

# ANNUAL REPORT

2018/19



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THE BEST, MOST EFFICIENT  
AND EMPOWERING  
**GAMING REGULATOR**

 eastern cape  
**GAMBLING BOARD**

*“The ECGB has effected the streamlining of its operations, including digitising many of its processes, with a view to further strengthen internal efficiencies and enhance its growing stature as a lean, high-performance value-based organisation.”*

*Mr Reuben Mabutho Zwane (CEO)*

# ANNUAL REPORT 2018/19

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# PART A

GENERAL  
**INFORMATION**

# 1.1 GENERAL INFORMATION

*The ECGB is committed to providing excellent service to our stakeholders and facilitating and broadening access to socio-economic benefits for the communities within which we operate.*

[www.ecgb.org.za](http://www.ecgb.org.za)

**REGISTERED NAME OF THE PUBLIC ENTITY**  
Eastern Cape Gambling and Betting Board<sup>1</sup>

**REGISTERED OFFICE ADDRESS**  
ECGB Building, Quenera Park  
Quenera Drive, Beacon Bay  
East London, 5241

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PO Box 15355, Beacon Bay  
East London, 5205

**CONTACT NUMBER**  
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communications@ecgb.org.za

**EXTERNAL AUDITORS**  
Auditor-General of South Africa  
Eastern Cape Province  
69 Frere Road, Vincent  
East London, 5217

PO Box 13252, Vincent, 5217

**BANKERS INFORMATION**  
Standard Bank of South Africa  
PO Box 7037, East London, 5200

**BOARD SECRETARIAT**  
Mr N Mdunyelwa, LLB

# 1.2 LIST OF ABBREVIATIONS

<b>AFS</b>	Annual Financial Statements
<b>AGSA</b>	Auditor-General of South Africa
<b>APP</b>	Annual Performance Plan
<b>CATHSETA</b>	Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CSI</b>	Corporate Social Investment
<b>DEDEAT</b>	Department of Economic Development, Environmental Affairs and Tourism
<b>DPSA</b>	Department of Public Service and Administration
<b>ECD</b>	Early Childhood Development
<b>ECGB</b>	Eastern Cape Gambling Board
<b>EME</b>	Exempted Medium Enterprises
<b>EMR</b>	Essential Minimum Requirements
<b>FICA</b>	Financial Intelligence Centre Act
<b>GGR</b>	Gross Gaming Revenue
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>HR</b>	Human Resources
<b>HRM</b>	Human Resource Management
<b>ISO</b>	Independent Site Operator
<b>IT</b>	Information Technology
<b>ICT</b>	Information and Communications Technology
<b>LPMs</b>	Limited Payout Machines
<b>MEC</b>	Member of the Executive Council
<b>PFMA</b>	Public Finance Management Act
<b>PGDP</b>	Provincial Growth and Development Plan
<b>RFP</b>	Request for Proposal
<b>RO</b>	Route Operator
<b>SCM</b>	Supply Chain Management
<b>SITE A</b>	3 to 5 machines site
<b>SITE B</b>	20 to 40 machines site
<b>SITE C</b>	6 to 15 machines site
<b>SITE D</b>	21 to 40 machines site
<b>SLA</b>	Service Level Agreement

<sup>1</sup> The entity's name changed to the Eastern Cape Gambling Board with effect from 19 February 2018, however the schedule to the PFMA has not yet been updated.

# 1.3 STRATEGIC OVERVIEW

## VISION

The best, most efficient and empowering gaming regulator

## MISSION

We commit to promoting a socially responsible industry through regulation, licensing and law enforcement.

We will ensure that the Eastern Cape gaming industry is conducted honestly and competitively with maximum contribution to society.

We will achieve this by providing excellent service to our stakeholders and through facilitating and broadening access to socio-economic benefits to the communities within which we operate.

## VALUES

VALUE	BEHAVIOURAL DEMONSTRATION
Consultation	Keeping stakeholders informed by involving them in decision-making processes on issues which affect them
Friendliness	Encouraging friendly working relationships and a friendly environment
Teamwork	People working together towards achieving common goals and targets
Respect	Equal treatment of staff, honesty on organisational issues and non-disclosure of confidential information
Service Delivery	Timely and quality professional service to all our stakeholders
Honesty	Providing open feedback to staff and stakeholders on all issues
Empowerment	Providing training and development to employees and through procurement of services from B-BBEE suppliers and SMMEs
Community Development	Giving back to our communities

# 1.4 LEGISLATIVE MANDATES

## SCHEDULE IN TERMS OF THE PFMA

The Eastern Cape Gambling Board falls under Schedule 3, Part C of the Public Finance Management Act (Act 1 of 1999).

