



ANNUAL REPORT 2016/17



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PART A

GENERAL INFORMATION

A1. GENERAL INFORMATION

REGISTERED NAME: Gauteng Gambling Board

REGISTRATION NUMBER: Not Applicable

PHYSICAL ADDRESS: 125 Corlett Drive
BRAMLEY
2090
South Africa

POSTAL ADDRESS: Private Bag X15
BRAMLEY
2018
South Africa

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
0011
South Africa

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

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

A2. ABBREVIATIONS

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
B-BBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSI	Corporate Social Investment
DED	Department of Economic Development
EBITDH	Earnings Before Interest Tax Depreciation and Amortisation
EME	Exempted Micro Enterprise
FICA	Financial Intelligence Centre Act
GCRA	Gauteng City Region Academy
GDP	Gross Domestic Product
GGB	Gauteng Gambling Board
GGR	Gross Gaming Revenue
GRAP	Generally Recognised Accounting Principles
IAGR	International Association of Gaming Regulators
KPI	Key Performance Indicators
MEC	Member of Executive Council
MTEF	Medium-term Expenditure Framework
NRGP	National Responsible Gambling Programme
PFMA	Public Finance Management Act 1 of 1999, as amended
QSE	Qualifying Small Enterprise
ROA	Return of Assets
SARGF	South African Responsible Gambling Foundation
SCM	Supply Chain Management
SED	Social Economic Development
SMME	Small, Medium and Micro Enterprises
TER	Township Economic Revitalisation
TMR	Transformation Modernisation and Re-Industrialisation
TR	Treasury Regulations

Foreword by the **EXECUTIVE AUTHORITY**



Mr Lebogang Maile

**MEC: Economic Development, Environment,
Agriculture and Rural Development**

Despite sluggish growth and tough economic conditions globally and domestically, the gambling industry continued to make a substantial contribution towards the attainment of our vision to transform, modernise and re-industrialise Gauteng province.

Through taxes and levies collected by the Board, the gambling industry contributed R986 million to the fiscus in the year under review. In the previous financial year, the Board managed to collect R974 million.

This revenue contributes to accelerating social transformation and in the provision of much needed basic services to the people of Gauteng. Working in collaboration with Provincial Treasury, we will continue to explore various strategies to optimise the gambling industry's revenue contribution and its positive impact on society.

During January 2016, the provincial government published proposed gambling regulations that are intended to differentiate rates between larger and smaller casino operators.

At the moment all casino operators are paying a flat rate of 9 percent, a lower rate compared to other major provinces like KwaZulu-Natal and Western Cape. Based on the proposed regulations, larger casinos will pay a higher amount while the fees for the smaller players will be reduced.

Tax revenue from gambling activities is critical for

our province as it enables us to execute our mandate to deliver quality health services, education and many other important services for our people.

Our efforts are geared towards the transformation of our economy and lifting the vast majority of the people out of the pits of poverty. This requires that the state improve its revenue generation capacity and limit leakages in the financial systems. This issue will continue to receive serious attention over the remaining two years of the term of the fifth administration.

We are also pleased with the progress being made by the Board to increase opportunities for black ownership in the gambling industry and in ensuring that the industry contributes to the revitalisation of the township economy.

In the year under review, the Board issued 34 new Bookmaker licenses to applicants who were required to meet strict BBBEE shareholding requirements. Applicants for the new Bookmaker licenses were required to have 51% shareholding by previously disadvantaged individuals of which 60% is held by locals. Other requirements included the ring fencing of 30% of the 60% shareholding held by locals for the benefit of black women and youth.

This is a step in the right direction in line with the priorities set out in the Ten Pillars of the Transformation, Modernisation and Re-industrialisation (TMR) programme. The Board will continue to place greater emphasis on black ownership in the gambling industry, promote small business development and the growth and development of sustainable township enterprises.

We believe that more can still be done by the gambling industry to inject resources, increase opportunities for income generation in our townships and create much needed jobs in our province.

The Board and the industry at large must also continue promoting responsible gambling practices to minimise the impact of problem gambling in our communities. Priority must also be placed on social investment initiatives for the elderly, youth, and people with disabilities in line with the provincial government's plans to transform the economy by increasing ownership and participation by historically disadvantaged individuals within the mainstream economy.

I wish to thank the Board, staff and management for their dedication and commitment to achieving the objectives set out by the fifth administration.

Mr Lebogang Maile

Executive Authority

MEC: Department Of Economic Development

A3. STRATEGIC OVERVIEW

A3.1 Synopsis of the strategic overview

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

The contribution of the casino gaming sector to the gross domestic product in South Africa and to the Gauteng Province, has been exponential over the years. For the 2016/2017 financial year taxes of R985.9 million were collected; since inception the GGB has collected R10.954 billion on behalf of the Gauteng Province.

It is inevitable that the legalisation of gambling will, despite rigorous regulation, result in some members of the gambling public falling victim to problem gambling. To address this phenomenon the Board continues its responsible gambling programme to prevent and mitigate the risks and dangers associated with gambling activities.

A3.2 Strategic goal and strategic outcomes-oriented goals

The GGB's mandate is linked to the Department of Economic Development's Programme 4: Business regulation and governance. The strategic objectives of Programme 4 are:

- Increased customer satisfaction that secures long-term sustainability and facilitates the growth of businesses
- A properly regulated liquor industry in Gauteng that generates revenue towards the socio-economic development of the province

- All projects and interventions of the DED's agencies contribute to the DED's vision and strategic goals of radically transforming, modernising and re-industrialising Gauteng's economy
- B-BBEE targets expressed in the Transformation Charters and score-cards of the eleven identified sectors were met, leading to the creation of decent work, an inclusive economy and equality
- Stakeholders of all three spheres of government and from other sectors of society are jointly working towards radically transforming, modernising and re-industrialising Gauteng's economy.

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

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

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

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

In support of the Gauteng Gambling Board's strategic outcome goals, the focus was on the following:

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

A3.3 Vision

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

A3.4 Mission

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

A3.5 Values

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

- **Integrity & Consistency**
 - We behave in a trustworthy manner, where honesty, fairness, mutual respect, equitability and transparency are the cornerstones of our daily engagement with people, at all levels, both 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 team work and synergy, and create a strong sense of organisational citizenship amongst all levels of employment.
 - We foster an engaged and collaborative work environment.
- **Empowerment**
 - We enable, and encourage people to make well informed and responsible decisions, though 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**
 - Our employees are our most valuable resource, and we are committed to unfold each employee's full potential through a value-based performance results programme.

A4. LEGISLATIVE AND OTHER MANDATES

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

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

The GGB is:

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

The main functions of the GGB are to:

- Oversee and control gambling activities in Gauteng, including:
 - Licensing of individuals and entities to conduct gambling and related activities
 - Registering of persons engaged in such activities
 - Approval and registering of all gaming devices
 - Collecting prescribed taxes and levies for the Gauteng Province and other specified Beneficiaries
- Manage and administer the Sports Development Fund
- Advise the MEC on matters relating to gambling
- Supervise and enforce compliance by the gambling industry with the requirements of the Financial Intelligence Centre Act including:
 - Conducting FICA inspections
 - Taking disciplinary action for non-compliance
 - Reporting to the Financial Intelligence Centre on enforcement



COMPANY SECRETARY

(Left to right) Bongiwe Mnyakana, Nosipo Matanzima and Takalani Munyai



LEGAL SERVICES

Seated (left to right): Kate Tsie, Lucky Lukhwareni and Busisiwe Makhubo

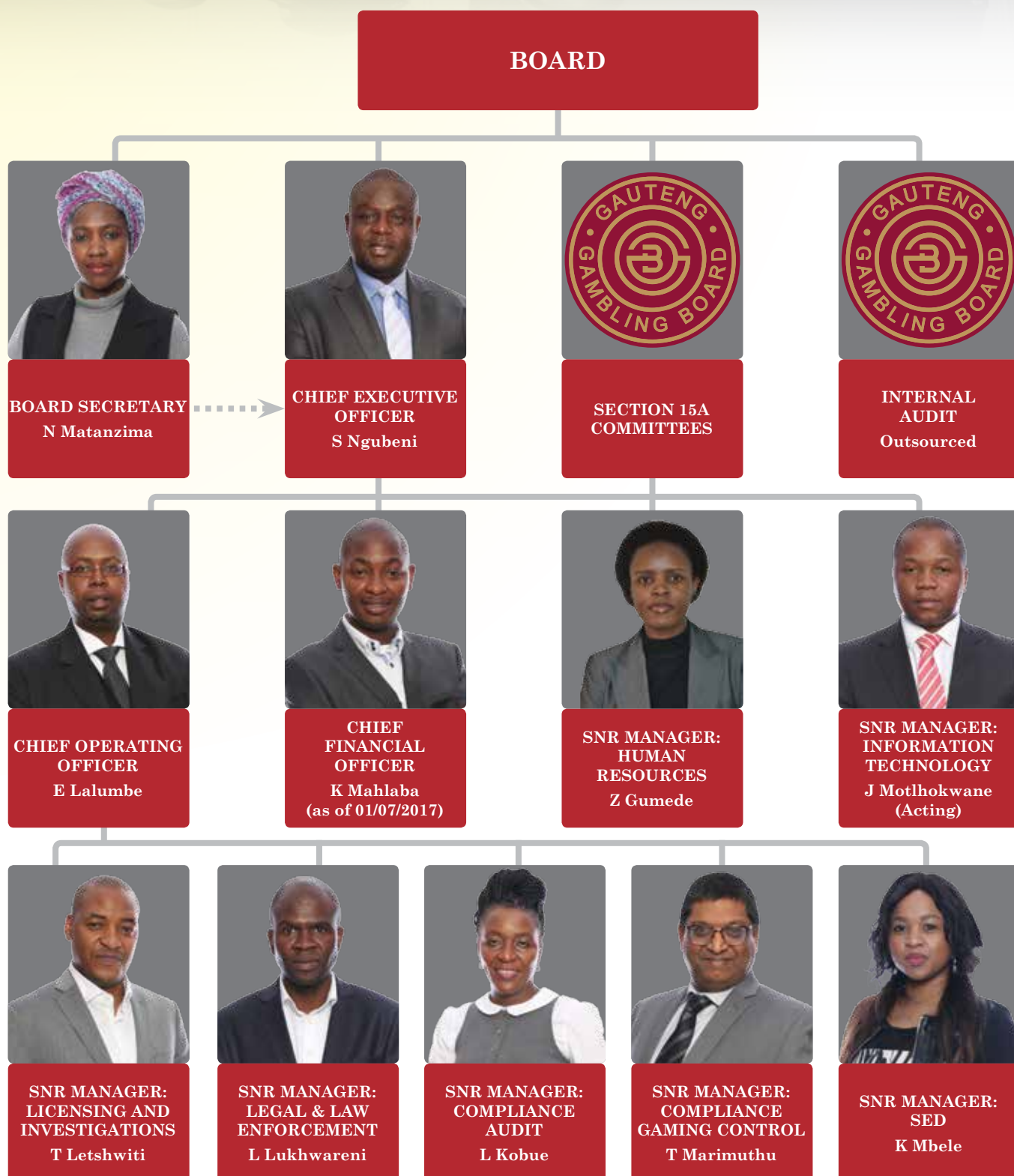
Standing (left to right): Ndivho Ngadi, Robert Minyuku, Thulani Mabaso, Shirley Sekati, Paul Potgieter and Sello Makobane

- Supervise and enforce compliance by the gambling industry with the requirements of the National Gambling Act including:
 - Investigation and issuing of national entity and employment licenses
 - Ensuring continuous suitability and compliance with the legislative prescripts by the national licensees

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

- **Ensuring integrity of gambling activities.** Licensing of credible operators and suppliers of gaming equipment, setting and regulating of 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 in order to protect the public from unfair business practices, as illegal operators are not subject to regulatory control to ensure fair business practices.
- **Dispute resolution and punter assistance.** The 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 and other beneficiaries.
- **Measures to promote responsible gambling and minimisation of incidences of problem gambling.** The Gambling Board recognises that opportunities for gambling entail particular risks for the people of Gauteng. To this end, the Board co-operates with other relevant organisations to assist people who fall prey to gambling addiction. The following assistance is available to any person with a gambling problem:
 - **Self-exclusion.** The operators in the province operate a system of self-exclusion in terms whereof a gambler can voluntarily request to be excluded from a gambling outlet.
 - **Professional assistance.** A general practitioner can assist by referring people to clinics specialising in the treatment of addiction. There are various voluntary organisations which may be approached for free counselling.

A5. ORGANISATIONAL STRUCTURE



A6. Foreword by the CHAIRPERSON OF THE BOARD



Mr M Zwane

Chairperson of the Board

Once more I am honoured to present the Annual Report of the Gauteng Gambling Board for the financial year 2016/17.

The gambling sector's financial growth is inextricably linked to both the global and South African economy. Since the global economic crises of 2008, Gross Domestic Product (GDP) growth peaked at 3.6% in 2011, declining to 1.5% in 2014, 1.3% in 2015 and 0.3% in 2016. Despite the difficult 2016 financial year, the gambling industry has managed to withstand the storm through resilience and adaptability. Tax revenue was below budget by a modest 2%, resulting in a tax collection of R986 million against a budget of R1 009 million. All other performance targets have been achieved and are retained in the Board report.

During March 1997 the Gauteng Provincial Government developed a strategy titled the "Role of Gambling

in the Economic Development of Gauteng; strategic considerations and policy positions." This strategy formed the basis of liberalisation of gambling in the province. The Provincial Government guaranteed a tax level and regime which would remain constant for ten (10) years to allow the industry to develop and invest in infrastructure. As ten years has long elapsed and the industry has stabilised, the Provincial Government published an amendment to the Gauteng Gambling Regulation during January 2016, to review the casino tax structure, and introduced a sliding scale tax regime to replace the current casino tax regime of 9% as a flat rate of Gross Gaming Revenue (GGR). The Government intends to introduce a sliding scale of 8%, 12% and 15% based on the amount of the Casino Gross Gaming Revenue. The benefits of this new casino tax structure are that it is affordable to casinos having regard to Return of Assets (ROA), Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) and based upon comparison against local and international ROA and EBITDA. Further, it provides protection for smaller casinos. The Provincial Government is currently consulting with interested parties regarding this amendment while the Board is reviewing its systems and processes to implement the new tax regime once the amendment is promulgated.

The Board had the following key strategic activities during the year under review:

- The roll-out of 34 new Bookmaker licences aimed at, amongst others, the reduction of illegal gambling by introducing legal gambling opportunities with a view to discouraging an unsatisfied demand for gambling, promotion of inclusive economy through involvement of previously disadvantaged persons being involved in all aspects of the licence, including ownership, management control, enterprise and supplier development, Social Economic Development (SED) and skills development.
- Transfer of the Morula Sun Casino licence from Ga-Rankuwa to Menlyn Maine in the east of Pretoria. The new casino development, built at a cost of R4 billion, opened its doors to the public on 01 April 2017. It has 2 000 slots and 60 gambling tables. The 8 000 seat arena will be opened during September 2017 and the hotel complex during March 2018. The benefits of the new casino complex include the





“ We will continue with the regulation and control of gambling for the benefit of all stakeholders including the Responsible Gambling Programme aimed at alleviating the negative impacts of gambling in the province. ”

provision of much needed leisure and entertainment facilities, as well as increased tax revenue and jobs during the construction and operation phases.

The GGB was awarded the bid to host the 2017 annual conference of the International Association of Gaming Regulators (IAGR). The mission of IAGR is to advance the effectiveness and efficiency of gambling regulation, by providing a forum in which gaming regulators from various jurisdictions meet, exchange views, information and discuss policies. The hosting of the conference in Africa has an added benefit in that the gaming regulators from both South Africa and the rest of the continent will be able to send more delegates to the conference, which would ordinarily be a challenge due to prohibitive hotel and travel costs if the conference was held overseas. Further, the hosting of the conference will provide an opportunity for professionals from previously disadvantaged groups such as lawyers and fund managers to engage with regulators, understand gambling requirements and arm themselves with the necessary knowledge and information to render professional services.

The Board has commissioned a saturation study to determine the size of the gambling market in Gauteng and the demand for additional gaming opportunities. The results of the study will be used to guide further roll-out of gambling opportunities in the province, informed by empirical data.

We shall continue with the regulation and control of gambling for the benefit of all stakeholders including the Responsible Gambling Programme aimed at alleviating the negative impacts of gambling in the province.

I would like to take this opportunity to express my sincere appreciation to the MEC, Lebogang Maile, as well as my fellow Board members, management and staff for their efforts in assisting in achieving the Board's regulatory mandate.



Mr M Zwane
Chairperson of the Board
Date: 31/07/2017

A7. Overview by the **CHIEF EXECUTIVE OFFICER**



Mr S Ngubeni
Chief Executive Officer

It is with pleasure that I report on the Board's performance against its annual objectives for the financial year 2016/2017.

Under the three key service delivery programmes set out in the Annual Performance Plan (APP) this year the Board has achieved all of the targets set, with the exception of one target relating to the collection of gambling taxes.

