total paid to Audit and Risk Committee members | 91 | 238 |
| Disciplinary Committee fees | 96 | 326 |
| | 1 378 | 3 431 |

Notes to the Annual Financial Statements

| | | 31 March 2021 | 31 March 2020 |
|--|---------|---------------|---------------|
| | Note(s) | R'000 | R'000 |
| 21. General expenses | | | |
| Advertising | | 262 | 786 |
| Auditors' remuneration | 22 | 2 456 | 2 090 |
| Bank charges | | 60 | 92 |
| Books and media subscription | | 371 | 402 |
| Building maintenance | | 738 | 345 |
| Consulting and professional fees | | 1 620 | 5 619 |
| Conferences costs | | – | 2 739 |
| Employee assistance programme | | 75 | 103 |
| Electricity | | 4 259 | 3 229 |
| Information technology | | 5 559 | 4 036 |
| Office consumables and refreshments | | 571 | 1 073 |
| Social responsibility | | 13 366 | 6 800 |
| Insurance | | 706 | 406 |
| GPG COVID-19 projects | | 4 542 | – |
| Staff recruitment | | 222 | 134 |
| Postage and stationery | | 286 | 614 |
| Printing costs | | 55 | 209 |
| Public relations | | 150 | 882 |
| Security expenses | | 830 | 280 |
| Telephone and communications | | 2 613 | 1 867 |
| Training and development | | 1 277 | 1 168 |
| Travelling and subsistence – local | | 1 378 | 4 863 |
| Travelling and subsistence – overseas | | – | 451 |
| Storage rentals | | 250 | 364 |
| Transcription costs | | 24 | 156 |
| Responsible Gambling Awareness Programme | | 5 889 | 6 820 |
| Investigation and enforcement costs | | 259 | 1 172 |
| Repairs and maintenance | | 207 | 55 |
| Legal expenses | | 8 082 | 7 699 |
| | | 56 107 | 54 454 |

The GGB was appointed as an implementing agent for the Gauteng DED and the Gauteng Department of Agriculture and Rural Development's COVID-19 projects. The GGB procured disinfection and fogging services for Alexandra township on behalf of the group. The cost of the project was R4.5 million.

The GGB received approval in terms of section 100 of the Gauteng Gambling Act to transfer R10.1 million to operations. The funds were used to fund CSI applications received by the Board to assist with COVID-19 social investment projects as a result of the COVID-19 pandemic.

22. Auditors' remuneration

| | | |
|-----------------------|--------------|--------------|
| Audit fees – Internal | 1 059 | 947 |
| Audit fees – External | 1 397 | 1 143 |
| | 2 456 | 2 090 |

Notes to the Annual Financial Statements

23. Cash generated from operations

| | 31 March 2021 | 31 March 2020 |
|--|---------------|---------------|
| | R'000 | R'000 |
| Surplus | 24 648 | 56 961 |
| Adjustments for: | | |
| Depreciation and amortisation | 4 440 | 4 239 |
| Gain on sale of assets and liabilities | 51 | – |
| Finance costs – finance leases | 100 | 54 |
| Impairment deficit | – | 7 639 |
| Movements in provisions | (6 491) | (319) |
| Other non-cash items (relates to transactions related to taxes and levies) | (10 546) | – |
| Changes in working capital: | | |
| Inventories | 54 | (188) |
| Receivables from exchange transactions | (6 924) | 6 607 |
| Other receivables from non-exchange transactions | (5 534) | 491 |
| Payables from exchange transactions | 20 791 | (5 778) |
| Taxes and transfers payable (non-exchange) | (10 262) | 12 057 |
| Accruals | 1 553 | 1 255 |
| License fees received in advance | 8 336 | (14 189) |
| | 20 216 | 68 829 |

24. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

| | At amortised cost 2021 | At amortised cost 2020 |
|--|------------------------|------------------------|
| Cash and cash equivalents | 247 759 | 292 932 |
| Receivables from non-exchange transactions | 7 248 | 1 714 |
| Receivables from exchange transactions | 219 166 | 12 245 |
| Deposits | 242 | 242 |
| | 274 415 | 307 133 |

Financial liabilities

| | | |
|---|----------------|----------------|
| Trade and other payables from exchange transactions | 45 927 | 25 136 |
| Taxes and transfers payables (non-exchange) | 113 996 | 124 258 |
| License fees received in advance | 49 822 | 41 486 |
| | 209 745 | 190 880 |