### SPECIFIC CONSTITUTIONAL AND OTHER LEGISLATIVE, FUNCTIONAL AND POLICY MANDATES:

- Eastern Cape Gambling and Betting Act (Act 5 of 1997, as amended)
- National Gambling Act (Act 7 of 2004)
- Promotion of Access to Information Act (Act 2 of 2000)
- Public Finance Management Act (PFMA) (Act 1 of 1999) and Treasury Regulations
- Employment Equity Act (Act 55 of 1998)
- Skills Development Levies Act (Act 9 of 1999)
- Basic Conditions of Employment Act (Act 75 of 1997)
- Treasury Framework for Strategic Plan and Annual Performance Plans
- Policy Framework for the Government-Wide Monitoring and Evaluation System

*It is the responsibility of the Board to oversee gambling and betting activities in the Province, and advising the MEC for Economic Development, Environmental Affairs and Tourism.*

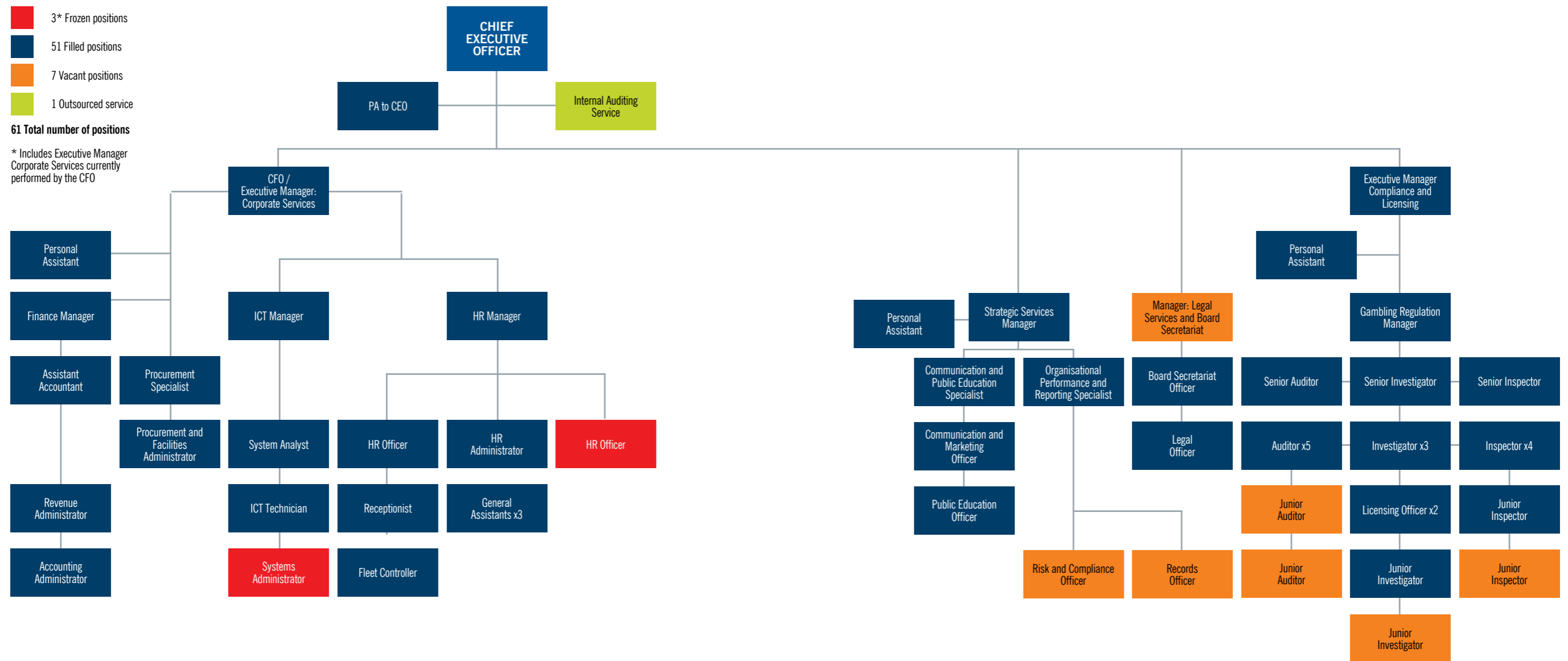
# 1.5 ORGANISATIONAL STRUCTURE



- 3\* Frozen positions
- 51 Filled positions
- 7 Vacant positions
- 1 Outsourced service