Programme 1: A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province.

The regulatory programme activity outcomes include gambling processes concluded, annual draft amendments of gambling legislation and rand value of tax collected. All the indicators relating to these outcomes have been achieved with the exception of tax collections. The tax collections for the year amounted

to R985.9 million against a target of R1 009.6 million which is 2% below budget (target). This performance is consistent with the general performance of the economy, as announced by Stats SA, that the South African economy contracted by 0.3% in the fourth quarter of last year, contributing to the marginal growth of just 0.3% for 2016. However, it is cause for celebration that in comparison to the previous financial year, the tax collections have had a marginal growth of 1.12% year on year. Thus the growth in gambling taxes grew more than the growth in the economy for the related period.

Programme 2: Corporate Social Investment which encompasses the outcome of reducing the hardships of society from the hardships of socio-economic challenges. The Board has granted R24.8 million to projects with a view to alleviating challenges faced by the community. The details of the beneficiaries are set out in this report. Of special note, is the Township Techie project which was aimed at improving the computer skills of the youth of Ekurhuleni. This project benefited 100 young men and women with a series of computer and electronic skills modules.

The GGB also funded a project in Pretoria North to promote cultural integration between local people and foreign nationals in an effort to stop the incidents of xenophobia. The programme was done through performing arts as a medium to bridge the gaps of cultural differences.

The GGB also supported the distribution of fully equipped food containers to entrepreneurs in the township. This project led to the employment of 16 people.

Another key project supported, included the training and upgrading of basic sewing and business skills for underemployed women, young men and disabled people in the townships. The aim of the project is to create self-employed people from socially desperate situations. The project was able to double the number of its trainees from 50 to 100 as a result of the GGB's support.

Programme 3: Responsible Gambling Responsible Gambling is a crucial programme for the GGB's operations; and has the responsibility of ensuring that the conceptualised programmes are successfully implemented in order to promote responsible gambling awareness and prevention programmes. This has led

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The next financial year will bring a renewed energy in the support of provincial outcomes through the execution of our mandate.

”

to a well-regulated gambling and betting industry, which drives a strategy that aims at minimising the negative impact of gambling in Gauteng. The strategy developed by the Board incorporates various mediums of messaging on the dangers of gambling. The successful measurement is the number of people reached through these various mediums. In this financial year, 2.3 million people benefited from this programme that grows the awareness of responsible gambling and minimises the potential harmful effects of problem gambling. Through research and journals we have been able to increase responsible gambling literacy in Gauteng while working together with our stakeholders.

The next financial year will bring a renewed energy in the support of provincial outcomes through the execution of our mandate. We shall continue to capacitate ourselves through developing knowledge, conducting research and probing the challenges presented to us in an effort to improve our service delivery to our stakeholders. In addition, we have set our priorities on the transformation of the province's gambling industry as prompted and guided by the tenants of the Transform, Modernise, and Re-industrialise (TMR) programme, especially the Township Economic Revitalisation (TER) programme. We regard the gambling sector as one of the key drivers in transforming the province's financial sector.

My sincere gratitude goes to the Gauteng Gambling Board for its guidance and leadership, the Department of Economic Development for its unequivocal policy direction provided to us when discharging our mandate. We thank our licensees for their co-operation in keeping the game clean, and ensuring the stability, growth and sustainability of the industry. Finally, I thank the forever dedicated management team and the staff members who continue to discharge the GGB's mandate with fervour and tenacity.



Mr Steven Ngubeni, *Pr Pln (SA), PAV (SA)*

MA (UPE), MSc (NMMU), MPA (SU), PhD (Currently)

Chief Executive Officer

Date: 31/07/2017

A8. MEMBERS OF THE BOARD



Mr Mxolisi Zwane
[B Proc, LLM,
Higher Diploma in Company Law]
Chairperson



Ms Shaila Hari
[BCompt Hons;
Public Sector Governance UNISA SBL]
Board Member



Mr Zola Majavu CD (SA)
[BA LLB; Higher Diploma in Company
Law; Judicial Skills course; Executive
Sports Management Certificate in
Sports Law]
Board Member



Mr Zola Fihlani
[CA (SA); B.Comm; B. Compt;
CTA; Higher Diploma in Tax
Higher Diploma in International;
Tax Law; M.Comm(Tax)]
Board Member



Ms Cynthia Motau
[BA Social Work; Advanced Diploma in
Community Development; MEd; Advanced
Certificate in Project Management; Certificate
in Corporate Governance; Certificate of Business
Accounting for Non-Accountant Managers]
Board Member



Dr Stephen Louw
[PhD (Political Studies);
BA Hons (Political Studies)]
Board Member



Mr Leon Marincowitz
[Prince 2 Project Management
Practitioner; Masters:
Philosophy; BA Honours:
Philosophy; BA: General]
Board Member



Colonel Johnny Sexwale
[Diploma Journalism]
Board Member



Dr Nozipho Sangweni
[MBChB; MBA; Diploma in
Occupational Health; Diploma
in Civil Aviation Management;
Certificates: Primary Aviation
Medicine, Senior Civil Aviation]
Board Member



Mr Thulani Sithole
[B.Comm; HDIPTax; B.Comm (Hons);
Leadership Development Program]
Board Member



Mr Timothy Sukazi
[B.Proc; Certificate in Practical
Legal Training; LLB; LLM
(Commercial Law)]
Chief Operating Officer



PART B

PERFORMANCE INFORMATION

B1. STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

objectives, indicators and targets, as per the strategic and annual performance plan of the Gauteng Gambling Board for the financial year ended 31 March 2017.

The Gauteng Gambling Board's performance information for the year ended 31 March 2017 has been examined by the external auditors and their report is presented on page 69.

The performance information of the GGB set out on pages 31 to 38 was approved by the Board.



Mr Steven Ngubeni, *Pr Pln (SA), PAV (SA)*

MA (UPE), MSc (NMMU), MPA (SU), PhD (Currently)

Chief Executive Officer

Date: 31/07/2017



Mxolisi Zwane

Chairperson of the Board

Date: 31/07/2017

B2. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

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

with material findings being reported under the "Predetermined objectives" heading in the "Report on other legal and regulatory requirements" section of the auditor's report. Refer to page 69 for the auditor's report, published as part of the financial information.

B3. OVERVIEW OF THE GGB PERFORMANCE

The GGB Annual Performance Report 2016-2017 is a formal report on a set of Key Performance Indicators (KPI's) with associated targets that supports the GGB 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 the report through which the GGB reflects on how it has responded to strategic goals contained in the GGB Strategic Plan, which was implemented with effect from 01 April 2016 to 31 March 2017.

B3.1 Service delivery environment

The economies throughout the world, including South Africa, are interlinked. Similarly in gambling, the operators and gaming suppliers of software and equipment operate in South Africa as well as in other major economies of the world such as America, Europe, Asia and Australia. The gaming developments in these jurisdictions have significant impact within the South African gambling market.

The majority of gambling operators and gaming suppliers operate globally. This implies that the challenges and opportunities faced by the international gaming community will, in all likelihood, also present challenges and opportunities to the GGB. Despite the best efforts of collecting intelligence and supporting the law enforcement agencies, illegal gambling remains a challenge.

Illegal operators continuously devise ways and means of evading detection and prosecution.

Illegal operators also exploit the latest trends in technology in the delivery of illegal gambling. Currently emerging illegal operators use server-based and on-line gambling technology.

The enforcement challenges in these methods include the fact that the prohibitive gambling games are located on a server which is housed outside the premises where gambling takes place, and when law enforcement officers endeavour to procure evidence for successful prosecution, the games are swiftly changed from illegal gambling games to ordinary internet café operations. Similarly, with on-line gambling, the server may be located outside the South African borders, making it difficult to establish the true identity of the perpetrators.



CEO OFFICE

(Left to right): Mr Shadrack Rolisizu, Mr Steven Ngubeni and Ms Esther Moloto



COO OFFICE

Mr Edward Lalumbe (left) and
Ms Natalie Morris.

B3.2 Organisational environment

Mr Steven Ngubeni joined the Gauteng Gambling Board on 03 August 2015 as an Interim Chief Executive Officer who brought a strong set of leadership skills at a time when it was needed most by the organisation. He was then appointed on a 3 year Fixed Term basis with effect from 01 March 2016.

The Board is currently filling all vacant positions to ensure optimal attainment of its mandate and objectives.

B3.3 Stakeholders

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

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

B4. STRATEGIC OUTCOME ORIENTED GOALS

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

- **Programme 1: A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province** - addresses the institutional arrangements within GGB which should facilitate the achievement of the mandate of GGB. The goal is aimed at ensuring administrative efficiency and effectiveness through sound corporate governance and alignment of policies, processes and systems. The strategic objectives that support this goal address issues of enhancing performance by providing an enabling environment and ensuring financial accountability and compliance with prescribed financial regulations and guidelines.
- **Programme 2: Corporate Social Investment** – is aligned to the DED mandate of facilitating the growth of the provincial economy, reducing poverty and promoting job creation. This goal is supported by the objective of an increased number of people benefiting from the corporate social investment projects. The GGB will support a range of corporate social investment initiatives geared towards this mandate. Furthermore, in terms of the Gauteng Gambling Act, the GGB will also contribute towards the mandate through the Sports Development Fund.
- **Programme 3: Responsible Gambling** - As per the founding Act of both the Gauteng Gambling Board and the National Gambling Board, it is thus crucial that the Board continue to promote responsible gambling through public awareness initiatives and the self-exclusion programmes. These two initiatives are the anchor programmes geared to addressing the potential harmful effects of gambling and afford communities within the Gauteng Province with access to information on responsible gambling, problem gambling and further provide counselling to those affected negatively.

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

GGB 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. A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province	1.1 Gambling processes concluded
		1.2 Annual draft amendments of gambling legislation submitted
		1.3 Rand value of tax collected
	2. Corporate Social Investment	2.1 To reduce the exposure of society to the hardships of socio-economic challenges
	3. Responsible Gambling	3.1 To minimise the negative impact of gambling in Gauteng



SED

Standing (left to right): Nyeleti Masondo, Masakona Moshapo, Mpho Mahlaula and Nakedi Malebane

Seated: Karabo Mbele

B5. PERFORMANCE INFORMATION BY KEY PERFORMANCE AREA

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

B5.1 Description of services provided

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

B5.1.1 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 4 of 1995, as amended, and the National Gambling Act 7 of 2004, as amended.

Gambling regulation ensures that:

- Gambling is free from criminal influence;

- Appropriate harm-minimisation strategies for problem gambling have been provided;
- Gambling activity is conducted fairly and in accordance with approved rules and operating procedures;

- Licensees' administration, finance and security operations are conducted in accordance with the approved control procedures, and
- Gambling equipment and devices are of a high standard and are only purchased from licensed suppliers.

B5.1.2 Licensing

The licensing of natural and juristic persons in relation to gambling ensures that these people are eligible in accordance with the provisions of the Gauteng Gambling Act, 1995 and the National Gambling Act, 2004. Employees in low-risk areas (e.g. food and beverage and cleaning) of the licensee are not required to be licensed.

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



LICENSING AND INVESTIGATIONS

Standing (left to right):
Nomvula Nhlapo, Ferdie de
Jager and Samuel Rakolota.

Seated (left to right): Thabang
Letshwiti and Angie Mndawe.

B5.1.3 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 provisions of the Gauteng Gambling Act, regulations, rules and other relevant legislation.
- Ensure compliance with bid deliverables and BBBEE legislation.
- Ensure fairness to patrons.

These objectives are achieved by:

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

B5.1.4 Compliance – Gaming Control

As the mandate of the Board is derived from the Gauteng Gambling Act, the entity continued to ensure through Gaming Control that the gambling operators licensed in the Province adhere to the prescripts of the Act, Regulations and Rules.

Gaming Control's objective is to ensure regulatory compliance of all gambling operations and equipment. The inspections conducted and reported as part of performance information are supported by the additional compliance checks like surveillance checks, machine configuration changes, etc. that are performed by this unit for all licensees.

The additional personnel allocated to Gaming Control have been beneficial, as we increased our visibility with our sport betting licensees.

The rate of technological development in the industry poses a continuing challenge to regulators across

the globe. The demand for more engaging games or innovation has led to a number of new products and technologies in the market.

Gaming Control will continue to build expertise and devote more resources in this area so that the unit can continue to provide improved technical assurance and regulate effectively. This increased expertise will assist in allowing us to provide advice to the organisation on the implications of technological change and innovation as we move towards becoming the regulator of tomorrow.

B5.1.5 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 the precise amount thereof to the patron by the licensee; or payment of a gambling debt or precise amount thereof by a patron to the licensee, and both parties are unable to resolve the dispute, either party may refer the dispute to the Board for resolution.

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

B5.1.6 Eradication of illegal gambling

The Gauteng Gambling Board continued its close working relationship with the South African Police Services and the Directorate of Public Prosecutions in order to ensure effective enforcement of gambling legislation in the Province.

During the year, 64 (2016 : 123) illegal gambling devices were confiscated and 6 (2016 : 26) people were convicted of gambling-related offences.

B5.1.7 Responsible gambling

As per the founding Acts of both the Gauteng Gambling Board and the National Gambling Board, it is crucial that the Board continue to promote responsible gambling through public awareness initiatives and





LICENSING AND INVESTIGATIONS

Standing (left to right):
Kim Pillay and Barrington
Mdotsane

Seated (Left to right): Njabulo
Ntshembeni and Bathabile
Phohlo.

the self-exclusions programmes. These two initiatives are the anchor programmes geared to afford the communities around the Gauteng Province access to information on responsible gambling and the effect of problem gambling, thereby providing counselling to those affected by the ills of problem gambling.

The GGB, through the institutionalisation of responsible gambling within its operations, has proposed a policy statement *“To conduct and manage gambling in a socially responsible manner through interventions of public awareness on responsible gambling and minimalisation of incidences of problem gambling”* as a guiding principle of all interventions. During the 2016/17 financial year, the GGB was able to reach and provide support through:

Public Awareness and Public Outreach on Responsible Gambling

As per legislation, the Board should make a concerted effort to ensure that there are consistent messages related to Responsible Gambling. It is therefore prudent that in influencing the messages of Responsible Gambling in Gauteng, the GGB conducted a Responsible Gambling campaign: *“I WONT BET ON IT”* focused on promoting responsible gambling on social media. Through Facebook, Twitter, Instagram, LinkedIn, the Comics (Noxman & Zama Zama) and public outreach; there was an improved hype and interaction on messages of responsible gambling. The estimated number of people reached through these platforms for 2016/17 is tabled below:

ACTIVITY (MEDIUM)	PEOPLE REACHED
Facebook	352 300 hits
Radio Interview (SAFM)	557 000 listenership
Community Radio Interviews	487 000 listenership
Newspaper Advert (The Star)	656 000 readership
Magazine Adverts (The Transformer, The Teacher, Business Integrator)	198 000 readership
Public Outreach/Events	47 258
Training Programmes (Employees of Casino)	601
Telephone Counselling And Face to Face Counselling	110/q (440 per annum)
Self-Exclusions administered by GGB	360 (average 30 per month)
Revocations administered by GGB	216 (average 18/month)
Grand Total	2 309 175

As per table below, it is evident that the actual performance of the Responsible Gambling portfolio has surpassed its target (target 180 000/annum). The evidence further endorses the use of social media and other communication platforms such as print and broadcast media. It is also prudent to acknowledge partnerships established with the SARGF and the

GCRA to intergrate responsible gambling content in their training programmes. In working with the Communications unit; there should also be a joint effort to identify events, exhibitions and other platforms to profile the work of the GGB and, in turn, amplify responsible gambling messaging.