Notes to the Annual Financial Statements

25. Commitments

Authorised operational expenditure

Contractual and purchase orders commitments – 31 March 2021

| | | |
|---|-----------|---------------|
| • Accounting, Audit and Financial Services | 2019–2021 | 716 |
| • Facilities Management | 2020–2021 | 18 |
| • Information Technology Services | 2020–2023 | 38 687 |
| • Operational Services and Responsible Gambling | 2020–2021 | 1 662 |
| • HR and Payroll Services | 2020–2021 | 554 |
| • Legal Services | 2020–2021 | 313 |
| | | 41 950 |

Contractual and purchase orders commitments – 31 March 2020

| | | |
|---|-----------|---------------|
| • Accounting, Audit and Financial Services | 2019–2020 | 1 305 |
| • Facilities Management | 2019–2020 | – |
| • Information Technology Services | 2019–2023 | 41 095 |
| • Operational Services and Responsible Gambling | 2019–2020 | 4 799 |
| • HR and Payroll Services | 2019–2020 | 355 |
| | | 47 554 |

26. Contingencies

There are pending cases before the courts emanating from a decision taken by the GGB. The outcome therefore may result in legal costs awarded against or for the GGB.

The overall net effect of contingent assets and contingent liabilities is estimated to be R1 000 000.

Contingent liabilities

THE GAUTENG GAMBLING BOARD v GALAXY BINGO DEVELOPMENT AND OTHERS: CASE NO. CCT.100/18; 6/2018 AND CASE NO. 1282/2018

The bill of costs in case numbers 44837/2016 and 45085/2016 (in favour of Galaxy) were allocated to be heard on 5 May 2020. However, due to COVID-19, it was postponed. It is estimated to be R306 000.

Contingent assets

VIVABET (PTY) LTD v THE GAUTENG GAMBLING BOARD – CASE NO. 14863/2017 (CASE NO. 28058/17, CASE NO. 28395/17 and CASE NO. 1304/17)

On 5 May 2017, Vivabet launched a review application seeking to review and set aside the GGB's decision to decline its bookmakers' license applications. The court held in favour of the GGB with costs, including those occasioned by the employment of two counsel.

Costs incurred in favour of the GGB will be taxed when the date of allocation is obtained. The costs in favour of GGB before taxation are estimated to be R1 000 000.

Notes to the Annual Financial Statements

THE GAUTENG GAMBLING BOARD v GALAXY BINGO DEVELOPMENT AND OTHERS: CASE NO. CCT.100/18, 6/2018 AND CASE NO.1282/2018

In the matter relating to Case No. CCT100/18;6/2018 and 1282/2018, it was concluded in favour of the GGB and the bill of costs has not yet being finalised. The cost in favour of the Board is estimated to be R100 000.

JASPER JOHANNES MALAN v THE MINISTER OF SAPS NO AND OTHERS: CASE NO. 25953/18

On July 2018, the GGB's law enforcement inspectors assisted the SAPS to conduct two raids on illegal internet gambling operations in Bronkhonstspuit.

On 6 March 2019, Malan served on the Board an application for leave to appeal the judgement (by Judge Molahlehi) to the Supreme Court of Appeal. The application for leave to appeal was dismissed with costs. The cost in favour of the Board is estimated to be R300 000.

National Treasury – cash surplus

| | 31 March 2021 | 31 March 2020 |
|----------------------------------|---------------|---------------|
| | R'000 | R'000 |
| National Treasury – Cash surplus | 43 741 | 90 408 |

National Treasury – A contingent liability exists as a result of a cash surplus reported in the previous financial year 2019/20, which must be surrendered to National Treasury, unless permission is granted to retain it. The cash surplus has been calculated using a formula prescribed by National Treasury, through National Treasury Instruction No. 6 of 2017/18, as follows: Cash and cash equivalents at the end of the year, plus receivables, less current liabilities, less commitments.

In terms of the new National Treasury Instruction No.12 of 2020/21, entities under schedule 3A and 3C can recognise either provision or a contingent liability (as defined in GRAP 19 on provision, contingent liabilities and contingent assets) in consideration of past practices. It is calculated as follows: Cash and cash equivalent at the end of the year, plus receivables, less current liabilities.