61 Total number of positions

\* Includes Executive Manager Corporate Services currently performed by the CFO



# 1.6 BOARD MEMBERS

*From left to right:*  
*Mr RM Zwane [CEO and Ex Officio]*  
*Mr A Mfenyana*  
*Ms NH Mlenzana*  
*Mr M Vena*  
*Ms T Mackie*  
*Mr O Mtati [Deputy Chairperson]*  
*Mr P White*



*Inset:*  
*Ms VN Fredericks*



*Inset:*  
*Adv N Nayosi*  
*[Chairperson]*

*The Eastern Cape Gambling Board won two awards at the 2018 Gambling Indaba, Africa's Premium Gambling Conference and Expo: Best Responsible Gambling Programme in South Africa and Most Efficient Gambling Regulator in South Africa.*

*The Annual Financial Statements are based on the appropriate accounting policies - and demonstrate the accountability of the entity for the resources with which it has been entrusted.*

# 1.7 CHAIRPERSON'S FOREWORD

THE 2018/19 FINANCIAL YEAR HAS BEEN A PERIOD OF KEY OPERATIONAL ACHIEVEMENTS AS WELL AS SIGNIFICANT ORGANISATIONAL MILESTONES.



During this period, our clear and consistent strategy was to deliver results against limited budget allocation, which was achieved with a combination of focus and flexibility.

As a result, the entity continued to distinguish itself as an efficient and well-managed organisation with an effective leadership who subscribe to a high level of commitment to clean and transparent processes.

Among the organisation's key performance highlights was revenue collection of R191.3 million recorded against a target of R183 million. I am also proud to report that the entity achieved 100% of its planned key performance targets for the year and maintained a clean audit as one of the key pillars against which the entity had to deliver.

Responsible gambling remains a priority, with a total of 3.66 million people reached through responsible gambling campaigns during the year under review. We have achieved significant progress with regard to the entity's drive, informed by necessary governance imperatives, to put in place functional governance structures and implement transparent systems of accountability. The ECGB continues to implement and institutionalise its Risk Management Framework, while also advancing the institutionalisation of a risk management culture.

I am proud to report that the Eastern Cape Gambling Board won two awards at the 2018 Gambling Indaba, Africa's Premium Gambling Conference and Expo,

namely "Best Responsible Gambling Programme in South Africa" and "Most Efficient Gambling Regulator in South Africa".

During the reporting period, the entity conducted a survey on workplace ethical behaviour by an organisation and its employees. The results of this survey depicted a favourable picture of the organisation in handling its business operations with its internal and external stakeholders. The entity's overall ethics rating was an A on a scale from D to AAA, where AAA is the best result.

Furthermore, the entity continued its focus on conducting cutting-edge research and knowledge management.

Enhanced compliance by the industry was achieved by utilising a Compliance Barometer as an innovative dashboard to demonstrate areas of non-compliance. In addition, the industry was supported to meet its obligations and commitments with regard to licensing conditions agreed to with the Board.

The ECGB takes seriously its development and upliftment responsibilities, and we are proud to reflect on the various socio-economic development and empowerment programmes that were undertaken. The entity also continued to work closely with our social and strategic partners to champion social change in the most impoverished areas of the Eastern Cape, as guided by the Anti-Poverty Strategy of the Province.





# 1.8 CEO's OVERVIEW



The ECGB is held responsible for governance and sustainable performance. As such, it is committed to good corporate governance and will continue to make significant progress in this regard. Against the backdrop of increasing regulatory and legislative compliance requirements within the gambling sector, we aim to strengthen our regulatory processes with a view to enhancing the Board's effectiveness. In doing so, we will ensure that the entity is aligned with the sound business practices expected of a stable and functional organisation.

The Board carried out effective and continuous monitoring, on a quarterly basis, of management's progress on achieving its targets. This enabled early intervention measures to be taken timeously in the auditing cycle which, coupled with an entity-wide commitment to compliance with both internal and external policies, will stand us in good stead to deliver on our mandate in the months and years ahead.