NAME OF ORGANISATION	SECTOR	REGION	AMOUNT
Action Blind	NGO- Disabled	Johannesburg	R447,000.00
Best Man and Woman I can Be	NGO-Health	Johannesburg	R750,000.00
Edutak Pre-School Training	NGO-Education	Johannesburg	R50,000.00
Elisitone	NGO-Health	Tshwane	R430,000.00
Greater Orlando Environment Development	NGO-Environment	Johannesburg	R120,200.00
His Sanctuary	NGO-Social Development	Johannesburg	R565,160.00
Innovation Kasi	NGO-Arts	Johannesburg	R600,370.00
Impilo Lithemba Projects	NGO-Environment	Johannesburg	R456,000.00
Lerothodi Community Development	NGO- Disabled	Johannesburg	R800,000.00
Light My Way Child Care	NGO-Education	Tshwane	R230,330.00
Thusanang Ma Africa	NGO-Environment	Johannesburg	R700,000.00
SANTA	NGO-Health	Johannesburg	R200,000.00
Soshanguve Arts	NGO-Arts	Tshwane	R1,000 000.00
Zibiflash	NGO-Health	Tshwane	R398,000.00
Wozobona Cultural House	NGO-Arts	Johannesburg	R42,000.00
Africa Distribution	SMME–Entrepreneur	Ekurhuleni	R255,000.00
Cool Dads Foundation	SMME–Entrepreneur	Ekurhuleni	R690,000.00
Esikangwane Dance	SMME–Entrepreneur	West Rand	R200,000.00
Reapso	SMME–Entrepreneur	Johannesburg	R300,000.00
GEP	SMME–Entrepreneur	Gauteng	R6,500,000.00
Top Culture	SMME–Entrepreneur	Johannesburg	R3 053 300
Entrepreneurship, Youth Programme	SMME–Entrepreneur	Tshwane	R1 370,360.00
The Media Gate	SMME–Entrepreneur	Johannesburg	R2,600,000.00
Mega Works Trading	SMME–Entrepreneur	Ekurhuleni	R150,000.00
Mam Wami Entrepreneurship	SMME–Entrepreneur	Johannesburg	R1,300,000.00
MM Furniture	SMME–Entrepreneur	Johannesburg	R180,000.00
Mothosi Holding	SMME-Skills Development	Johannesburg	R1,950,000.00
Sunset Point	SMME–Entrepreneur	Johannesburg	R565,000.00
Sakhile Ezweni Bakery	SMME–Entrepreneur	Johannesburg	R1,950,000.00

B5.1.8 Corporate Social Investment (CSI)

The GGB recognises its responsibility as a corporate citizen towards its stakeholders and the communities within which it operates. The GGB is committed to playing a role in the development of a Gauteng Community characterised by sustainable development in aligning its vision and mission statements to that of its performance as a corporate citizen. The SED, as a cornerstone for good corporate citizenship, forms an integral part of the GGB's corporate accountability and governance programme and is a key component of the GGB's stated objectives.

Corporate Social Investment

The GGB supported the beneficiaries on the following SED programmes in the 2016/2017 financial year:

- Support of healthcare programmes
- Support for education programmes, resources and materials at primary, secondary and tertiary education level
- Community training, skills development for the unemployed and adult basic education and training
- Support of arts, cultural or sporting development programmes

- Development Programmes for women, youth, people with a disability, people living in townships as well as rural areas

NB. The above tables represent reports on CSI and SDF projects that were funded in 2016/17 financial year, the total amount spent on CSI Projects was R24,0 million, while on SDF it is R18,9 million. It is also noted that we strategically ensured that programmes from all 5 regions in Gauteng had representation. On the gender categories, on both CSI and SDF the beneficiaries were inclusive of male, female, youth and disabled persons.

The sporting codes were mainly soccer, and we would like to see more codes that can be taught at a development level.

B5.1.9 B-BBEE

In terms of the Government policy and legislative framework BBEE is one of the pillars utilised to promote 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 53 of 2003 as amended, Section 32 of the Gauteng Gambling Act of 1995 as amended and Section 53 of the National Gambling Act, 7 of 2004.



COMMUNICATIONS

(Left to right): Karabo Mangena, Hugh Makhaya and Lindiwe Maphumulo.



INFORMATION TECHNOLOGY

Standing (left to right): Shakiel Bloemetjie, Ray-Ann Tilly, Mogobe Mahlatji and Collen Monedi.

Seated (left to right): Sharon Mhlophe and John Motlhokwane.

In the year under review the Board invited and issued 34 bookmakers' licences. One of the conditions was in relation to the shareholding of prospective licensees. The applicants were required to have a minimum of 51% shareholding by previously disadvantaged individuals of which 60% shall be held by locals. Further, 30% of the 60% shall be held by black women and youth. This level of BBBEE shareholding shall be maintained throughout the tenure of the licence.

B5.1.10 Enforcement of the Financial Intelligence Centre Act

The Gauteng Gambling Board is a supervisory body in terms of the Financial Intelligence Centre Act for the purposes of the enforcement and implementation of the Financial Intelligence Centre Act in the gambling industry.

The objectives of FICA are to:

- Preserve and enhance SA's reputation for sound governance and policies.
- Bring the SA legislation and framework in line with international standards and expectations.
- Complement the Prevention of Organised Crime Act, 1998 (POCA) which defines the crime of money laundering and also anti-terror legislation, Protection of Constitutional Democracy against

Terrorist and Related Activities Act, 2004 (POCDATARA).

- Remove the business element from 'the business of crime'.
- Establish SA as part of international efforts to combat money laundering and terror financing.

For the financial year under review 39 FICA inspections were conducted.

B5.2 Planning concepts, strategic objectives and result statements

B5.2.1 Definition of planning concepts

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

PLANNING CONCEPT	DEFINITION	GGB USAGE IN ANNUAL PERFORMANCE PLANNING
1. Strategic Outcomes	Strategic outcomes identify areas of institutional performance that are critical to the achievement of the mission. They should stretch and challenge the institution, but must be realistic and achievable. They probably span the period of a strategic plan or longer.	There are four strategic goals in the GGB Annual Performance plan.
2. Strategic Oriented Goals	Strategic oriented goals should state clearly what the institution intends doing or producing to achieve its strategic outcomes. The strategic oriented goals should be stated in the form of an output statement.	There are four strategic oriented outcomes that directly correspond to the strategic goals in the Annual Performance Plan with seven corresponding objective statements supporting the strategic goals.
3. Strategic Objectives	Strategic objectives in the Annual Performance Plan should refer to the objectives that are intended for the financial year. Each strategic objective must describe things that the institution is directly responsible for doing or delivering under its Strategic Outcomes. Institutions are advised to set fewer rather than more strategic objectives. The aim is to make strategic choices.	There are 10 result statements to support the strategic objectives in the Annual Performance Plan. From these strategic objectives, KPIs and targets are developed.
4. Key Performance Indicators (KPI's)	KPI's are more detailed than Strategic Objectives. They are quantifiable measurements that reflect the critical success factors of an organisation. KPI's can set measures for quantity, quality or time, or any other measurement. If appropriate there can be just one KPI as a measure for a strategic objective. There should not be more than five KPI's for a particular strategic objective or the Annual Performance Plan will be too operational.	There are 11 KPI's grouped under the 6 result statements.
5. Annual Targets	Targets add the value, measure and detail to a KPI. They must be a number, quantity, level of quality or a time period.	The Annual Performance Plan requires a history of 2012/13 targets achieved, that were audited, a baseline target for 2013/14, an estimated delivery target for 2014/15, and projected annual targets for 2014/15; 2015/16; 2016/17.
6. Quarterly Targets	The annual targets for 2016/17 are broken down into quarterly targets.	This is applied in the Annual Performance Plan.



GAMING CONTROL

(Standing (left to right):
Johannes Sefako, Lucky Marule, Kulani Hlongwane, Thokozile Nkabinde, Linda Mngqibisa and Alpheus Matsebula.

Seated (left to right): Gideon Mashigo, Thiran Marimuthu and Wonder Mkhonto.



Representation of GGB Annual Performance Plan planning concepts

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

B5.2.2 Summary of GGB Strategic goals and objectives

The table below sets out a summary of the Strategic Outcomes, Oriented Goals and the Strategic Objectives for the GGB Annual Performance Plan for 2016/17.

STRATEGIC OBJECTIVE	STRATEGIC PROGRAMME	STRATEGIC OBJECTIVE INDICATOR	RESULT STATEMENT
A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province	1. Gambling Regulation	1.1 Gambling processes concluded	1.1.1 Regulated Gambling Industry
		1.2 Annual draft amendments of gambling legislation submitted	1.1.2 Regulated Gambling Industry
		1.3 Rand value of tax collected	1.1.3 Revenue collected
	2. Corporate Social Investment	2.1 To reduce the exposure of society to the hardships of socio-economic challenges	2.1.1 Increase rand value spent on CSI projects
			2.1.2 Rand value spent on Sports Development Fund
	3. Responsible Gambling	3.1 To minimise the negative impact of gambling in Gauteng	3.1.1 Existence of Responsible Gambling Programmes

B5.3 Annual Performance Plan – performance indicators, targets and achievements

The following section, which makes up the bulk of the annual performance report, sets out the detailed target setting and performance monitoring regime for the GGB's 2016/17 targets together with achievements against those targets.

B5.3.1 PROGRAMME 1 – GAMBLING REGULATION

B5.3.1.1 Strategic Objectives, Key Performance Indicators and Targets

STRATEGIC OBJECTIVE	STRATEGIC INDICATOR	RESULT STATEMENT	PERFORMANCE INDICATOR	2015/2016 ACTUAL PERFORMANCE (BASELINE)	2016/2017 ANNUAL TARGET	2017/2018 ANNUAL TARGET
A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province	1.1 Gambling processes concluded	1.1.1 Regulated Gambling Industry	1.1.1.1 Percentage of applications processed within the standard timeframes: Employee Provincial – 30 days; Employee National – 60 days; Entities – 6 months	100%	100%	100%
			1.1.1.2 Number of compliance audits conducted on gambling licensees per annum	186	180	180
			1.1.1.3 Number of inspections conducted per annum	829	678	678
			1.1.1.4 Number of planned raids conducted per annum	53	36	36
			1.1.1.5 Percentage of disputes processed against those received in the standard timeframe of 6 months	100%	100%	100%
			1.1.1.6 Percentage of gaming equipment applications processed per annum within the standard timeframes	100%	100%	100%
	1.1.2 Regulated gambling industry	1.1.2.1 Annual draft amendments of gambling legislation to MEC before the end of the financial year	Annual draft amendments of gambling legislation to MEC	Annual draft amendments of gambling legislation to MEC	Annual draft amendments of gambling legislation to MEC	Annual draft amendments of gambling legislation to MEC
	1.2 Rand value of tax collected	1.1.3 Revenue collected	1.1.3.1 Rand value of gambling tax collected per annum	R974.9 million	R1009.6 million	R1070.2 million

B5.3.1.2 Strategic Objectives, Key Performance Indicators and Targets

STRATEGIC OBJECTIVE	STRATEGIC INDICATOR	RESULT STATEMENT	PERFORMANCE INDICATOR	2016/2017 ANNUAL TARGET	2016/2017 Q1 TARGET	2016/2017 Q2 TARGET	2016/2017 Q3 TARGET	2016/2017 Q4 TARGET
A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province	1.1 Gambling processes concluded	1.1.1 Regulated Gambling Industry	1.1.1.1 Percentage of applications processed within the standard timeframes: Employee Provincial – 30 days; Employee National – 60 days; Entities – 6 months	100%	100%	100%	100%	100%
			1.1.1.2 Number of compliance audits conducted on gambling licensees per annum	180	40	40	40	40
			1.1.1.3 Number of inspections conducted per annum	678	150	200	158	170
			1.1.1.4 Number of planned raids conducted per annum	36	9	9	9	9
			1.1.1.5 Percentage of disputes processed against those received in the standard timeframe of 6 months	100%	100%	100%	100%	100%
			1.1.1.6 Percentage of gaming equipment applications processed per annum within the standard timeframes	100%	100%	100%	100%	100%
	1.2 Annual draft amendments of gambling legislation submitted	1.1.2 Regulated Gambling Industry	1.1.2.1 Annual draft amendments of gambling legislation to MEC before the end of the financial year	Annual draft amendments of gambling legislation to MEC	-	-	Annual draft amendments of gambling legislation to MEC	-
	1.3 Rand value of tax collected	1.1.3 Revenue collected	1.1.3.1 Rand value of gambling tax collected per annum	R1009.6m	R242.3m	R242.3m	R272.5m	R252.5m

B5.3.1.3 Strategic Objectives, Key Performance Indicators and Targets

STRATEGIC OBJECTIVE	STRATEGIC INDICATOR	RESULT STATEMENT	PERFORMANCE INDICATOR	EVIDENCE REQUIRED	2016/2017 ANNUAL TARGET	2016/2017 ANNUAL ACTUAL	2016/2017 MONITORING AND EVALUATION	COMMENTS
A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province	1.1 Gambling processes concluded	1.1.1 Regulated Gambling Industry	1.1.1.1 Percentage of applications processed within the standard timeframes: Employee Provincial – 30 days; Employee National – 60 days; Entities – 6 months	List of applications received with the date applications processed with dates completed	100%	100%	Achieved	Committed employees and strong systems and processes are in place to process the applications within the timeframes
			1.1.1.2 Number of compliance audits conducted on gambling licensees per annum	List of compliance audits conducted on gambling licensees with the dates completed	180	190	Achieved	Co-operation by licensees in providing information and access to their premises
			1.1.1.3 Number of inspections conducted per annum	List of inspections conducted with the dates approved	678	691	Achieved	Co-operation by licensees in providing information and access to their premises
			1.1.1.4 Number of planned raids conducted per annum	List of raids conducted with the dates reported	36	43	Achieved	Joint operation between GGB and several law enforcement agencies
			1.1.1.5 Percentage of disputes processed against those received in the standard timeframe of 6 months	List of disputes received with the dates received and the dates processed	100%	100%	Achieved	Co-operation from both complainants and licensees in resolving the disputes

STRATEGIC OBJECTIVE	STRATEGIC INDICATOR	RESULT STATEMENT	PERFORMANCE INDICATOR	EVIDENCE REQUIRED	2016/2017 ANNUAL TARGET	2016/2017 ANNUAL ACTUAL	2016/2017 MONITORING AND EVALUATION	COMMENTS
			1.1.1.6 Percentage of gaming equipment applications processed per annum within the standard timeframes	List of gaming applications received with the dates as well as list of applications processed with dates completed	100%	100%	Achieved	Adequate management of process and turnaround times
	1.2 Annual draft amendments of gambling legislation submitted	1.1.2 Regulated Gambling Industry	1.1.2.1 Annual draft amendments of gambling legislation to MEC before the end of the financial year	Acknowledgement of receipt of the draft amendments legislation	Annual draft amendments of gambling legislation to MEC	Annual draft amendments of gambling legislation to MEC	Achieved	Adequate resources to adhere to the planned activities
	1.3 Rand value of tax collected	1.1.3 Revenue collected	1.1.3.1 Rand value of gambling tax collected per annum	Actual amount of gambling tax collected as reported in the financial statements	R1009.6m	R985.913m	Not Achieved	Under-collection of taxes by 2% to budget in line with economic growth trend

B5.3.3 PROGRAMME 2: PROMOTION OF RESPONSIBLE GAMBLING

B5.3.2.1 Strategic Objectives, Key Performance Indicators and Targets

STRATEGIC OBJECTIVE	STRATEGIC INDICATOR	RESULT STATEMENT	PERFORMANCE INDICATOR	2015/2016 ACTUAL PERFORMANCE (BASELINE)	2016/2017 ANNUAL TARGET	2017/2018 ANNUAL TARGET
A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province	2.1 To reduce the hardships of society from the hardships of socio-economic challenges	2.1.1 Increase rand value spent on CSI projects	2.1.1.1 Rand value spend on CSI projects	R18.6m	R12.454m	R13.227m
		2.1.2 Increase rand value spent on Sports Development Fund	2.1.1.2 Rand value spent on Sports Development Fund	R19.7m	R6.89m	R7.3m

B5.3.2.2 Quarterly Targets for 2015/16

STRATEGIC OBJECTIVE	STRATEGIC INDICATOR	RESULT STATEMENT	PERFORMANCE INDICATOR	2016/2017 ANNUAL TARGET	2016/2017 Q1 TARGET	2016/2017 Q2 TARGET	2016/2017 Q3 TARGET	2016/2017 Q4 TARGET
A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province	2.1 To reduce the hardships of society from the hardships of socio-economic challenges	2.1.1 Increase rand value spent on CSI projects	2.1.1.1 Rand value spend on CSI projects	R12.454 m	0	0	0	R12.454m
		2.1.2 Increase rand value spent on Sports Development Fund	2.1.1.2 Rand value spent on Sports Development Fund	R6.89m	0	0	0	R6.89m

B5.3.2.3 Performance against the Annual Performance Plan

STRATEGIC OBJECTIVE	STRATEGIC INDICATOR	RESULT STATEMENT	PERFORMANCE INDICATOR	EVIDENCE REQUIRED	2016/2017 ANNUAL TARGET	2016/2017 ANNUAL ACTUAL	2016/2017 MONITORING AND EVALUATION	COMMENTS
A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province	2.1 To reduce the hardships of society from the hardships of socio-economic challenges	2.1.1 Increase rand value spent on CSI projects	2.1.1.1 Rand value spend on CSI projects	Actual amount spend as reported on the statement of financial performance	R12.454 m	R24.802m	Achieved	29 Projects were approved and funded for the year
		2.1.2 Increase rand value spent on Sports Development Fund	2.1.1.2 Rand value spent on Sports Development Fund	Actual amount spend as reported on the statement of financial performance	R6.89m	R19.474m	Achieved	The Sports Development Fund has grown exponentially over the last few years, which resulted in accumulated funds available for distribution. These funds were distributed to beneficiaries in accordance with the Gauteng Gambling Act

B5.3.3 PROGRAMME 3 – RESPONSIBLE GAMBLING

B5.3.3.1 Strategic Objectives, Key Performance Indicators and Targets

STRATEGIC OBJECTIVE	STRATEGIC INDICATOR	RESULT STATEMENT	PERFORMANCE INDICATOR	2015/2016 ACTUAL PERFORMANCE (BASELINE)	2016/2017 ANNUAL TARGET	2017/2018 ANNUAL TARGET
A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province	3.1 To minimise the negative impact of gambling in Gauteng	3.1.1 Existence of Responsible Gambling Programmes	3.1.1.1 Number of people reached with messaging on the dangers of gambling	262 601	180 000	180 000

B5.3.3.2 Quarterly Targets for 2015/16

STRATEGIC OBJECTIVE	STRATEGIC INDICATOR	RESULT STATEMENT	PERFORMANCE INDICATOR	2016/2017 ANNUAL TARGET	2016/2017 Q1 TARGET	2016/2017 Q2 TARGET	2016/2017 Q3 TARGET	2016/2017 Q4 TARGET
A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province	3.1 To minimise the negative impact of gambling in Gauteng	3.1.1 Existence of Responsible Gambling Programmes	3.1.1.1 Number of people reached with messaging on the dangers of gambling	180 000	40 000	40 000	40 000	60 000

B5.3.3.3 Performance against the Annual Performance Plan

STRATEGIC OBJECTIVE	STRATEGIC INDICATOR	RESULT STATEMENT	PERFORMANCE INDICATOR	EVIDENCE REQUIRED	2016/2017 ANNUAL TARGET	2016/2017 ANNUAL ACTUAL	2016/2017 MONITORING AND EVALUATION	COMMENTS
A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province	3.1 To minimise the negative impact of gambling in Gauteng	3.1.1 Existence of Responsible Gambling Programmes	3.1.1.1 Number of people reached with messaging on the dangers of gambling	Number of people reached with messaging on the dangers of gambling – information leaflets distributed; Minutes of the Responsible Gambling Committee of the Board	180 000	2 303 665	Achieved	Successful implementation of the responsible gambling strategy formulated to reach people with messagers of gambling through various mediums

B5.4 Capital investment, maintenance and asset management plan

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

The most significant additions to assets during the year were computers. This was to anticipate the increase in the number of staff as per the approved organisation structure.