27. Related parties

Relationships

| | |
|---------------------------------|--|
| Members of accounting authority | Refer to Members' Report Note 20 |
| Controlling entity | Gauteng Department of Economic Development |
| Members of key management | Refer to Members' Report Note 19 |

Related party balances

| | 31 March 2021 | 31 March 2020 |
|---|---------------|---------------|
| | R'000 | R'000 |
| Amounts included in trade receivable (trade payable) regarding related | | |
| DED – Trade payables (Refer to Note 12) | 79 837 | 94 224 |
| DED – Trade receivables | 15 021 | 10 100 |
| DED – Trade payables: Commission refundable | – | 221 |
| COVID-19 projects | | |
| GDARD – Trade receivables | 3 000 | 3 000 |
| DED – Trade receivables | – | 1 541 |

Notes to the Annual Financial Statements

Related party transactions

| | 31 March 2021 | 31 March 2020 |
|--|---------------|---------------|
| | R'000 | R'000 |
| Interest paid to (received from) related parties | | |
| DED – Taxes and levies distributed (Refer to Note 12) | 794 867 | 1 290 166 |
| Collection commission received from related parties | | |
| DED – Collection commission (Refer to the Revenue Note 17) | 64 513 | 102 626 |
| Government grants received from DED | | |
| Grant for business automation (Refer to Note 18) | 26 473 | 33 000 |
| Grant for operations (Refer to Note 18) | 17 897 | – |

28. Comparative figures

There were comparative figures that were restated in the annual financial statements of the Board. (Refer to Note 33.)

29. Risk management

Financial risk management

The Board's activities expose it to a variety of financial risks: credit risk, 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 accounting authority provides written principles for all 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, as well as 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 has sufficient cash flow and, as a result, does not maintain any 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.

Cash flow forecasts are prepared and adequate cash management facilities are monitored.

The table that follows analyses the Board's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period in 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 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the Annual Financial Statements

| | Less than one year | Between one and two years | Between two and five years | Over five years |
|----------------------------------|-----------------------|------------------------------|-------------------------------|-----------------|
| At 31 March 2021 | | | | |
| Trade and other payables | 45 927 | – | – | – |
| Collection for distributions | 113 996 | – | – | – |
| License fees received in advance | 49 822 | – | – | – |
| At 31 March 2020 | | | | |
| Trade and other payables | 25 136 | – | – | – |
| Collection for distributions | 124 258 | – | – | – |
| License fees received in advance | 41 486 | – | – | – |

Credit risk

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

Trade 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. There are no debtors that are past due and therefore no impairment provision has been raised.

Financial assets exposed to credit risk at the end of 12 months were as follows:

| | 31 March 2021 | 31 March 2020 |
|--|---------------|---------------|
| | R'000 | R'000 |
| Financial instrument | | |
| Receivables from exchange transactions | 19 166 | 12 245 |
| Receivables from non-exchange transactions | 7 248 | 1 714 |
| Cash and cash equivalents | 247 759 | 292 932 |

Market risk

Interest rate risk

Cash and cash equivalents are interest-bearing assets, which are affected by the changes in market interest rates. The finance liability is an interest-bearing liability. However, the Board has entered into a contract with the service provider where interest is not affected by the changes in market interest rates. Other listed financial assets and financial liabilities are not affected by the changes in market interest rates.

30. Irregular expenditure

| | | |
|--|--------------|--------------|
| Opening balance as previously reported | 5 244 | 4 261 |
| Opening balance as restated | 5 244 | 4 261 |
| Add: Irregular expenditure – current | 88 | 983 |
| Closing balance | 5 332 | 5 244 |

Notes to the Annual Financial Statements

Details of irregular expenditure

The Board has, in the previous year, incurred expenditure through the RFQ process. The value of the expenditure incurred is in excess of the R500 000 threshold, which relates to the procurement of legal services on litigation.

The Board has procured legal services through the RFQ process. Management could not estimate how much the legal fees will cost at the time of procuring the services. The legal matters took longer to settle and, as a result, has exceeded R500 000. The non-compliance, which gave rise to irregular expenditure, is as a result of the legal fees exceeding the 15% variation of the required threshold applicable in terms of Instruction Note 3 of 2016/17 (expansion and variation).

The amount of R2.7 million relates to continuation of legal services obtained in the matter of GGB vs OTT Mobile, where the GGB did not enter a tender bidding process. Instead, the GGB invited and accepted written price quotations for its requirements up to an estimated value of R500 000, as required by National Treasury.