On behalf of the Board, I would like to acknowledge and express my appreciation for the sterling work of the CEO, management and ECGB staff during the 2018/9 financial year. I extend my sincere thanks to the Board and its committees for helping to foster an environment that has allowed both management and the Board the space to perform our respective responsibilities. In addition, we extend our appreciation to the Honourable MEC of DEDEAT and his management team for their guidance in terms of the duties and responsibilities entrusted to us.

Furthermore, to the gambling operators and licensees whom we regulate and interact with, I express my deepest gratitude for the space and time you afforded the ECGB to conduct its business, ensuring that there is improvement of and continued accountability in the standards that we set for the industry.

Adv Ncumisa Mayosi  
Chairperson of the Board

**THE EASTERN CAPE GAMBLING BOARD CONTINUED DURING 2018/19 TO PLAY A MAJOR ROLE IN DRIVING ECONOMIC GROWTH AND JOB CREATION IN THE EASTERN CAPE PROVINCE THROUGH STRINGENT REGULATION OF THE INDUSTRY AND EFFECTIVE GAMING REVENUE COLLECTION.**

To this end, the entity vigorously pursued its mandate of creating a competitive, optimally functioning regulatory system, ensuring maximum revenue collection, protecting duly licensed operators from illegal competitors, promoting responsible gambling and protecting the public interest.

In keeping with provincial guidelines, the entity has also effected further streamlining of its operations, including digitising many of its processes, with a view to further strengthening internal efficiencies and enhancing its growing stature as a lean, high-performance value-based organisation.

**WE ARE PROUD, THEREFORE, TO PRESENT THE FOLLOWING OVERVIEW OF STRATEGIC AND OPERATIONAL SUCCESSES DURING THE REVIEW PERIOD:**

- The entity achieved a clean audit for the fifth consecutive year.
- All 13 (100%) planned key performance targets for the year were achieved.
- A total of 3.66 million people were reached through responsible gambling campaigns.
- Thirteen (13) successful awareness and responsible gambling campaigns were waged.
- Four (4) socio-economic development projects to a value of R292 056 were implemented to several Eastern Cape organisations. These projects were informed by the entity's Socio-Economic Development Policy and the Eastern Cape Anti-Poverty Strategy, as championed by the Eastern Cape Department of Social Development and Special Programmes.
- Five (5) Gambling Economic Opportunity awareness programmes were conducted.
- The entity conducted five (5) sweeps (operations) which sought to eradicate illegal gambling, protect the public from nefarious trends related to illegal gambling and protect licensed gambling operators from illegal competition. The sweeps were conducted in various towns and areas across all five zones of the province.
- One (1) research study was conducted to evaluate the effectiveness and efficiency of the support provided by Route Operators to Type A, B and C LPM Site Operators in the Eastern Cape.
- Two (2) seminars were hosted on research studies conducted during previous financial years to inform the general public about these studies' findings and recommendations.
- The ECGB achieved a Level 4 Human Resource Efficiency Index rating. The Human Resource Efficiency Index is an assessment tool used to assess the ability of organisational human resources departments to strategically assist in the achievement of service delivery goals. The ECGB has utilised the Index and results to guide the organisation in ensuring that it becomes an employer of choice.

**THE EASTERN CAPE GAMBLING BOARD PROVIDED THE FOLLOWING SUCCESSFUL REGULATORY SERVICES TO THE INDUSTRY DURING THE REPORTING PERIOD:**

- The entity collected R191.3 million in gambling tax revenue from all licensed gambling operators in the province.
- The entity investigated 49 licence applications for various gambling licences and conducted two public hearings to ensure transparency in the process of awarding licences to suitable and qualifying applicants.
- Two Type B (20-40 machines) gambling licences were awarded to qualifying applicants.
- A total of 80 compliance audits were conducted at several licensed operators in the province and 71 revenue audits were conducted to verify the completeness and accuracy of gaming revenue reported by all operators in the province.
- The entity conducted a further 130 inspections at licensed operators in the province in line with the requirements of the Eastern Cape Gambling and Betting Act (Act 5 of 1997).
- A total of 929 applications for employee registration were processed during the 2018/19 financial year.

The ECGB remains committed to strengthening the socio-economic development functions and responsibilities of the Board while contributing to the most impoverished areas within the Eastern Cape.