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

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



BOARD MEMBERS

Standing (left to right): Mr Johnny Sexwale, Mr Mxolisi Zwane, Dr Stephen Louw, Mr Leon Marincowitz, Mr Thulani Sithole and Mr Zola Fihlane.

Seated (left to right): Ms Cynthia Motau and Ms Shaila Hari.

Absent: Mr Zola Mojavu, Mr Tim Sukazi and Dr Nosipho Sangweni.

B6. SUMMARY OF FINANCIAL INFORMATION

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

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

B6.1 Budget estimates

The Table below presents the GGB 2016/17 high level budget. The GGB's expenditure is funded through licensing fees levied.

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

REVENUE	INCOME	FY 2016 ACTUAL R	REVISED FY2017 BUDGET R	FY 2018 BUDGET R	FY 2019 BUDGET R	FY 2020 BUDGET R	FY 2021 BUDGET R	FY 2022 BUDGET R
Interest Income	Interest Received	5,738,866	7,019,755	7,440,940	7,664,168	7,894,093	8,130,916	8,374,843
Revenue from Non-Exchange	Licence fees	44,840,930	47,422,473	47,896,813	50,770,622	53,816,859	57,045,871	60,468,624
	Sports betting levy	13,449,111	14,256,058	15,111,421	16,018,107	16,979,193	17,997,945	19,077,822
	Penalties	219,737	-	-	-	-	-	-
Revenue From Exchange	Other income	271,498	915,883	287,788	291,154	308,623	327,140	346,770
	Collection Commission	75,739,095	80,771,657	88,404,764	93,709,049	99,331,592	105,291,488	111,608,977
	Investigation Exp. Recoveries	9,166,604	2,058,868	2,182,400	2,313,344	2,452,144	2,599,273	2,755,229
	Application fees	21,241,389	2,680,140	2,680,140	2,840,948	3,011,405	3,192,090	3,383,615
	Employees Registration Fee	4,547,275	4,694,801	4,976,489	5,275,078	5,591,583	5,927,078	6,282,703
	HRA Administration Fees	240,000	240,000	240,000	240,000	240,000	240,000	240,000
Profit/loss on asset disposal		(66,719)	-	-	-	-	-	-
Total Revenue		175,387,786	160,059,635	169,220,755	179,122,470	189,625,494	200,751,800	212,538,584

REVENUE	EXPENDITURE	FY 2016 ACTUAL R	REVISED FY2017 BUDGET R	FY 2018 BUDGET R	FY 2019 BUDGET R	FY 2020 BUDGET R	FY 2021 BUDGET R	FY 2022 BUDGET R
Personnel	Employee Related Costs	76,027,720	83,285,338	115,894,433	122,848,099	129,205,318	136,957,637	145,175,095
Administration	Board and Audit Committee Members	3,356,732	3,915,378	4,574,927	4,849,423	5,140,388	5,448,812	5,775,740
Depreciation and Amortisation	Depreciation and Amortisation	3,133,682	3,838,902	4,061,558	4,305,252	4,563,567	4,837,381	4,737,745
General Expenses	General Expenses	60,888,744	69,020,017	44,689,836	47,119,697	50,716,221	53,507,971	56,850,004
	Advertising	522,066	626,934	663,296	703,094	745,279	789,996	837,396
	Auditors Remuneration	844,961	1,284,281	1,356,718	1,438,121	1,524,408	1,615,873	1,712,825
	Bank Charges	53,503	63,291	66,647	70,646	74,885	79,378	84,141
	Building Maintenance	347,629	1,200,000	598,868	634,800	672,888	713,261	756,057
	Computer Expenses	1,480,862	1,569,714	1,722,835	1,826,205	1,935,777	2,051,924	2,175,039
	Professional Fees	6,702,095	5,417,074	2,873,304	3,045,702	3,228,444	3,422,151	3,627,480
	Consumables	639,247	910,470	963,277	1,021,073	1,082,338	1,147,278	1,216,115
	Corporate Social Investment	18,646,140	25,111,017	605,681	396,123	1,189,232	1,009,363	1,201,479
	Insurance	202,524	140,433	148,578	157,492	166,942	176,958	187,576
	Conferences and Seminars	323,261	754,032	1,028,493	1,090,203	1,155,615	1,224,952	1,298,449
	Fines and penalties	112,263	-	-	-	-	-	-
	Storage Rentals	176,352	304,661	335,013	355,114	376,421	399,006	422,946
	Finance costs on deemed finance leases	2,063	-	-	-	-	-	-
	Recruitment costs	1,702,375	1,000,000	718,642	761,760	807,466	855,914	907,268
	Repairs and maintenance (Equipment)	25,665	50,028	77,151	81,780	86,687	91,888	97,401
	Postage and Stationery	247,489	559,806	592,274	627,811	665,480	705,408	747,733
	Media subscription and books	279,993	113,557	120,143	127,352	134,993	143,093	151,678
	Printing costs	494,772	606,033	641,183	679,654	720,434	763,660	809,479
	Employee Assistance Programme	106,004	92,581	109,793	116,380	123,363	130,765	138,611
	Telephone and Fax	1,632,786	1,764,648	1,866,998	1,979,018	2,097,759	2,223,624	2,357,042
	Staff Training	1,492,488	1,927,743	2,049,206	2,172,159	2,302,488	2,440,638	2,587,076
	Travel - Local	1,624,558	1,669,426	2,051,281	2,174,358	2,304,820	2,443,109	2,589,695
	Travel - Overseas	1,005,551	3,611,129	4,433,571	4,699,585	4,981,560	5,280,454	5,597,281
	Municipal Charges	1,661,550	1,969,702	2,785,577	2,952,712	3,129,875	3,317,667	3,516,727
	Transcription Cost	105,624	112,591	185,546	196,679	208,480	220,989	234,248
	Responsible Gambling Programme	9,551,877	9,000,000	9,540,000	10,112,400	10,719,144	11,362,293	12,044,030
	Investigation and Enforcement Costs	4,147,203	3,494,632	3,067,129	3,251,157	3,446,226	3,653,000	3,872,180
	Board Members Training	305,356	300,000	323,067	342,451	362,998	384,778	407,864
	Legal Fees	6,155,292	4,847,786	5,258,304	5,568,172	5,902,263	6,256,398	6,631,782
	PR Expenses	297,196	518,449	507,261	537,696	569,958	604,155	640,405
Total Expenditure		143,406,878	160,059,635	169,220,755	179,122,470	189,625,494	200,751,801	212,538,584
Surplus For The Year		31,980,908	-	-	-	-	-	-

B6.2 Revenue collection

The table below summarises the actual achievements for revenue collection compared to the budget for the 2016/2017 financial year and 2015/2016 as a comparison.

REVENUE SOURCE	2016/2017 R'000			2015/2016 R'000		
	BUDGET	ACTUAL REVENUE	(OVER) / UNDER COLLECTION	BUDGET	ACTUAL REVENUE	(OVER) / UNDER COLLECTION
Administration fee	240	240	0	240	240	0
Application & Registration fees	7 375	7 320	(55)	24 605	25 825	1 220
Collection commission	80 772	78 618	2 154	76 110	75 739	(371)
Licence fees	47 422	48 818	(1 396)	44 412	44 842	430
Sports betting levies	14 256	14 519	(263)	11 061	13 449	2 388
Penalties collected	0	0	0	0	219	219
Recoveries of investigation fees	2 059	2 481	(422)	7 885	9 167	1 282
Sundry income	916	1 533	(617)	162	235	73
Interest received	7 020	6 830	190	5 056	5 867	811
Profit on asset disposal	0	0	0	0	0	0
TOTAL	160 060	160 359	(299)	169 531	175 583	6 052

B6.3 Programme expenditure

The table below summarises the actual spend for expenses compared to the budget for the 2016/17 financial year and 2015/2016 as a comparison.

PROGRAMME NAME	2016/2017 R'000			2015/2016 R'000		
	BUDGET	ACTUAL REVENUE	(OVER) / UNDER COLLECTION	BUDGET	ACTUAL REVENUE	(OVER) / UNDER COLLECTION
Employee related costs	83 285	84 165	(880)	90 883	68 367	22 516
Board and Audit members fees	3 915	3 262	692	3 969	3 357	612
Depreciation and amortisation	3 840	3 972	(132)	4 000	3 133	867
Other operating expenses	69 020	60 925	8 040	70 679	60 897	9 782
Loss on asset disposal	0	40	(33)	0	67	(67)
Finance Costs	0	48	0	0	0	0
TOTAL	160 060	152 373	7 687	169 531	135 821	33 710



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 on-going development and implementation of best practices. The Board is ultimately responsible for ensuring high governance standards, assisted by management, and aims to instil a culture of performance, compliance and good governance.

C2. Portfolio Committees

C2.1 Gauteng Legislature Economic Development Portfolio Committee

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

C2.2 Committee on the scrutiny of Subordinate Legislation

During the year the Gauteng Gambling Act was amended to achieve the increase in the annual licence fees as well as the application fees in terms of the regulations promulgated in terms of Section 84 of the Act. The draft amendments were presented and approved by the Legislature on 03 March 2017.

C2.3 Standing Committee on Public Accounts

The Board, together with the DED, held meetings and exchanged correspondence with the Standing Committee on Public Accounts. No issues were raised in respect of GGB.

C3. Executive Authority

On a monthly and quarterly basis the Board reports to the Department of Economic Development on progress made towards the achievement of the predetermined objectives and implementation of the business plan. These matters are reported in 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, No 4 of 1995, as amended, to exercise public power to regulate and control gambling activities in the Gauteng Province on behalf of the Gauteng Provincial Government.

C4.2 The role of the Board

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

- Provide strategic direction to the Gauteng Gambling Board;
- Consider, and adopt if appropriate, operating budgets and business plans proposed by management for the achievement of its strategic direction;
- Delegate authority for capital expenditure;
- Provide oversight of performance against targets and objectives;
- Provide oversight of reporting on the direction, corporate governance and performance of the board;
- Identify, consider and review key risk areas;
- Ensure ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, and the Board's internal governing documents and codes of conduct;
- Act responsibly towards the Board's relevant stakeholders; and

- Be aware of, and commit to the underlying principles of good corporate governance and ensure that compliance with corporate governance principles is reviewed regularly.

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

Conflicts of interest

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

Board members

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

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

Board committees

The Board has established committees to assist it in exercising its authority, including monitoring the performance of the organisation to gain assurance that

progress has been made towards the organisation's objectives within the limits imposed by the Board. The permanent committees of the Board are the Executive Committee of the Board (EXCO), Audit and Risk, Corporate, Social and Ethics, Gaming, Transformation and Responsible Gambling Committees.

Each committee has terms of reference under which authority is delegated by the Board.

The office of the Company Secretary provides secretarial services for the Board and each of the committees.

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

The Board consists of between eight and twelve members. Board meetings are held at least quarterly and more frequently if circumstances so require.

Proceedings at meetings are directed by a formal agenda. The proposed agenda is circulated prior to the meeting to allow Board members sufficient opportunity to request additional agenda items.

In addition, a comprehensive Board pack is distributed to all members in advance of meetings, to ensure that they are properly informed and to enable them to undertake meaningful discussion and effectively discharge their duties. These packs typically include:

- Agenda
- Previous meeting minutes
- Committee Reports
- Governance update to assist Board members in keeping 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, in appropriate circumstances.

C4.4 Composition of the Board

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

NAME	DESIGNATION IN TERMS OF THE GGB STRUCTURE	DATE OF EXTENSION OF TERM OF OFFICE	DATE OF EXPIRY OF TERM OF OFFICE	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS (LIST THE ENTITIES)	MEMBERSHIP IN COMMITTEES	NO OF BOARD MEETINGS ATTENDED	NO OF BOARD HEARINGS ATTENDED
Mr Mxolisi Zwane	Chairperson		Current and term ending September 2018	B Proc, LL.M, Higher Diploma in Company Law	Attorney	Director – Maluleke Seriti Makuke Matlala Inc Chairperson – National Heritage Council Head of Polity, Black Business Council	None	7 out of 7	13 out of 13
Ms Shaila Hari	Board Member		Current and term ending September 2018	Bachelor of Accounting Science BCompt Honours Certificate - Public Sector Governance UNISA SBL	Accounting Public Sector Governance Social & Ethics Corporate Governance	Non- Executive Director - Spanjaard Ltd Air Traffic Navigation Services (ATNS) Member of Audit Committee Chairperson Audit Committees: National School of Government, The International Trade Administration Commission of SA Member of Audit Committee at SA Pharmacy Council, The SSA	Gaming Committee	6 out of 7	11 out of 13
Mr Zola Majavu CD (SA)	Board Member		Current and term ending September 2018	BA LLB Higher Diploma in Company Law Judicial Skills course Executive Sports Management Certificate in Sports Law	Attorney	Chairperson - Road Traffic Management Corporation (RTMC) Director - Majavu Inc Trustee of Jolinkomo Trust Director- Oliphant Institute of Leadership Majavu Consultancy CC	Gaming Committee Corporate & Gaming Committees	6 out of 7	11 out of 13
Mr Zola Fihlani	Board Member		Current and term ending September 2018	CA (SA) B.Comm B.Compt CTA Higher Diploma in Tax Higher Diploma in International Tax Law M. Comm (Tax)	Business acumen	Board Member- IRBA Board Member and Audit Committee Member- Gauteng Partnership Fund Board & Audit Committee Member- Richards Bay IDZ Audit Committee Chairperson- National Heritage Council Risk & Portfolio Committee – National Empowerment Fund Risk Committee Member- Ekurhuleni Metropolitan Municipality	Audit & Risk & Responsible Gambling Committees	5 out of 7	11 out of 13

NAME	DESIGNATION IN TERMS OF THE GGB STRUCTURE	DATE OF EXTENSION OF TERM OF OFFICE	DATE OF EXPIRY OF TERM OF OFFICE	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS (LIST THE ENTITIES)	MEMBERSHIP IN COMMITTEES	NO OF BOARD MEETINGS ATTENDED	NO OF BOARD HEARINGS ATTENDED
Dr Stephen Louw	Board member		Current and term ending September 2018	PhD (Political Studies) BA Hons (Political Studies)	Gambling		Gaming & Responsible Gambling Committees	7 out of 7	13 out of 13
Ms Cynthia Motau	Board Member		Current and term ending September 2018	BA Social Work, Advanced Diploma in Community Development, Master's Degree in Education, Advanced Certificate in Project Management, Certificate in Corporate Governance, Certificate of Business Accounting for Non-Accountant Managers	Tourism	Director- Sunburst Corporate Catering Services Non-Executive Director – Fountain of Life (NPO)	Social and Ethics & Responsible Gambling Committees	6 out of 7	10 out of 13
Mr Leon Marincowitz	Board Member		Current and term ending September 2018	Prince 2 Project Management Practitioner, Masters: Philosophy, BA Honours: Philosophy BA: General	Policy Development, Research & advocacy, Programme coordination, finance, human resources & media liaison		Corporate & Gaming Committees Corporate, Gaming & Transformation Committees	6 out of 7	12 out of 13
Colonel Johnny Sexwale	Board Member		Current and term ending September 2018	Diploma Journalism	Business acumen	Director – Mantuba Investment Holdings (Pty) Ltd Director – Kusini Technology (Pty) Ltd Member of Reserve Force Council	Responsible Gambling EXCO Social & Ethics	7 out of 7	13 out of 13

NAME	DESIGNATION IN TERMS OF THE GGB STRUCTURE	DATE OF EXTENSION OF TERM OF OFFICE	DATE OF EXPIRY OF TERM OF OFFICE	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS (LIST THE ENTITIES)	MEMBERSHIP IN COMMITTEES	NO OF BOARD MEETINGS ATTENDED	NO OF BOARD HEARINGS ATTENDED
Dr Nozipho Sangweni	Board Member		Current and term ending September 2018	MB ChB MBA Diploma in Occupational Health Diploma in Civil Aviation Management Certificates: Primary Aviation Medicine, Senior Civil Aviation Management, Management of Aviation Security, Aviation Law for Managers, Air Transport Management, Travel Medicine, Aviation Medicine, Management Advancement Program	Medical Doctor	Chairperson - Johannesburg Local Committee of Gauteng Liquor Board	Audit & Risk & Social & Ethics Committees	1 out of 7	2 out of 13
Mr Thulani Sithole	Board Member		Current and term ending September 2018	B.Comm H DIP Tax B.Comm (Hons) Leadership Development Program	Risk, Audit & Tax	GEP (Board member & Chairperson of Risk & Audit Committee), National Audit Committee Forum: Member of the National Working Group, TRG International (Board member)	Corporate & Audit & Risk Committees Corporate, Audit & Risk & Transformation Committees	6 out of 7	12 out of 13
Mr Timothy Sukazi	Board member		Current and term ending September 2018	B.Proc Certificate in Practical Legal Training LLB LLM (Commercial Law)	Attorney	Tim Sukazi Inc (founder & director)	Corporate & Social & Ethics Committees	2 out of 7	8 out of 13

C4.5 Committees

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

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

The table below summarises the attendance of the various committees from 01 April 2016 until 31 March 2017.