The amount of R2.4 million relates to legal services obtained for illegal gambling investigations, where the GGB did not enter a tender bidding process. Instead, the GGB invited and accepted a written price quotation for its requirements up to an estimated value of R500 000, as required by National Treasury.

The R187 000 relates to the procurement of forensic investigations through a three-quote system. The appointment of the service provider did not comply with the Preferential Procurement Policy Framework Act regulations. There was no preferential evaluation performed and the second-highest bidder was awarded the contract.

31. Segment information

Figures in rand thousand

Segment surplus or deficit, assets and liabilities

2021

Revenue

| Regulations | Responsible Gambling | CSI | Total |
|-------------|----------------------|--------|---------|
| 210 807 | 6 000 | 10 180 | 226 987 |

| | | | |
|-------------------------|--|--|----------------|
| Entity's revenue | | | 226 987 |
|-------------------------|--|--|----------------|

Expenditure

| | | | |
|---------|-------|--------|---------|
| 183 085 | 5 889 | 13 366 | 202 340 |
|---------|-------|--------|---------|

| | | | |
|--|--|--|---------------|
| Total segmental surplus/(deficit) | | | 24 647 |
|--|--|--|---------------|

The revenue reflected under Programme: Responsible Gambling and CSI are transfers from revenue generated by the Programme: Regulations.

2020

Revenue

| | | | |
|---------|-------|-------|---------|
| 240 161 | 8 470 | 7 977 | 256 608 |
|---------|-------|-------|---------|

| | | | |
|-------------------------|--|--|----------------|
| Entity's revenue | | | 256 608 |
|-------------------------|--|--|----------------|

Expenditure

| | | | |
|---------|-------|-------|---------|
| 186 027 | 6 820 | 6 800 | 199 647 |
|---------|-------|-------|---------|

| | | | |
|--|--|--|---------------|
| Total segmental surplus/(deficit) | | | 56 961 |
|--|--|--|---------------|

Notes to the Annual Financial Statements

32. Budget differences

Material differences between budgeted and actual amounts

The differences explained below represents all items with an increase or decrease or overrun of more than 10%.

32.1 Revenue from non-exchange transactions

The non-exchange revenue collected exceeded the budgeted amount. This was due to the license fees received and sport betting levies. The high sports betting levies were due to bookmakers' ability to take bets on their mobile platforms during lockdown.

32.2 Revenue from exchange transactions

The revenue collected did not exceed the budget, mainly due to the collection commission, and application and registration fees. The lower collection was due to the impact of lockdown restrictions and capacity limitations on licensees.

32.3 Rental income

The Board entered into a lease agreement with Circuit for one year, the Board received a rental income from Circuit for the current financial year under review.

32.4 Interest received

Interest received exceeded the budgeted amount. This was due to high bank balances as a result of the taxes and levies not paid over to the province.

32.5 Government grant

The Board received R26.4 million from Provincial Treasury for the integrated Business Automation Solution project, and Provincial Treasury requested the Board to retain R26 million for the budget shortfall for the current year from taxes. the Board made a further provision of R8.073 million to be paid back to Provincial Treasury as part of the provincial budget consolidation.

32.6 Employee-related costs

The expenditure exceeded the budget, mainly due to high employee leave accruals and a settlement payment made to the former CFO.

32.7 Board and Audit Committee members' fees

The Board did not exceed the budgeted amount. This is mainly due to Board members resigning during the current financial year. There were also fewer Disciplinary Committee meetings during the current financial year due to lockdown restrictions.

32.8 Depreciation and amortisation

The depreciation expenditure exceeded the budget due to additional assets acquired during the period under review.

32.9 General expenses

The general expenses did not exceed the budget. This is mainly due to strict expenditure controls implemented to reduce the budget shortfall the GGB had.

33. Changes in accounting policy and estimates

Presented below are those items contained in the Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement that have been affected by changes in the accounting policy and estimates:

Statement of Financial Position

2020

| As previously reported | Re-classification | Restated |
|------------------------|-------------------|----------|
| R'000 | R'000 | R'000 |
| 82 037 | (56 901) | 25 136 |
| 137 637 | 56 901 | 194 538 |
| 219 674 | – | 219 674 |



www.ggb.org.za
PR242/2021
ISBN: 978-0-621-49684-0



GAUTENG
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