**AS THE ECGB SEEKS TO BALANCE THE NEGATIVE IMPACTS OF GAMBLING, IT IS IMPORTANT AS AN ORGANISATION TO LEVERAGE AND ACCESS OUR OWN BUDGET ALLOCATIONS AND, THROUGH THE VERY PROCEEDS OF GAMBLING, BE AGENTS OF REAL CHANGE IN THE COMMUNITIES IN WHICH WE OPERATE. IN THIS REGARD THE FOCUS WAS ON:**

- Identifying and supporting socio-economic developmental programmes, utilising the resources of the ECGB and other partners and stakeholders, and ensuring that these programmes are sustainable;
- Supporting projects benefitting vulnerable and designated groups, namely the youth, the disabled, women and the elderly within the province;
- Coordinating implementation of the developed CSI framework of the industry and ensure that CSI Initiatives are implemented in the most impoverished areas of the province in terms of the Eastern Cape's Anti-Poverty Strategy.

During the period in review, the ECGB further prioritised stakeholder engagement and collaborative work with other government entities and strategic partners.

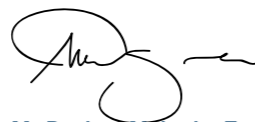
**THIS WAS ACHIEVED THROUGH THE IMPLEMENTATION OF MEMORANDUMS OF AGREEMENT WITH DIFFERENT GOVERNMENT DEPARTMENTS AND MUNICIPALITIES IN RESPECT OF:**

- Joint implementation of responsible gambling and public education and awareness campaigns within the two Metropolitan and district Municipalities in the province;
- Joint and collaborative research work on gambling related matters, and presentation of research outputs conducted by the ECGB as measures to mitigate budget limitations;
- Utilisation of print and social media platforms to communicate and profile the work of the ECGB within the two metropolitan municipalities as well as the KSD Municipality;
- Collaboration with the South African National Responsible Gambling Foundation in conducting relevant research, including a series of responsible gambling campaigns within the province as well as schools designated as gambling, alcohol, drugs and crime free zones; and
- Ongoing collaboration with the Eastern Cape Departments of Social Development, Education, Health, DSRAC and the South African Social Security Agency in respect of implementing the Anti-Poverty Strategy of the province.

**STRENGTHENING CORPORATE GOVERNANCE AND ORGANISATIONAL PERFORMANCE BY:**

- Maintaining and achieving clean audit outcomes on both financial information and predetermined objectives;
- Strengthening of the Human Resources management services and ensuring that HR achieve a Level 4 maturity efficiency index score by the end of the five-year period;
- Facilitating and availing opportunities for training and capacity building of all ECGB employees to empower them to respond to new challenges of innovation and regulatory requirements;
- Continuous institutionalisation of enterprise risk management and monitoring and evaluation of the risk register for 2019/20; and
- Effective organisational performance reporting and feedback.

I would like to extend my appreciation to the MEC for Economic Development and Environmental Affairs for his policy direction, the Board of Directors for their inspired leadership as well as the management team which made the discharge of ECGB's mandate tenable. I also extend my gratitude to the staff of ECGB for their resilience despite a challenging operating environment. Lastly, I am thankful to the licensees for their continued support in an endeavour to build a sustainable, responsible and empowering gaming industry.



**Mr Reuben Mabutho Zwane**  
Chief Executive Officer

# 1.9 STATEMENT OF RESPONSIBILITY

**TO THE BEST OF MY KNOWLEDGE AND BELIEF, I CONFIRM THE FOLLOWING:**

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General.

The Annual Report is complete, accurate and free from any omissions. The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) applicable to the public entity.

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal controls that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The Auditor-General is engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, this Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2019.



**Mr Reuben Mabutho Zwane**  
Chief Executive Officer  
31 May 2019



**Adv Ncumisa Mayosi**  
Chairperson of the Board  
31 May 2019



# PART B

## PERFORMANCE INFORMATION

## 2.1 AUDITOR'S REPORT

### PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide limited 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 paragraphs 10 - 16 of the Report of the Auditor-General, included in Part E: Financial Information.

## 2.2 SITUATIONAL ANALYSIS

### SERVICE DELIVERY ENVIRONMENT

#### DURING THE 2018/19 FINANCIAL YEAR, THE FOLLOWING CONTEXT INFORMED THE OPERATIONS AND ACTIVITIES OF THE ECGB:

- Continued investigations and intelligence gathering which further strengthened the entity's relationship with the Criminal Justice Cluster in the province, facilitating sweeps on illegal gambling as well as court action in this regard;
- Monitoring of developments in the gambling industry to inform risk assessments of the Board;
- Strategic engagements with provincial stakeholders for effective regulation;
- Informing consumers and the public about legal and illegal gambling activities and continuing the implementation of responsible gambling campaigns in terms of ECGB's Responsible Gambling and Public Education Strategy;
- Developing and refining the entity's responsibility to contribute meaningfully to socio-economic development in the Eastern Cape; and
- Continued efforts regarding research and development functions to support the policy objectives of the entity.