	CORPORATE COMMITTEE	RESPONSIBLE GAMBLING COMMITTEE	GAMING COMMITTEE	SOCIAL & ETHICS COMMITTEE	EXCO
TOTAL MEETINGS	5	4	6	7	1
Mxolisi Zwane					1
Shaila Hari			6		1
Zola Fihlani		2			1
Stephen Louw		4	6		
Zola Majavu	4		5		1
Leon Marincowitz	4		6		
Cynthia Motau		3		7	
Nozipho Sangweni					
Johnny Sexwale		4		7	1
Thulani Sithole	5	1		1	
Timothy Sukazi	4			4	
Steve Hall (co-opted member)			6		
Adv. Lentswe Mokgatle (co-opted member)				4	

C5.6 Remuneration of Board members and Committees

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

BOARD MEMBER	REMUNERATION	OTHER ALLOWANCE	OTHER RE-IMBURSEMENTS	TOTAL
Mxolisi Zwane*	423 546,00	-	72 913,19	496 459,19
Shaila Hari*	290 120,00	-	14 264,07	304 384,07
Zola Majavu*	214 902,00	-	15 728,11	230 630,11
Johnny Sexwale*	382 014,00	-	25 695,55	407 709,55
Zola Fihlani*	171 013,00	-		171 013,00
Cynthia Motau*	278 095,00	-	14 264,07	292 359,07
Stephen Louw*	278 520,00	-		278 520,00
Leon Marincowitz*	282 210,00	-		282 210,00
Nozipho Sangweni*	65 832,00	-		65 832,00
Thulani Sithole *	263 328,00	-		263 328,00
Timothy Sukazi*	156 984,00	-		156 984,00
Wedzerai Musvoto (Audit Committee)	20 256,00	-		20 256,00
Krishna Govender (Audit Committee)	15 192,00	-		15 192,00
Lentswe Mokgatlé (co-opted)	55 704,00	-		55 704,00
Steve Hall (co-opted)	50 640,00	-		50 640,00
Johanna Leso**	57 246,00	-	762,00	58 008,00
Bonginkosi Mashazi**	10 128,00	-		10 128,00
Thabang Serero**	15 192,00	-		15 192,00
Dferadayalen Konar**	10 128,00	-		10 128,00
Doris Dondur**	5 064,00	-		5 064,00
Frans van der Westhuizen**	10 128,00	-		10 128,00
Tshatshara Mabusela**	15 192,00	-		15 192,00
Harold Knopp**	15 192,00	-		15 192,00
Thandi Mashava**	15 192,00	-		15 192,00
Tshepiso Mphahlane**	15 192,00	-		15 192,00
Makatso Mokoena**	15 192,00	-		15 192,00
Sibusiso Magwaza**	15 192,00	-		15 192,00
Hector Mokhutsane**	15 192,00	-		15 192,00
Luckyboy Makhubela**	10 128,00	-		10 128,00
Fana Nalane**	50 762,00	-		50 762,00

* indicates Board Members

** indicate Disciplinary Committee

C6. Audit And Risk Committee

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

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

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

- The approval of non-audit service performed by internal and external auditors
 - The approval of terms of engagement, and fees to be paid to the external auditors
 - Approval of the appointment of internal auditors if the function is outsourced, and the head of internal audit
 - Instances where an in-house internal audit function is established.
- The process of risk management and the system of internal control are regularly reviewed for effectiveness;
 - There is an on-going process of identifying, evaluating and managing the significant risks faced by the GGB (including compliance and IT-related risks) and that this is in place throughout the year;
 - A formal risk assessment is undertaken annually;
 - There is an adequate and effective system of internal control in place to manage the more significant risks faced by the group to an acceptable level;
 - A risk register is maintained and kept up to date; and
 - Appropriate insurance cover is placed and regularly reviewed, and that all uninsured risks are reviewed and managed.

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 entire business. This risk profile covers both operational and strategic risks.

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

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

- Appropriate risk and control policies are in place and are communicated throughout the organisation;

C7. Internal Control Unit

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

C8. Internal Audit

The internal audit function of the GGB is outsourced.

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

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

- Reviewing the adequacy of corrective action taken in response to significant internal audit findings

The internal audit function performed the following functions:

- Financial discipline review
- Supply chain management review
- Compliance process review
- Licensing process review

- Audit performance information for Quarter 1, Quarter 2, Quarter 3 and Quarter 4
- Human Resource management review
- IT general controls review

Attendance of the Audit and Risk Committee Meetings:
2016/17 FY

NAME	QUALIFICATIONS	DATE APPOINTED	DATE OF EXPIRY OF TERM OF OFFICE	AUDIT COMMITTEE MEETINGS ATTENDED	SPECIAL AUDIT COMMITTEE MEETINGS ATTENDED
Mr Zola Fihlani*	CA(SA) B.Comm B.Compt C CTA Higher Diploma in Tax Higher Diploma in International Tax Law M.Comm (Tax)	27 October 2015	Current and term of ending Sept 2018	4 of 4	1 of 1
Dr Nozipho Sangweni*	MBChB MBA Diploma in Occupational Health Diploma in Civil Aviation Management Certificates: Primary Aviation Medicine, Senior Civil Aviation Management, Management of Aviation Security, Aviation Law for Managers, Air Transport Management, Travel Medicine, Aviation Medicine, Management Advancement Program	27 October 2015	Current and term of ending Sept 2018	1 of 4	None
Mr Thulani Sithole*	B.Comm H DIP Tax B.Comm (Hons) Leadership Development Program	27 October 2015	Current and term of ending Sept 2018	3 of 4	1 of 1
Prof Wedzerai Musvoto	D.Comm (Financial Management) M.Comm (Financial Management) B.Comm	04 May 2016	Current	1 of 4	1 of 1
Krishna Govender	CA(SA) B.Comm degree B.Comm Honours degree (Accounting)	04 May 2016	Current	2 of 4	1 of 1

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

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

C9. Compliance with Laws and Regulations

Management of the organisation is responsible for the day-to-day management of the activities of the institution and Board members embrace their responsibilities imposed by the Gauteng Gambling Act, the PFMA and other relevant laws and regulations. In addition each individual manager undertakes to maintain a working understanding of the laws, rules, codes and standards applicable to the Board's operations.

The individual managers are supported by the Legal Services department which provides the following services:

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

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

C10. Fraud and Corruption

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

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

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

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

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

C11. Minimising Conflict of Interest

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

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

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

C12. Code of Ethics

The GGB has adopted a Code of Ethics aimed at preventing unethical behaviour and to promote and encourage ethical behaviour amongst all Board members, employees and stakeholders, as applicable. The Code of Ethics is founded on the principles of integrity, good faith, impartiality, openness and accountability.



SENIOR MANAGERS

Front row (left to right):
K Mahlaba, N Matanzima,
K Mbele, J Motlhokwane and
L Kobue

Back row (left to right):
T Letshwiti, S Ngubeni,
E Lalumbe, L Lukhwareni
and T Marimuthu

(Absent): Z Gumede

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

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

C13. Health, Safety and Environmental Issues

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

With optimal energy habits becoming a priority of National importance, the GGB recognises that it has a contribution to make towards environmental issues, particularly with regards to energy saving. Lighting contributes 18% of electricity consumed in the

commercial sector. The building occupied by the GGB is fitted with energy-saving lights that automatically switch off when there is no movement in the area.

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

C14. Company Secretary Report

1. The Company Secretary plays a pivotal role in the achievement of good corporate governance. The board is responsible for the selection and appointment of the Company Secretary in consultation with the CEO.
2. The Company Secretary is available to board members to provide advice and guidance in the performance of their duties, and to provide access to external independent professional advice at the board's expense when required.

C15. Social Responsibility Report

C15.1 Introduction

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

C15.2 Composition of the Committee

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

1. Ms Cynthia Motau (Chairperson)
2. Mr Tim Sukazi
3. Adv. Lentswe Mokgatle (co-opted member)
4. Mr Johnny Sexwale
5. Mr Thulani Sithole

Membership was from 1 April 2016 to 31 March 2017.

C15.3 Responsibilities

The objectives and responsibilities of the Committee are recorded in its written charter and are aligned

with the Committee's statutory functions as set out in the Companies Regulations of 2011. In summary the Committee has a duty to:

1. Monitor Gauteng Gambling Board's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
 - a. Social and economic development.
 - b. Good corporate citizenship, including the Gauteng Gambling Board's:
 - Promotion of equality, prevention of unfair discrimination, and reduction of corruption.
 - Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed.
 - Record of sponsorship, donations and charitable giving.
2. The environment, health and public safety, including the impact of the Gauteng Gambling Board's activities and of its products or services.
3. Stakeholder relationships.
4. Labour and employment, including:



MANAGERS

Front (left to right): Johannes Sefako, Kim Pillay, Phindile Makhanya, Shakiel Bloemje

Back (left to right): Ferdie de Jager, Jacques Bloem, Paul Potgieter, Oscar Maripane



COMPLIANCE AUDIT

Standing (left to right): Shaun Makhado, Lesley Molepo, Zikho Caleni, Lawrence Sikoe and Thobekile Dlozi

Seated (left to right): Morongoa Mogashoa and Patrick Mashangoane

- a. To draw matters within its mandate to the attention of the Board as occasion requires.
 - b. The Committee shall review and approve any application for financial assistance from the Sports Development Funds and CSI that is reasonably within its mandate. Applications with extraordinary and unusual monetary values at the discretion of the Committee, will be reverted and recommended to the Board for final approval.
- Socio economic development funding applications, allocations requests and reports
 - Sports development funding applications, allocations requests and reports

C15.5 Plans for the 2017-2018 financial year

During the 2017/2018 financial year, the Committee plans to continue its monitoring activities and enhancement of its activities in line with its mandate and terms of reference.

C15.4 Functioning of the Committee

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

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

- The review of Code of Ethics
- Annual Social & Ethics Committee Plan
- The review of Socio Economic Development Policy

C15.6 Conclusion

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

Ms C Motau

Chairperson of the Social and Ethics Committee

Date: 31/07/2017

C16. Audit and Risk Committee Report

C16.1 Introduction

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

The system of internal control and the concomitant control environment within the Gauteng Gambling Board (GGB) has improved, as the various reports of the internal auditors issued during the year under review clearly show.

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

C16.2 Governance of risk

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

The Audit and Risk Committee has the responsibility to ensure that a risk management process is in place at the GGB and, as such, can report that, at the meetings

held during the year, it was informed that risks are being managed and that over and above the strategic risk assessment carried out, strategic and operational risks are managed on a continuous basis.

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

C16.3 Internal audit

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

C16.4 Whistle-blowing

The Audit and Risk Committee wishes to report that, for the financial year under review, the committee had not received, and could consequently not deal with any concern or complaints, whether from within or outside of the GGB, relating to the accounting practices and internal audit of the GGB, the content or auditing of the GGB's financial statements, the internal financial controls of the GGB and related matters.



COMPLIANCE AUDIT

Standing (left to right):
Jacques Bloem, Olivia
Thobakgale, Brilliant
Mncwango and Tony Malefo

Seated (left to right) Lesego
Kobue and Louis Mosomane

C16.5 The quality management and monthly / quarterly reports submitted in terms of the PMFA

The Audit and Risk committee reports that, during the year under review, they were not presented with regular monthly or quarterly management reports to enable them to:

- i. Monitor the integrity, accuracy and reliability of the financial position of the GGB
- ii. Review the management accounts of the GGB to provide the Accounting Authority with an authoritative and credible view of the financial position of the GGB;
- iii. 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; and
- iv. Review all material information presented together with the management accounts.

The Committee only started receiving such management reports during the second half of the financial year under review.

C16.6 Quality of budgets submitted in terms of the PFMA

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

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

C16.7 Evaluation of financial statements

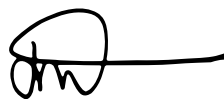
The Audit and Risk Committee, at its meeting held on 23 May 2017, resolved to recommend the approval of the annual financial statements to the Accounting Authority.

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

- i. Significant financial reporting judgments and estimates contained in the annual financial statements;
- ii. Clarity and completeness of disclosure and whether disclosures made have been set properly in context;
- iii. Quality and acceptability of, and any changes in accounting policies and practices;
- iv. Compliance with accounting standards and legal requirements;
- v. Significant adjustments and/or unadjusted differences resulting from the audit;
- vi. Reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted;
- vii. Reasons for major year-on-year fluctuations;
- viii. Asset valuations and revaluations;
- ix. Calculation and levels of general and specific provisions;
- x. Write-offs and reserve transfers; and
- xi. The basis for the going concern assumption.

C16.8 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
Date: 31/07/2017



PART D

HUMAN RESOURCE MANAGEMENT

D1. Introduction

The objective of the human resources department is to support the GGB's vision to be a leading and innovative regulator in the gambling industry. The department provides the following services:

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

D1.1 Performance management

Performance management aims to motivate and empower employees to perform their work roles effectively, to provide performance feedback, acknowledge achievements and to support on-going personal and professional development. Significant improvements in performance management have been

realised through the sustained institutionalisation and support of the GGB's performance management system. Individual performance objectives are linked to the strategic objectives. The performance management policy was revised and updated. The purpose of the performance management policy is to describe the methods, timing, and principles of performance management at GGB.

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

D2. Human Resources Oversight Statistics

D2.1 Personnel cost by programme/activity/objective

The table below summarises the personnel cost per department and analysis. Note that this information excludes company contributions to the Unemployment Insurance Fund, Skills Development Levies and the staff related provisions. The total expenses for the year were R127.5 million of which R84.1 million (65%) was for personnel costs.

DEPARTMENT	TOTAL EXPENDITURE	PERSONNEL COSTS AS A % OF TOTAL PERSONNEL COSTS	NO OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE
Office of the CEO	6 585 244,96	8.95%	6	1 097 540,83
Compliance	14 745 510,55	20.05%	21	702 167,17
Office of the COO	3 595 856,08	4.89%	2	1 796 928,04
Finance	10 348 419,71	14.07%	18	574 912,21
Gaming Control	8 128 993,64	11.05%	12	677 416,14
Human Resources	5 823 171,14	7.92%	13	447 936,24
Information Technology	3 951 450,43	5.37%	6	658 575,07
Legal	7 131 821,01	9.70%	10	713 182,10
Licensing and Investigations	8 023 837,62	10.91%	13	617 218,28
Socio-Economic Development	3 249 063,94	4.42%	5	649 812,79
Communications	1 975 305,67	2.69%	4	493 826,42
TOTAL	73 556 674,75		110	668 697,04

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 Levies and the staff related provisions.