### OVERALL PERFORMANCE

An overview of the performance of the entity is provided below. Significant developments per budget programme are identified, including the way they impacted either on the demand for the entity's services or on its ability to deliver those services.

#### THE ENTITY'S OVERALL PERFORMANCE AND ITS KEY OUTPUTS DURING THE REPORTING PERIOD, PARTICULARLY RELATING TO SERVICES

#### RENDERED DIRECTLY TO THE PUBLIC AND OTHER STAKEHOLDERS, CAN BE SUMMARISED AS FOLLOWS:

- All 13 (100%) of the planned key performance targets for the year were achieved.
- The entity conducted 13 successful awareness and responsible gambling campaigns.
- A total of 3.7 million people were reached through these campaigns.
- Four socio-economic development projects to the value of R292 056 were implemented, benefitting several Eastern Cape organisations. These projects were informed by the entity's Socio-Economic Development Policy and the Eastern Cape Anti-Poverty Strategy, as championed by the Eastern Cape Department of Social Development and Special Programmes.
- Five Gambling Economic Opportunity awareness programmes were conducted.
- The entity carried out five sweeps (operations) which sought to eradicate illegal gambling, protect the public from nefarious trends related to illegal gambling and protect licensed gambling operators from illegal competition. The sweeps were conducted in towns and areas in all five Zones in the province.
- A research study was conducted to evaluate the effectiveness and efficiency of the support provided by Route Operators to Type A, B and C Limited Payout Machine (LPM) Site Operators in the Eastern Cape.
- The entity held two seminars on research studies conducted during previous financial years to sensitise the general public about these studies' findings and to share their recommendations.
- The ECGB achieved a Level 4 Human Resource Efficiency Index rating. The Human Resource Efficiency Index is an assessment tool used to assess the ability of organisational human resources departments to strategically assist in the achievement of service delivery goals. The assessment is conducted annually by a panel of managers from all budget programmes, with

the outcomes of the assessment informing appropriate strategies with which to strengthen human resources functionality and effectiveness in the organisation. The ECGB has utilised the Index and results to guide the organisation in ensuring that it becomes an employer of choice.

#### THE EASTERN CAPE GAMBLING BOARD PROVIDED THE FOLLOWING SUCCESSFUL REGULATORY SERVICES TO THE INDUSTRY DURING THE REPORTING PERIOD:

- The entity collected R191.3 million in gambling tax revenue from all licensed gambling operators in the province.
- It investigated 49 licence applications for various gambling licences and conducted two public hearings to ensure transparency in the process of awarding licences to suitable and qualifying applicants.
- Two Type B (20-40 machines) gambling licences were awarded to qualifying applicants.
- A total of 80 Compliance Audits were conducted at several licensed operators in the province and 71 Revenue Audits were carried out to verify the completeness and accuracy of gaming revenue reported by all operators in the province.
- The entity conducted a further 130 inspections at licensed operators throughout the province, in line with the requirements of the Eastern Cape Gambling and Betting Act (Act 5 of 1997).
- A total of 929 applications for employee registration were processed during the 2018/19 financial year.

### CHALLENGES ENCOUNTERED AND CORRECTIVE STEPS

Ongoing litigation challenges were encountered during the year in review. Although the entity cannot prevent a party from bringing legal action, there are various controls in place to ensure that the decision-making processes of management and the Board, specifically in awarding licences, is defensible.

### ORGANISATIONAL ENVIRONMENT

A survey on workplace ethical behaviour by the organisation and its employees was conducted during 2018/19. The results of the survey reflected a favourable picture of the organisation in terms of its business operations with internal and external stakeholders. The survey was conducted among 56 employees, including temporary staff and interns. A good response rate of 64.2% was achieved, which matches the benchmark average survey response rate. This provides a credible and representative reflection of the organisation's current ethical standing.

The entity achieved an overall ethics rating of A on a scale from D to AAA, where AAA is the best result. Within the A rating, the scores for both behaviour and for ethical boundaries were at the top end of this quadrant, with a score of 4.08 and 4.06 respectively on a scale of 0 to 5 (in that quadrant) being achieved. There were a few areas identified for improvement and enhancement.

The constrained fiscal environment limits the ECGB's capacity to perform against the significant growth of the industry. Consequently, opportunities continue to be sought for efficiencies in processes, including risk-based and technology-assisted regulation, as well as various revenue enhancement strategies.

On 4 September 2018, the ECGB, in recognition of its efforts to be the best, most efficient and most empowering gaming regulator, won two responsible gambling awards from Gambling Indaba (Africa's premium gambling conference and expo). The entity won "Best Responsible Gambling Programme in South Africa" as well as "Best Efficient Gambling Regulator in South Africa".

### KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There were no major changes to relevant policies within the ECGB during the 2018/19 reporting period.

## STRATEGIC OUTCOME-ORIENTED GOALS

THIS SECTION OUTLINES PROGRESS MADE AGAINST THE STRATEGIC GOALS SET IN THE ENTITY'S FIVE-YEAR STRATEGIC PLAN ADOPTED IN 2015/16. THE TARGETS REPORTED ON IN SECTION 2.3 ARE ALIGNED ANNUALLY TOWARDS OVERALL ACHIEVEMENT OF THE FOLLOWING STRATEGIC OUTCOMES:

- To achieve corporate services with excellent people and processes in order to optimise the service delivery offering;
- To institutionalise an internationally competitive regulatory system;
- To establish effective financial and institutional oversight processes and systems for accountability;
- To maximise socio-economic development benefits for the communities in the Eastern Cape; and
- To enhance and generate an information-, communication-, technology- and paperless-driven organisation.

### GOAL 1

*To achieve corporate services with excellent people and processes in order to optimise the service delivery offering*

#### PROGRESS MADE BY ECGB:

- a Employee wellness sessions on various wellness topics were held by an external service provider during the year in review.
- b Employees were provided with training and development opportunities based on their personal development plans.
- c The Human Resources Department scored a Level 4 rating on the Human Resources Efficiency Index assessment. The Index is a tool used to assess the ability of the Human Resources Department to strategically assist in the achievement of service delivery goals. While the department achieved a Level 4 rating during the previous financial year, there have been improvements in specific areas of the human resource component as the organisation strives to reach the maximum rating of Level 5 by the end of 2019/20.
- d In pursuance of this goal, the ECGB has conducted stakeholder engagement sessions with internal and external stakeholders to communicate the strategic imperatives of the Board, as informed by the Stakeholder Management Strategy.

### GOAL 2

*To institutionalise an internationally competitive regulatory system*

#### PROGRESS MADE BY ECGB:

- a In pursuance of this goal, the ECGB followed industry best practice for issuing licences, including:
  - Requests for Proposals (RFPs) on the different types of licences the Board rolls out at different periods were widely published in the Eastern Cape using mainstream print media.
  - Bidders' conferences were hosted to highlight requirements of these RFPs, draw attention to Essential Minimum Requirements (EMRs), explain the consequences of non-compliance and the evaluation process, as well as to answer written questions put to the Board by prospective licensees. Furthermore, applicants were afforded the opportunity to raise issues from the floor and to allow the Board to receive input from interested parties.
  - Public hearings were facilitated to ensure transparency before licences are awarded.
  - Evaluation processes were conducted by Board members for all applications.
- b Revenue and Compliance Audits were conducted to maximise revenue collection, strengthen effective compliance and adherence to Bid Commitments, Conditions of the Licence, the Act, Rules and Regulations, the Financial Intelligence Centre Act (FICA) and other applicable legislation prior to, and after commencement of, operations. Non-compliance notices were issued with interest and penalties imposed, where applicable.
- c Educational campaigns and road shows were conducted throughout the province on the dangers of irresponsible and illegal gambling.

### GOAL 3

*To establish effective financial and institutional oversight processes and systems for accountability*

#### PROGRESS MADE BY ECGB:

- a During the 2018/19 financial year the ECGB collected R191.3 million in gambling taxes against a target of R183 million.
- b ECGB received a fourth consecutive clean audit report for the 2017/18 audit year. In addition, fully GRAP-compliant financial statements were prepared each quarter and reviewed by the Finance Committee.
- c The Board and its sub-committees met according to an approved annual schedule and as per their terms of reference.
- d An Organisational Performance Reporting System has been institutionalised to measure and regulate the Board in terms of its performance and financial prudence. Quarterly reports regarding organisational performance were presented to the Board, DEDEAT and Provincial Treasury, with a portfolio of evidence compiled and submitted for review by internal audit bi-annually.