OCCUPATIONAL LEVEL	PERFORMANCE REWARDS	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST	NO OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE
Unskilled and defined decision-making	1 587 359,79	2%	7	226 765,68
Semi-skilled and discretionary decision-making	2 850 752,50	4%	7	407 250,36
Skilled Technical	23 784 369,72	32%	40	594,609,24
Professionally qualified and middle management	15 655 173,33	21%	15	1,043,678.22
Senior management	14 513 103,38	20%	8	1 814 137,92
Top management	6 682 597.21	9%	2	3 341 298,61
Temporary staff	7 700 168,82	10%	14	550 012,06
Internship staff	783 150,00	1%	17	46 067,65
TOTAL	73 556 674,75		110	668 697,04

D2.3 Performance rewards

OCCUPATIONAL LEVEL	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST
Unskilled and defined decision-making	183 400.00	1 587 359,79	12%
Semi-skilled and discretionary decision-making	275,348.71	2,850,752.50	10%
Skilled Technical	2,738,255.52	23,784,369.72	12%
Professionally qualified and middle management	1,081,622.20	15,655,173.33	7%
Senior management	1,665,274.78	14,513,103.38	11%
Top management	671,100.33	6,682,597.21	10%
Temporary staff	536,024.86	7,700,168.82	7%
TOTAL	7,151,026.40	72,773,524.75 (excludes interns)	10%

D2.4 Training costs

PROGRAMME/ACTIVITY/ OBJECTIVE	PERSONNEL EXPENDITURE	TRAINING EXPENDITURE	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO OF EMPLOYEES TRAINED	AVERAGE TRAINING COST PER EMPLOYEE
Compliance and Gaming	14 745 510,55	315 743,00	2	33	9 567,97
Communications	1 975 305,67	12 540,00	1	4	3 135,00
Finance	10 348 419,71	341 124,00	3	18	18 951,33
Human Resources	5 823 171,14	97 207,00	2	13	7 477,46
Information Technology	3 951 450,43	58 299,00	1	6	9 716,50
Legal	7 131 821,01	36 643,00	1	10	3 664,30
CEO	6 585 244,96	710 744,00	11	6	118 457,33
COO	3 593 856,08	10 338,00	0	2	5 169,00
Licensing	8 023 837,62	40 233,00	1	13	3 094,85
SED	3 249 063,94	-	-	5	-
TOTAL	73 556 674,75	1 622 871,00		110	14 753,37

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.

EMPLOYMENT AND VACANCIES					
OCCUPATIONAL GROUP	NUMBER OF EMPLOYEES 2015/2016	APPROVED POSTS 2016/2017	NUMBER OF EMPLOYEES 2016/2017	VACANCIES 2016/2017	% OF VACANCIES
Office of the CEO		5	2	3	60%
Compliance		29	21	8	28%
Office of the COO		0	2	0	0%
Finance		19	11	8	42%
Gaming control		18	10	8	44%
Human Resources		16	9	7	44%
Information technology		7	3	4	57%
Legal		10	7	3	30%
Licensing and investigations		14	11	3	21%
Socio-Economic Development		4	3	1	25%
Communications		3	2	1	33%
ALL EMPLOYEES		125	79	44	35

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 2016/2017 year. One black male employee resigned during the year.

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top management	2	-	-	2
Senior management	7	1	1	7
Professionally qualified	10	6	-	16
Skilled Technical	33	9	2	40
Semi-skilled	7	1	1	7
Unskilled	8	-	1	7
ALL EMPLOYEES	67	17	5	79

D2.7 Reasons for staff leaving

REASON	NUMBER	% OF TOTAL NUMBER OF STAFF LEAVING
Death	1	20%
Resignation	3	60%
Retirement	1	20%

D2.8 Labour relations: Misconduct and disciplinary action

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

DISCIPLINARY ACTION 2016/2017 YEAR	
NATURE OF DISCIPLINARY ACTION	NUMBER OF INSTANCES
Verbal warning	0
Written warning	0
Final written warning	2
Dismissal	0
TOTAL	2

D2.9 Equity target and employment equity status

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

LEVELS	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	2	-	-	-	-	-	-	-
Senior Management	2	-	-	-	-	-	-	-
Professional qualified	6	-	1	-	-	1	3	-
Skilled	22	-	-	-	-	-	-	-
Semi-skilled	-	-	-	-	-	-	-	-
Unskilled	2	-	-	-	-	-	-	-
TOTAL	34	-	1	-	-	1	3	-

LEVELS	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	-	-	-	-	-	-	-	-
Senior Management	4	-	-	-	-	-	-	-
Professional qualified	3	-	-	-	1	-	2	-
Skilled	16	-	-	-	-	-	1	-
Semi-skilled	6	-	-	-	-	-	1	-
Unskilled	5	-	-	-	-	-	-	-
TOTAL	36	-	-	-	1	-	3	-

LEVELS	DISABLED STAFF			
	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Top Management	-	-	-	-
Senior Management	-	-	-	-
Professional qualified	-	-	-	-
Skilled	1	1	-	-
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
TOTAL	1	1	-	-



PART E

FINANCIAL INFORMATION

E1. STATEMENT OF RESPONSIBILITY

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

The Annual Financial Statements conform with Generally Recognised Accounting Principles (GRAP) and the reporting requirements of the Public Finance Management Act (1 of 2000), as amended (PFMA) and fairly present the state of affairs of the Gauteng Gambling Board as at the end of the financial year and the result of its operations and cash flows for the period under review.

Effectiveness of Internal Controls and Risk Management

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

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

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



Mr Steven Ngubeni, *Pr Pln (SA), PAV (SA)*

MA (UPE), MSc (NMMU), MPA (SU), PhD (Currently)

Chief Executive Officer

Date: 31/07/2017

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

Statement of Going Concern

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

External Auditors Responsibility

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

Approval of the Annual Financial Statements

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

The Annual Financial Statements for the year ending 31 March 2017 as set out on pages 72 to 101 were approved by the Board on 28/07/2017 and signed on its behalf by the Chairperson of the Board and the Chief Executive Officer of the GGB.



Mxolisi Zwane

Chairperson of the Board

Date: 31/07/2017

E2. REPORT OF THE CEO

I am particularly pleased to report that the 2017 financial year represented another year of outstanding performance by the Board. The external auditors have expressed an unqualified audit opinion and GGB has maintained the clean audit status of the previous year.

The Gauteng Gambling Board has collected taxes on behalf of the Gauteng Provincial Government and the Gauteng Department of Economic Development of R986 million for the current financial year against a target of R1.009 million. This is 2% below the targeted amount. In the previous year, the tax collections were R974.8 million which was an 11% growth on collections. The Gauteng Gambling Board remains the second biggest generator of revenue for the Gauteng Provincial Government.

The Gauteng Gambling Board's operational income for the year is R160.4 million. Revenue for the prior year ended was R175.6 million.

The Statement of Financial Performance reports on the overall surplus for the year ended 31 March 2017 of R7.947 million. A request to retain surplus has been submitted to the Provincial Treasury in order to assist in funding this project.

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



Mr Steven Ngubeni, *Pr Pln (SA), PAV (SA)*

MA (UPE), MSc (NMMU), MPA (SU), PhD (Currently)

Chief Executive Officer

Date: 31/07/2017

E2. ACCOUNTING AUTHORITY'S REPORT

The members submit their annual financial statements for the year ended March 31, 2017.

1. Accounting Authority

The members of the entity during the year period and to the date of these statements are as follows:

Name
Zwane M (Chairperson)
Hari S (Deputy Chairperson)
Majavu Z
Sexwale J
Motau C
Fihlani ZL
Sangweni N
Sithole T
Sukazi T
Marincowitz L
Louw S

The annual financial statements set out on pages 3 to 55, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2017 and were signed on its behalf by:



Zwane M

Chairperson of the Board

REPORT OF THE AUDITOR-GENERAL TO 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 72 to 126, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Gambling Board as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa of 1999(Act No 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA 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

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

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

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 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 the 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 the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
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 strategic objective presented in the annual performance report of the entity for the year ended 31 March 2017:

Objective	Pages in the annual performance report
Strategic objective: A properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the province.	31

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 any material findings on the usefulness and reliability of the reported performance information for the following objective.

Other matter

15. I draw attention to the matter below.

Achievement of planned target

16. Refer to the annual performance report on page(s) 31 to 38 for information on the achievement of planned targets for the year and explanations provided for the under-achievement of one planned target.

Report on 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 compliance of the public entity 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 instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of PPA.

Other Information

19. The Gauteng Gambling Board's 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 thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
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 objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

22. 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 thereon. I did not identify any significant deficiencies in internal control.

Auditor-General

Johannesburg

31 July 2017



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

E5. Statement of FINANCIAL POSITION

as at 31 March 2017

	NOTES	2017 R'000	2016 R'000
ASSETS			
Current assets			
Cash and cash equivalents	3	238 154	223 446
Receivables from non-exchange transactions	4	69	3 125
Receivables from exchange transactions	5	8 066	2 069
Deposits	6	242	242
Inventories	7	1 758	88
		248 289	228 970
Non-Current Assets			
Property, plant and equipment	8	112 379	114 251
Intangible assets	9	2 187	1 738
Heritage assets	10	539	539
		115 105	116 528
Total Assets		363 394	345 498
Liabilities			
Current Liabilities			
Finance lease obligation	11	185	-
Trade and other payables from exchange transactions	12	30 125	57 224
Collections for distribution	13	100 576	103 809
Accruals	14	5 013	2 818
Provisions	15	10 590	12 441
License fees received in advance		51 854	44 148
		198 343	220 440
Non-Current Liabilities			
Finance lease obligation	11	232	-
Total Liabilities		198 575	220 440
Net Assets		164 819	125 058
Reserves			
Revaluation reserve	16	15 862	15 862
Accumulated surplus	17	148 957	109 196
Total Net Assets		164 819	125 058

E6. Statement of FINANCIAL PERFORMANCE

for the year ended 31 March 2017

	NOTES	2017 R'000	2016 R'000
Revenue			
Revenue from non-exchange transactions	18	63 337	58 510
Revenue from exchange transactions	18	90 192	111 206
Interest received	18	6 830	5 867
Total revenue		160 359	175 583
Expenditure			
Employee related costs	19	(84 165)	(68 367)
Board and audit committee members fees	20	(3 262)	(3 357)
Depreciation and amortisation		(3 972)	(3 133)
Finance costs		(48)	(2)
Loss on disposal of assets		(40)	(67)
General expenses	21	(60 925)	(60 895)
Total expenditure		(152 412)	(135 821)
Surplus for the year		7 947	39 762

E7. Statement of

COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2017

	Revaluation reserve R'000	Accumulated surplus R'000	Total net assets R'000
Balance at 01 April 2015	15 862	109 196	125 058
Changes in net assets			
Surplus for the year	-	39 762	39 762
Surplus funds to be distributed	-	(39 762)	(39 762)
Total changes	-	-	-
Balance at 01 April 2016	15 862	109 196	125 058
Changes in net assets			
Surplus approved to be retained	-	39 762	39 762
Net income/ (losses) recognised directly in net assets	-	39 762	39 762
Surplus for the year	-	7 947	7 947
Total recognised income and expenses for the year	-	47 709	47 709
Surplus funds to be surrendered to Provincial Revenue Fund	-	(7 947)	(7 947)
Total changes	-	39 762	39 762
Balance at 31 March 2017	15 862	148 957	164 819
Note(s)	16		

E8. CASH FLOW STATEMENT

for the year ended 31 March 2017

	NOTES	2017 R'000	2016 R'000
Cash flows from operating activities			
Receipts			
Cash receipts from licensees and other institutions		153 529	169 716
Interest received		6 830	5 867
		160 359	175 583
Payments			
Cash paid to suppliers and employees		(143 430)	(166 108)
Net cash flows from operating activities	24	16 929	9 475
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(1 631)	(2 874)
Proceeds from disposals of PPE	8	24	-
Purchase of other intangible assets	9	(982)	(894)
Net cash flows from investing activities		(2 589)	(3 768)
Cash flows from financing activities			
Movement on finance lease obligation		368	(77)
Net increase/(decrease) in cash and cash equivalents		14 708	5 630
Cash and cash equivalents at the beginning of the year		223 446	217 816
Cash and cash equivalents at the end of the year	3	238 154	223 446

E9. Statement of CHANGES IN NET ASSETS

for the year ended 31 March 2017

	Approved budget R'000	Adjustments R'000	Year to Date Budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Reference
Statement of Financial Performance						
Revenue						
Revenue						
Revenue from non-exchange transactions	58 018	3 660	61 678	63 337	1 659	30.1
Revenue from exchange transactions	88 915	2 447	91 362	90 192	(1 170)	30.2
Interest received	6 052	968	7 020	6 830	(190)	30.3
Total revenue	152 985	7 075	160 060	160 359	299	
Expenditure						
Employee related costs	(97 985)	7 000	(90 985)	(84 165)	6 820	30.4
Board and Audit Committee members fees	(3 179)	(736)	(3 915)	(3 262)	653	30.5
Depreciation and amortisation	(3 016)	(824)	(3 840)	(3 972)	(132)	30.6
Finance costs	-	-	-	(48)	(48)	
General expenses	(48 805)	(12 515)	(61 320)	(60 925)	395	
Loss on disposal of assets and liabilities	-	-	-	(40)	(40)	
Total expenditure	(152 985)	(7 075)	(160 060)	(152 412)	7 648	
Surplus before taxation	-	-	-	7 947	7 947	
Actual amount on comparable basis as presented in the budget and actual comparative statement	-	-	-	7 947	7 947	

E10. ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

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

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

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

A summary of the significant accounting policies are disclosed below.

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

1.1 PRESENTATION CURRENCY

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

1.2 GOING CONCERN ASSUMPTION

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

1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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 on our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets

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

Value in use of non-cash generating assets

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 Provisions.

Useful lives of property, plant and equipment and other assets

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

Allowance for impairment

For receivables, an impairment loss is recognised in surplus and 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.

1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure 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 Board; and
- 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, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Revaluation model

Revaluations are made with sufficient regularity once every five years 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 Building is revalued, any accumulated depreciation at the date of the revaluation 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.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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 a revaluation 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 is carried at cost less accumulated depreciation and any impairment losses except for Land and Buildings which is carried at 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	50 years
Furniture	Straight line	20 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	25 years
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 asset is identifiable if it either:

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

Subsequent measurement

After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation

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, mastheads, 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	Useful life
Computer software, internally generated	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 when it is probable that future economic benefits or service potential associated with the asset will flow to the Board, and the cost or fair value can be measured reliably.

Where the Board holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 10 Heritage assets.

Initial measurement

Heritage assets are initially recognised at cost.

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

Subsequent measurement

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

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

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

Impairment

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

Transfers

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

Derecognition

The Board derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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.

Classification

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

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

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

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

Initial recognition

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

The Board recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

Subsequent measurement of financial assets and financial liabilities

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


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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Board establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of



another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Board uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on Board-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Board calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectability of financial assets

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

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

Financial assets measured at amortised cost:

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

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

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

Financial assets measured at cost:

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

Derecognition Financial assets

The Board derecognises financial assets using trade date accounting.

The Board derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

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

1.8 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the Board assesses the classification of each element separately.

Finance leases - lessee

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

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

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

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

1.9 INVENTORIES

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

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

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

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

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

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

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the Board.

Inventory comprises stationary and consumables 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 managed 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 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 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:

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

Criteria developed by the entity 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 is tested for impairment before the end of the current reporting period.

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Cash-generating assets are assets managed 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.

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 held with the primary 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 either:

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

1.12 EMPLOYEE BENEFITS

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the 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; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

The 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; and
- the time at which the plan will be implemented.

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

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

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

1.13 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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

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

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

A constructive obligation to restructure arises only when the Board:

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

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

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

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

A contingent liability is:

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

Contingent assets and contingent liabilities are not recognised.

1.14 REVENUE FROM EXCHANGE TRANSACTIONS

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

An exchange transaction is one in which the Board receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

Rendering of services

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

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

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

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

Interest

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

Income from collection commission

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

1.15 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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 assets are 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, an entity either receives value from another without directly giving approximately equal value in exchange, or gives value to another 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 are required to be returned to the transferor if not deployed as specified.

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

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.

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.

1.16 BORROWING COSTS

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

1.17 COMPARATIVE FIGURES

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

1.18 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

1.19 IRREGULAR EXPENDITURE

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

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

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

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

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps are thereafter 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 is updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant programme/expenditure item, is disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.20 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; and
- for which separate financial information is available.

Reportable segments are the actual segments which 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:

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

1.22 BUDGET INFORMATION

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

The approved budget covers the fiscal period from 1 April 2016 to 31 March 2017.

The annual financial statements and the budget are not 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 considered to be those family members who may be expected to influence, or be influenced by, that management member in their dealings with the Board.

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



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

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

1.25 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.

1.26 OFFSETTING

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

E11. Notes to the ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The Board has not applied the following standards and interpretations, which have been published and are mandatory for the Board's accounting periods beginning on or after 01 April 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2017	The impact of the amendment is not material.
GRAP 108: Statutory Receivables	01 April 2017	The impact of the amendment is not material.
GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact of the amendment is not material.
GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The impact of the amendment is not material.
GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact of the amendment is not material.
Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand

Bank balances

2017 R'000	2016 R'000
2	2
238 152	223 444
238 154	223 446

4. Receivables from non-exchange transactions

Receivables

69	3 125
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5. Receivables from exchange transactions

Staff receivables

Gauteng Provincial Government: Collection commission

Accrued bank interest

Sundry receivables

80	72
6 106	-
832	809
1 048	1 188
8 066	2 069

Receivables from exchange transactions additional information

6. Deposits

Designated at fair value

City Power Johannesburg (SOC) Ltd

Total deposits

Current assets

Financial assets at amortised cost

242	242
242	242
242	242
242	242

7. Inventories

Responsible gambling materials and other consumables

1 758	88
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8. Property, plant and equipment

	31 March 2017			31 March 2016		
	Cost / Valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000
Land	23 582	-	23 582	23 582	-	23 582
Buildings	76 418	(3 025)	73 393	76 418	(1 514)	74 904
Fixtures and fittings	5 611	(1 473)	4 138	5 595	(1 217)	4 378
Motor vehicles	668	(452)	216	668	(320)	348
Office equipment	3 017	(837)	2 180	2 922	(720)	2 202
IT equipment	6 085	(2 526)	3 559	5 373	(1 668)	3 705
Other leased assets	565	(166)	399	-	-	-
Furniture	7 661	(2 749)	4 912	7 503	(2 371)	5 132
Total	123 607	(11 228)	112 379	122 061	(7 810)	114 251

Reconciliation of property, plant and equipment - 31 March 2017

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Land	23 582	-	-	-	23 582
Buildings	74 904	-	-	(1 511)	73 393
Fixtures and fittings	4 378	16	-	(256)	4 138
Motor vehicles	348	-	-	(132)	216
Office equipment	2 202	95	-	(117)	2 180
IT equipment	3 705	797	(64)	(879)	3 559
Other leased assets	-	565	-	(166)	399
Furniture	5 132	158	-	(378)	4 912
	114 251	1 631	(64)	(3 439)	112 379

Reconciliation of property, plant and equipment - 31 March 2016

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Land	23 582	-	-	-	23 582
Buildings	76 418	-	-	(1 514)	74 904
Fixtures and fittings	3 949	661	-	(232)	4 378
Motor vehicles	480	-	-	(132)	348
Office equipment	2 332	21	(35)	(116)	2 202
IT equipment	2 131	2 187	-	(613)	3 705
Furniture	5 534	5	(32)	(375)	5 132
	114 426	2 874	(67)	(2 982)	114 251

8. Property, plant and equipment (continued)

PLEDGED AS SECURITY

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

Finance lease assets include cellphones and iPads which are included under IT Equipment (also refer note 11: Deemed finance leases).

Proceeds of R24 000 were received from an insurance company for claims lodged relating to lost and of stolen laptops.

REVALUATIONS

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

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

The valuation was performed using the income capitalisation method of valuation which determines the annual income of the property, which is then capitalised at the appropriate market related capitalisation rate. Gauteng Gambling Board revalues its land and building after each three to five years.

DETAILS OF PROPERTIES

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

9. Intangible assets

	31 March 2017			31 March 2016		
	Cost / Valuation R'000	Accumulated amortisation and accumulated impairment R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated amortisation and accumulated impairment R'000	Carrying value R'000
Computer software	3 415	(1 228)	2 187	2 433	(695)	1 738

Reconciliation of intangible assets - 31 March 2017

	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Computer software	1 738	982	(533)	2 187

Reconciliation of intangible assets - 31 March 2016

Computer software	994	894	(150)	1 738
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PLEDGED AS SECURITY

No intangible assets were pledged as security for liabilities.

10. Heritage assets

	31 March 2017			31 March 2016		
	Cost / Valuation R'000	Accumulated impairment losses R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated impairment losses R'000	Carrying value R'000
Paintings	539	-	539	539	-	539

Reconciliation of heritage assets 31 March 2017

	Opening balance R'000	Total R'000
Paintings	539	539

Reconciliation of property, plant and equipment - 31 March 2016

	Opening balance R'000	Total R'000
Paintings	539	539

PLEGDED AS SECURITY

No heritage assets were pledged as security for liabilities.

REVALUATIONS PAINTINGS

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

The method used to determine fair value is based on current market values for the artist's work and the medium used.

11. Finance lease obligation

Minimum lease payments due		
- within one year	221	-
- in 2 years to 5 years inclusive	248	-
	469	-
less: future finance charges	(52)	-
Present value of minimum lease payments	417	-
Non-current liabilities	232	-
Current liabilities	185	-
	417	-

The Gauteng Gambling Board 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 11% (2016/17).

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

12. Payables from exchange transactions

	2017 R'000	2016 R'000
Payables	22 178	16 744
Peermont: Social advancement	-	719
Provincial Revenue Fund: Current year surplus	7 947	39 761
	30 125	57 224

13. Collections for distributions

Gauteng Provincial Administration	91 041	96 249
Phumelela Gaming and Leisure Limited	5 024	5 236
Sports Development Fund	4 511	2 324
	100 576	103 809

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

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

Reconciliation of taxes and levies collected

Gauteng Provincial Government		
Betting tax		
Totalisator - Horse racing	26 264	27 307
Totalisator - Other sport	13 551	14 335
On-course bookmakers - Horse racing	1 573	1 299
On-course bookmakers - Other sport	2 002	1 913
Off-course bookmakers - Horse racing	61 421	58 505
Off-course bookmakers - Other sport	66 190	54 244
Total betting tax	171 001	157 603
Gaming tax		
Casinos - Machines	467 718	493 904
Casinos - Tables	193 489	188 187
Casinos - Unclaimed dividends	988	562
Bingo	75 792	70 543
Limited payout machines	68 359	64 061
Total gaming tax	806 346	817 257
	977 347	974 860

13. Collections for distributions (continued)

	2017 R'000	2016 R'000
Levies collected		
Sport Development Fund levies		
Levies	21 352	19 061
Interest earned	309	806
	21 661	19 867
Phumelela Gaming and Leisure Limited off-course bookmakers	62 723	58 968
Total levies collected	84 384	78 835
Interest earned and penalties received	3 237	2 907
Total collected for distribution	1 064 968	1 056 602
Taxes and levies for distribution to beneficiaries at period end	(100 576)	(103 936)
Prior year collection adjustment for distribution	121	(5 372)
	964 513	947 294
Taxes and levies distributed during the period		
Gauteng Provincial Administration	985 913	946 324
Phumelela Gaming and Leisure Limited	62 935	58 328
Sports Development Fund	19 474	30 024
Less : Prior year-end collections distributed during the period	(103 809)	(87 448)
Prior year collection adjustment for distribution	-	67
	964 513	947 295

14. Accruals

Leave pay	4 404	2 264
13th cheque	609	554
	5 013	2 818

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

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

15. Provisions

Reconciliation of provisions - 31 March 2017

	Opening Balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Performance bonus	12 441	10 590	(7 635)	(4 806)	10 590

Reconciliation of provisions - 31 March 2016

	Opening Balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Performance bonus	9 196	12 441	(7 818)	(1 378)	12 441

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

16. Revaluation reserve

Opening balance	15 862	15 862
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17. Accumulated surplus

In terms of Section 17(6) of the Gauteng Gambling Act 1995, as amended, and Section 53 (3) of the Public Finance Management Act, surplus funds at the close of the financial year shall be paid to the Provincial Revenue Fund, unless Treasury approval has been obtained to retain such funds. Approval was obtained in the previous years to retain the accumulated surplus of R148 million in order to fund the purchase of the building occupied by the Gauteng Gambling Board.

18. Revenue

	2017 R'000	2016 R'000
Revenue from exchange transactions	90 192	111 206
Revenue from non-exchange transactions	63 337	58 510
Interest received	6 830	5 867
	160 359	175 583

The amount included in revenue arising from exchanges of goods or services is as follows:

Recoveries of investigation expenses	2 481	9 167
Collection commission	78 618	75 739
Administration fees	240	240
Application and registration fees	7 320	25 825
Sundry income	1 533	235
	90 192	111 206

18. Revenue (continued)

2017
R'000

2016
R'000

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

Taxation revenue

Penalties collected	-	219
License fees	48 818	44 842
Sports betting levies	14 519	13 449
	63 337	58 510

19. Employee related costs

Salaries, bonuses and allowances	68 865	58 064
Defined contribution plan expenses	7 140	5 273
Medical aid contributions	3 313	2 788
Group life contributions	1 030	809
Other employer contributions	173	139
Workmen's compensation	336	414
SDL	808	628
Leave pay contribution	2 500	252
	84 165	68 367

Remuneration of S Ngubeni - Chief Executive Officer

Annual Remuneration	2 824	238
Allowance	50	4
13th cheque	232	20
Performance Bonus	178	-
Employer contribution	616	40
	3 900	302

The Chief Executive Officer was initially seconded from the Department of Economic Development in an Acting capacity from 01 August 2015, and was appointed as a permanent Chief Executive Officer on the 01 March 2016. Mr S Ngubeni was seconded without any salary payment from GGB for period 01 August 2015 until 29 February 2016.

Remuneration of B Nkosi - Acting Chief Executive Officer

Annual Remuneration	-	1 089
Allowance	-	140
13th cheque	-	1
Performance Bonus	-	373
Employer contribution	552	-
	552	1 603

The Acting Chief Executive Officer, Mr B Nkosi resigned on 31 July 2015.

19. Employee related costs (continued)

2017
R'000

2016
R'000

Remuneration of E Lalumbe - Chief Operating Officer

Annual Remuneration	2 371	2 246
Allowance	36	-
13th cheque	193	181
Performance Bonus	671	460
Employer contribution	701	460
	3 972	3 347

Remuneration of N Makhari - Chief Financial Officer

Annual Remuneration	-	399
Performance Bonuses	-	59
Employer contributions	-	50
Leave payout	-	232
	-	740

Ms N Makhari was appointed on 01 October 2010 and remained in office until 31 August 2014, when she was placed on precautionary leave. Her contract was terminated 22 June 2015.

Remuneration of ZN Gumede - Snr Manager: Human Resources

Annual Remuneration	1 437	1 365
Allowances	20	20
13th cheque	117	110
Performance bonus	229	164
Employer contributions	451	302
	2 254	1 961

Remuneration of L Kobue - Snr Manager: Compliance

Annual Remuneration	1 535	1 455
Allowances	62	57
13th cheque	128	121
Performance bonus	349	307
Employer contribution	480	312
	2 554	2 252

19. Employee related costs (continued)

2017
R'000

2016
R'000

Remuneration of K Jacobs - Snr Manager: Management Information System

Annual Remuneration	721	1 398
Allowances	40	80
13th cheque	94	117
Performance bonus	150	307
Employer contributions	266	354
Leave Payout	213	-
Settlements and payouts	664	-
	2 148	2 256

Mr K Jacobs Senior Manager: Management Information System resigned 30 September 2016

Remuneration of T Letshwiti - Snr Manager: Licensing

Annual Remuneration	1 580	1 462
Allowances	20	13
13th cheque	126	118
Performance bonus	341	300
Employer contributions	470	311
Long service awards	63	-
	2 600	2 204

Remuneration of L Lukhwareni - Snr Manager: Legal Services

Annual Remuneration	1 526	1 450
Allowances	13	-
13th cheque	125	117
Performance bonus	248	305
Employer contribution	523	358
Long service awards	125	-
	2 560	2 230

Remuneration of PT Makamo - Manager: Gaming

Annual Remuneration	-	629
Allowances	-	8
13th cheque	-	80
Performance bonus	-	282
Employer contributions	-	136
Leave payout	-	177
	-	1 312

The Manager: Compliance Gaming, PT Makamo resigned on 30 August 2015

19. Employee related costs (continued)

2017
R'000

2016
R'000

Remuneration of TT Marimuthu - Snr Manager: Gaming

Annual Remuneration	1 535	1 459
Allowances	20	20
13th cheque	125	117
Performance bonus	349	256
Employer contribution	520	355
	2 549	2 207

Remuneration of NM Matanzima - Board Secretary

Annual Remuneration	1 330	421
13th cheque	100	16
Performance bonus	38	-
Employer contributions	375	76
	1 843	513

The Board Secretary, NM Matanzima was appointed on 14 December 2015.

Remuneration of C Simons - Acting Chief Financial officer

Annual Remuneration	1 139	675
Allowances	12	6
Performance Bonuses	106	-
Employer contributions	20	-
Leave payout	47	-
	1 324	681

The Acting Chief Financial Officer, Ms C Simons was appointed 01 October 2015. During the year Mr. O Maripane was co-opted as a joint Acting Chief Financial Officer and the acting allowance amount paid was R 249,259.

Remuneration of D Dondur- Acting Chief Financial officer

Annual Remuneration	-	545
Other	-	178
	-	723

The Acting Chief Financial Officer, Ms D Dondur resigned 30 September 2015

19. Employee related costs (continued)

2017
R'000

2016
R'000

Remuneration of KT Mbele - Snr Manager : Social Economic Development

Annual Remuneration	865	-
Allowances	416	-
13th cheque	103	-
Employer contributions	249	-
	1 633	-

Senior Manager: Social Economic Development, KT Mbele was appointed on 01 May 2016.

Remuneration of RJ Motlhokwane- Acting Snr Manager : Management Information System

Annual Remuneration	1 425	-
Employer contributions	16	-
	1 441	-

20. Board and Audit Committee Members' fees

Administration and management fees	3 262	3 357
Board and Committee Members emoluments for services rendered during the year: Includes Disciplinary Committee members fees.		
Zwane ME	452	166
Hari S	290	297
Majavu Z	215	216
Motau C	278	270
Sexwale J	382	333
Sithole TI (Audit and Risk committee member)	263	104
Sangweni NN (Audit and Risk committee member)	66	79
Fihlani ZL (Audit and Risk committee member)	171	85
Sukazi TM	157	119
Louw SJ	278	109
Marincowitz LG	282	164
Sekhitla S (Membership terminated on 15 February 2016)	-	68
Mafojane P (Term ended 30 September 2015)	-	295
Gordhan YN (Term ended 30 September 2015)	-	125
Majombozi SL (Term ended 30 September 2015)	-	226
Hall SJ (Term ended 30 September 2015)	-	185
Molai T (Term ended 30 September 2015)	-	10
Mufamadi FS (Term ended 30 September 2015)	-	62
Van der Westhuizen FJ (Term ended 30 September 2015)	-	154
Total paid to Board Members	2 834	3 067

20. Board and Audit Committee Members' fees (continued)

	2017 R'000	2016 R'000
Gaming Committee and Social and Ethics Committee		
Hall SJ - Appointed as a co-opted member from 27 October 2015	51	69
Mokgatle L - Appointed as a co-opted member as a S&E Committee member	56	5
Total amount paid to co-opted members	107	74
Audit and Risk Committee		
Govender K	15	49
Malaka M (Term ended 31 March 2016)	-	14
Nkhabu M (Term ended 31 March 2016)	-	14
Nzalo G (Term ended 31 March 2016)	-	100
Zwane P (Term ended 31 March 2016)	-	39
Masvoto SW	20	-
Total paid to Audit and Risk Committee Members	35	216
Disciplinary committee fees	286	-
	3 262	3 357

21. General expenses

Advertising		1 121	522
Auditors remuneration	22	888	845
Bank charges		57	54
Books and media subscription		312	280
Building maintenance		1 446	348
Conference costs		859	323
Electricity		2 041	1 662
Employee assistance programme		96	106
Fines and penalties	28	1	112
Information technology		1 704	1 481
Insurance		221	203
Investigation and enforcement costs		225	4 147
Legal expenses		3 835	6 155
Office consumables and refreshments		876	639
Postage and stationery		541	247
Printing costs		325	495
Professional and consulting fees		6 524	6 702
Public relations		386	297
Repairs and maintenance		68	26
Responsible gambling awareness program		3 760	9 552
Security expenses		-	7
Social responsibility	34	24 802	18 646
Staff recruitment		1 072	1 702
Training and development		2 332	1 798
Storage rentals		245	176
Telephone and communications		1 649	1 633
Transcription costs		145	106
Travelling and subsistence - local		2 000	1 625
Travelling and subsistence - overseas		3 394	1 006
		60 925	60 895

21. General expenses (continued)

2017
R'000

2016
R'000

SOCIAL RESPONSIBILITY

The Board receives applications for funding from various organisations relating to Corporate Social Investment projects. The Social Responsibility amount relates to the once-off projects that the Board approved and paid from the savings generated from operations and approved budgeted amounts.

22. Auditors' remuneration

Audit fees - external

477

663

Audit fees - internal

411

182

888

845

23. Financial instruments disclosure

CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets at amortised cost

At
amortised
cost
2017
R'000

At
amortised
cost
2016
R'000

Cash and cash equivalents

238 154

223 446

Receivables from non-exchange transactions

69

3 125

Trade and other receivables from exchange transactions

8 066

2 069

Deposits

242

242

246 531

228 882

Financial liabilities at amortised cost

Trade and other payables from exchange transactions

30 125

57 224

Collections for distribution

100 576

103 809

License fees received in advance

51 854

44 148

182 555

205 181

24. Cash (used in)/ generated from operations

	2017 R'000	2016 R'000
Surplus for the year	7 947	39 762
Adjustments for:		
Depreciation and amortisation	3 972	3 133
Loss/(Profit) disposal of assets	40	67
Finance costs - Finance leases	48	2
Movements in provisions	(1 851)	3 245
(Decrease)/Increase in accruals	2 195	(663)
Changes in working capital:		
Inventories	(1 670)	(9)
Receivables from exchange transactions	(5 997)	4 157
(Increase) / decrease other receivables from non-exchange transactions	3 056	1 761
Increase trade and other payables from exchange transactions	(35 046)	(60 156)
Increase in license fees received in advance	7 706	1 815
(Decrease) / Increase in collection for distribution	(3 233)	16 361
Increase in retained surplus	39 762	-
	16 929	9 475

25. Related parties

RELATIONSHIPS

Board Members	Refer to members' report note 20
Controlling entity	Gauteng Department of Economic Development
Other	Gauteng Enterprise Propeller
Members of key management	Refer to note 19

RELATED PARTY BALANCES

Amounts included in Trade receivable (Trade Payable) regarding related parties

DED - Trade payables	91 041	96 292
DED - Trade receivables	6 106	-

RELATED PARTY TRANSACTIONS

Taxes and levies paid to (received from) related parties

Gauteng Enterprise Propeller	6 500	10 376
DED- Taxes and Levies distributed	985 912	946 324
DED - Collection commission	78 618	75 739

The Distribution of the Social Responsibility Funding through the Service Level Agreement entered into between Gauteng Gambling Board and Gauteng Enterprise Propeller for the Township Economic Revitalisation Programme. This was in line with the Department of Economic Development's mandate.

26. 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 overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

LIQUIDITY RISK

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

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

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

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

	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
At March 31, 2017				
Trade and other payables	30 125	-	-	-
Collections for distribution	100 576	-	-	-
License fees received in advance	51 854	-	-	-

	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
At March 31, 2016				
Trade and other payables	57 224	-	-	-
Collections for distribution	103 809	-	-	-
License fees received in advance	44 148	-	-	-

26. Risk management (continued)

CREDIT RISK

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

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

Individual risk limits are set based on internal or external ratings in accordance with limits set by management. Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017 R'000	2016 R'000
Receivable from exchange transactions	8 066	2 069
Receivable from non-exchange transactions	69	3 125
Cash and cash equivalents	238 154	223 446

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.

27. Going concern

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

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

28. Fruitless and wasteful expenditure

Opening balance	-	3
Add : Additional fruitless and wasteful expenditure - current year	1	113
Less : Amounts condoned	(1)	(116)
Fruitless and wasteful expenditure to be condoned	-	-

28. Fruitless and wasteful expenditure (continued)

DETAILS OF FRUITLESS AND WASTEFUL EXPENDITURE

The expenditure relates to penalties and interest on late payments for the following:

In the current year, the Board paid an amount of R809.19 for interest charged on late payment of invoices for services delivered / rendered.

The Board paid an amount of R908.48 for interest charged on late payment of invoices for services delivered in the prior year.

In the prior year, the Board incurred and paid penalties and interest for an amount of R112,654.93, as a result of an error in prior prior year. The amount related to employee tax that should have been deducted on Group Life insurance made by the Board on behalf of staff members. The Board took an insurance life cover on behalf of its employees and the contributions were deemed to be fringe benefits and were supposed to be taxed in terms of Section 11(w) of the Income Tax Act. The Board raised a dispute with SARS on the liability raised by the Commissioner and it was finally resolved during the financial year. The final assessment included the interest and penalties charged on late payment of the tax liability amount that should have been paid on the fringe benefits.

The Accounting Authority condoned fruitless and wasteful expenditure to the value of R116,716.99 during the prior financial year, and no disciplinary actions were taken against any employees, as it was noted was that expenditure was not due to any negligence on their part.

29. Losses through Criminal Conduct

Details of losses through Criminal Conduct

Four laptops were lost by, or stolen from outside GGB office from GGB employees

Two laptops were stolen from outside the GGB office from GGB employees.

2017 R'000	2016 R'000
85	-
-	26
85	26

In both instances the amounts were recovered from insurance.

30. Budget differences

Material differences between budget and actual amounts

The differences explained below represent all items with an increase or decrease or overrun of more than 10% or R50 000.

- 30.1 Revenue from Non-Exchange Transactions: The revenue collected exceeded the budget amount. The higher collection was due to higher collection of licensee fees received on registration of new employees appointed by licensees and licensee fees from the new additional machines, route operators added during the financial year.
- 30.2 Revenue from Exchange Transactions: The revenue collected did not exceed the budget in the current financial year. The decrease is due to the lower gambling activities as a results of lower application and registration fees are the main decreased line items.
- 30.3 Interest received: Interest received did not exceed the budgeted amount, due to adhering to quicker payments of suppliers or creditors in the current financial year.

30. Budget differences (continued)

- 30.4 Employee related costs: There is a saving on employee related costs due to the delaying on filling of vacancy positions and also the savings on the provision of bonuses.
- 30.5 Board and Audit Committee members fees: There is a saving on board and audit committee fees due to the lower number of board and audit committee meetings and activities during the financial year.
- 30.6 Depreciation and amortisation : The depreciation budget included the assets that would have being acquired during the financial year. The budget has being exceeded due to the new number of assets acquired.

31. Commitments

CONTRACTUAL COMMITMENTS

Already contracted for as at 31 March 2017

	Contract End date	2017 R'000
Accounting, Audit and Financial Services	2019	150
Facilities Management Services	2019	227
Information Technology Services	2019	1 292
Operational Services	2019	280
HR and Payroll Administration	2018	75
Responsible Gambling	2017	1 985
		4 009

Already contracted for as at 31 March 2016

		2016 R'000
Accounting, Audit and Financial Services	2016	348
Facilities Management Services	2016	20
Information Technology Services	2016	213
Operational Services	2017	882
HR and Payroll Administration	2016	528
		1 991

TOTAL COMMITMENTS

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

32. Contingencies

LITIGATION

EMERALD SAFARI RESORT (PTY) LTD versus VIVA BINGO WESTGATE (PTY) LTD AND OTHERS (44837/16). GALAXY BINGO DEVELOPMENTS (PTY) LTD versus THE GAUTENG GAMBLING BOARD, THE CHAIRPERSON OF THE GAUTENG GAMBLING BOARD, VIVA BINGO WEST GATE (PTY) LTD (45085/16)

During December 2015, Viva Bingo Westgate (Pty) Ltd (“Viva Bingo”) (“First Respondent”) submitted an application to the Board to relocate its current bingo operation from 17 Plein Street in Johannesburg to Shop SU5 Vaal Mall Shopping Centre in Vanderbijlpark. Emerald Safari Resort (Pty) Ltd (“Emerald”) (“Applicant”) and Galaxy Bingo objected to the application by Viva Bingo and also made an oral representation to the Board on this application during the public hearing.

The relocation application was granted by the Board on 30 November 2016

During December 2016, the Gauteng Gambling Board (“the Board”) received two (2) separate court applications by Emerald Safari and Galaxy Bingo. The two (2) applications were merged into one single case because the facts and the pleas were similar. The applicants sought the following orders:

- On an urgent basis interdict Viva Bingo from implementing and/or taking any step to relocate its bingo licence to Vanderbijlpark. This part of the application will be heard on 21 February 2017 at the High Court in Johannesburg
- To review, set aside and to declare the Board decision to approve the application by Viva Bingo invalid. This part of the application will be heard at a date to be determined by the Court

The Board is opposing the appeal and it will pay its legal costs estimated at R400,000.

On 21 February 2017 the court dismissed the urgent court applications made (by both Emerald Safari Resort and Galaxy Bingo) to interdict Viva Bingo from implementing and/or taking any steps to relocate its bingo licence to Vanderbijlpark due to lack of urgency.

On the review of the application, the Board has already filed the record and parties are exchanging pleadings.

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

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

In his particulars of claim, the Plaintiff alleged that during January 2012 he applied to the Gauteng Gambling Board to be excluded from participating in gambling from all licensed gambling establishments in South Africa and that his application was granted by the Gauteng Gambling Board. While his banning order was still effective, the plaintiff participated in gambling at Emperors Palace Casino and Montecasino in contravention of the condition of his banning order, the Gauteng Gambling Act and the National Gambling Act.

Further, he alleges that the First and the Second Defendants did not take reasonable measures to bar/stop/preclude him from accessing their gambling floors and participate in gambling while his banning order was still effective

He alleges that as a consequences of the foregoing he suffered damages in the sum of R78 000.00 and R227 000.00 which he lost while engaged in gambling activities at Emperors Palace Casino and Montecasino respectively, which he is claiming for.

32. Contingencies (continued)

He, alternatively claimed that, should the Court find that the Gauteng Gambling Board did not furnish the First and Second Defendants with a copy of his self-exclusion application or failed to convey the information contained in the self-exclusion application to the First and Second Defendants, which resulted in the First and Second Defendants failing to take any step to preclude him from engaging in gambling activities, then the Gauteng Gambling Board should be liable to him in the amount of R305 000.00

The Board is opposing the application and it will pay its legal costs estimated at R300,000. However, the First and the Second Defendants are negotiating an out of court settlement agreement with the Plaintiff.

PHUMELELA GAMING and LEISURE LIMITED versus GAUTENG GAMBLING BOARD and OTHERS (CASE NO. 39853/14)

The Applicant (“Phumelela Gaming and Leisure”) made a court application. The application is divided into two parts, i.e. under Part A, the Applicant requested the court on an urgent basis to interdict the Respondents (“the Board”) from revoking or suspending its licenses, under Part B, the Applicant requested the court to review and set aside the Respondent’s interim decision made on 09 September 2014, wherein it directed the Applicant to ensure that the status quo ante, regarding the provisions of the entire Tellytrack Channel to bookmakers, is immediately restored at the price at which the Tellytrack Channel was provided in 2013 plus inflation. Any excess costs incurred by Tellytrack clients are to be credited to such clients.

The urgent court application was removed from the roll after the Respondent made a commitment that when it decides to institute disciplinary proceedings against the Applicant, it shall follow process in terms of Section 37 of the Gauteng Gambling Act and principles set out in Promotion of Administration Justice Act, 2000 (PAJA).

The matter was heard during November 2015 and the application was dismissed with costs. Subsequent to the court outcome, the applicant filed a notice of application for leave to appeal which was granted during December 2015.

The matter was heard on 24 March 2017 and judgement was reserved. The Board is opposing the appeal and it will pay its legal costs estimated at R400,000.

SUNSHINE ENTERTAINMENT CC T/A THE NEW MAROELA HOTEL, VUKANI GAMING GAUTENG (PROPRIETARY) LIMITED versus THE GAUTENG GAMBLING BOARD AND THE ACTING CHIEF EXECUTIVE OFFICER OF THE GAUTENG GAMBLING BOARD (CASE NO. 45777/14)

The Applicants (Sunshine Entertainment) brought a court application to review and set aside the decisions made by the Board during July 2014 wherein it declined an application by them to operate limited payout machines (LPM’s) at The New Maroela Hotel on the basis that the applicant is not empowered in terms of BBBEE legislation and issuing two (2) LPM licences on the same premises may be regarded as proliferation of gambling.

All the pleadings have been filed in court. However, the Applicant has failed to set the matter down for hearing, notwithstanding repeated written and telephonic requests that we made to their attorneys. We instructed our attorneys to set the matter down in order to bring this matter to finality.

The matter was heard on 24 March 2017 and the court has decided to remit the applicant’s application for an LPM license back to the Board for reconsideration. Further, the courts have awarded the applicant with the costs against the Board. We are not sure of the costs as yet but we estimate that it will be below R400,000.

32. Contingencies (continued)

MAXIME HOTEL (PTY) LTD & EGOLI GAME (PTY) TRADING AS GOLD RUSH GAMING versus NATIONAL GAMBLING BOARD AND GAUTENG GAMBLING BOARD (70868/12)

The Applicant, Maxime Hotel, brought an urgent application in the North Gauteng High Court in Pretoria, seeking an order, inter alia, declaring the powers, functions and duties of the National Gambling Board (“NGB”), in relation to the licensing of limited payout machines by provincial boards:

- Ultra vires the powers, functions and duties of the NGB; and
- As infringing upon the exclusive licensing authority of the GGB.

GGB is cited as a second defendant in this matter, however, the Board resolved not to oppose the application but to abide by the court’s decision.

The matter was heard on the 1st and 18th February 2014 in the North Gauteng High Court and the court dismissed the application on its merits, on the basis that Regulation 3(2) of the National Gambling Regulations does not constitute an unconstitutional infringement of the powers of the provincial licensing authorities.

The Applicant lodged an application for leave to appeal which was granted.

The appeal was heard on 26 May 2016 in the North Gauteng High Court before the full bench and judgement is reserved.

KWAZULU-NATAL BOOKMAKERS’ SOCIETY, GAUTENG OFF-COURSE BOOKMAKERS’ ASSOCIATION, WESTERN CAPE BOOKMAKERS’ ASSOCIATION versus PHUMELELA GAMING AND LEISURE LTD, KENILWORTH RACING (PTY) LTD, GOLD CIRCLE (PTY) LTD, GAUTENG GAMBLING BOARD, KWAZULU NATAL GAMING AND BETTING BOARD, EASTERN CAPE GAMBLING AND BETTING BOARD, LIMPOPO GAMBLING BOARD, NORTH WEST GAMBLING BOARD, MPUMALANGA GAMBLING BOARD, WESTERN CAPE GAMBLING AND LIQUOR BOARD, FREE STATE GAMBLING AND LIQUOR BOARD, NORTHERN CAPE GAMBLING BOARD, THE NATIONAL GAMBLING BOARD, THE NATIONAL LOTTERIES BOARD, GIDANI (PTY) LTD, ITHUBA HOLDINGS (PTY) LTD, THE MEC FOR FINANCE, KWAZULU NATAL. (38728/2015)

The Applicants brought an application in the North Gauteng High Court of South Africa for the following orders:

- 1) Declaring that Phumelela and Gold Circle are unlawfully operating a totalisator sports betting operation contrary to the National Lotteries Act 57 of 1997.
- 2) Granting an interdict restraining the Phumelela and Gold Circle from unlawfully operating a sports betting operation contrary to the National Lotteries Act 57 of 1997.
- 3) Directing GGB and other Respondents to take appropriate steps to withdraw any permission that may have been granted which unlawfully purport to authorize the operation of totalisator sports betting operations.

The Applicant alleged that Phumelela is offering sport pool bets in contravention to the National Lotteries Act. In terms of the National Lotteries, the sports pool is permitted in three different situations:

- If the Lotteries Board has authorised it;
- If it is a sport pool that has been authorised by or under the Lotteries Act; or
- It is a sport pool that has been authorised by any other law.

32. Contingencies (continued)

The Applicant alleged that none of these situations pertain to the sports pools offered and operated by the totalisator operators simply because these operators are not licensed in terms of the National Lotteries Act or authorised.

Further, they alleged that there is no other law that may be applicable as a basis for lawfully authorising sports pool bets on events other than horseracing for the sports pool operators.

Accordingly, the Applicant alleged that various provincial legislatures do not have the competence to enact legislation on the subject of lotteries and / or sports pools.

GGB has authorised Phumelela to offer a scheme of pool bets which includes horse racing or any sporting event. This scheme was authorised and operational before 1997 when the National Lotteries Act was promulgated. Further, the permission was granted based on National Lotteries provisions which permit any other law (except for the National Lotteries Act) to authorise sport pool bets.

GGB is not opposing the matter but will abide by the courts decision.

The matter was heard on 24-26 October 2016 and the judgment was reserved.

33. Comparative figures

Some comparative figures were restated to fairly present the financial statements in the Cash Flow Statement.

34. Segment information

GENERAL INFORMATION

Identification of segments

The entity is organised and reports to management on the basis of three major functional areas: regulation, responsible gambling and corporate social investment. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The Gauteng Gambling Board operates within the Borders of Gauteng. Transitional provisions do not require comparative figures.

34. Segment information (continued)

SEGMENT SURPLUS OR DEFICIT, ASSETS AND LIABILITIES

31March 2017	Regulation R'000	Responsible Gambling R'000	CSI R'000	Total R'000
REVENUE				
Revenue	126 218	9 000	25 141	160 359
Entity's revenue				160 359
EXPENDITURE				
Other expenses	123 850	3 760	24 802	152 412
Total segmental surplus/(deficit)				7 947

The revenue reflected under programme Responsible Gambling and CSI are transfers from revenue generated by the programme for Regulation.

31March 2017	Regulation R'000	Responsible Gambling R'000	CSI R'000	Total R'000
REVENUE				
Revenue	146 885	10 000	18 698	175 583
Entity's revenue				175 583
EXPENDITURE				
Other expenses	107 623	9 552	18 646	135 821
Total segmental surplus/(deficit)				39 762

SIGNS OF PROBLEM GAMBLING

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



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