### GOAL 4

*To maximise socio-economic development benefits for the communities in the Eastern Cape.*

#### PROGRESS MADE BY ECGB:

- a In pursuance of this goal, the entity contributed R292 056 towards socio-economic development opportunities in the Eastern Cape in areas that have been identified as impoverished.
- b The entity implemented several socio-economic development projects across the province in order to empower the most vulnerable and impoverished communities.
- c The entity strengthened Corporate Social Investment (CSI) in the gaming industry by hosting a CSI Forum aimed at supporting the industry in the implementation of the CSI Framework of the Gaming Industry. CSI awards were handed out to acknowledge, encourage and appreciate all role players in implementing CSI projects in the impoverished communities in the province. Licensees are required to contribute one percent of Gross Gaming Revenue (GGR) or a similar amount in terms of their licence conditions to corporate social initiatives.

### GOAL 5

*To enhance and generate an information-, communication-, technology- and paperless-driven organisation*

#### PROGRESS MADE BY ECGB:

- a In pursuance of this goal, a proprietary system for gambling regulation and automation of related business processes was undertaken. At year-end this system was more than 90% complete.
- b The Board approved a research project, "Evaluation of the Effectiveness and Efficiency of Support provided by Route Operators to Type A, Band C Limited Payout Machine Site Operators in the Eastern Cape". This research was conducted during the year under review.
- c The entity hosted seminars on research outcomes in order to sensitise the public about previous research findings and recommendations.

# 2.3 PERFORMANCE INFORMATION BY PROGRAMME

## BUDGET PROGRAMME 1: CORPORATE SERVICES MANAGEMENT AND ADMINISTRATION

### PURPOSE OF THE PROGRAMME

The purpose of this programme is to provide corporate administrative and management support services to the organisation and the budget programme, including the Board of Directors, to ensure that the ECGB's mandate is executed, achieved and reported accordingly.

### SUB-PROGRAMMES

The following are budget sub-programmes of Corporate Services Management and Administration:

- Office of the Chief Executive Officer
- Strategic Management Services
- Legal Services and Board Secretariat
- Financial Management
- Human Resources Management and Development
- Communication and Marketing
- Socio-Economic Development
- Information Management and Technology

The Operational Performance Plan of the entity includes indicators and targets for all sub-programmes. However, the performance indicators reported on below are only the selected key performance indicators included in the entity's Annual Performance Plan.

## STRATEGIC OBJECTIVES

### THE FOLLOWING STRATEGIC OBJECTIVES GUIDE THE PERFORMANCE OF THE BUDGET PROGRAMME TO ACHIEVE THE DESIRED OUTCOMES:

- To develop a highly capable work force of individuals and teams in order to optimise service delivery, including an enabling workplace environment;
- To promote good corporate governance and financial management systems for accountability purposes; and
- To implement socio-economic development projects in order to empower the most vulnerable and impoverished communities in the province.

## KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2018/19 FINANCIAL YEAR

Performance Indicator	Actual Achievement 2017/18 (Baseline Information)	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
<b>SUB-PROGRAMME: FINANCIAL MANAGEMENT SERVICE</b>					
Strategic Objective: To promote good corporate governance and financial management systems for accountability purposes					
Revenue Collected	R181.3 million	R183 million	R191.3 million	+R8.3 million	The target was exceeded primarily due to faster growth in the Limited Pay Machine and Bingo sectors versus projections.
<b>SUB-PROGRAMME: SOCIO-ECONOMIC DEVELOPMENT</b>					
Strategic Objective: To implement socio-economic development projects in order to empower the most vulnerable and impoverished communities in the province					
Number of Socio-Economic Development Projects Conducted	4	4	4	No deviation	N/A
<b>SUB-PROGRAMME: HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT</b>					
Strategic Objective: To develop a highly capable work force of individuals and teams in order to optimise service delivery, including an enabling workplace environment					
Human Resources Efficiency Index	Level 4	Level 4	Level 4	No deviation	N/A

### SUMMARY OF PAYMENTS BY SUB-PROGRAMME OF BUDGET PROGRAMME 1

Sub-Programme	2018/19			2017/18		
	Adjusted Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000	Budget (R'000)	Actual Expenditure R'000	(Over) / Under Expenditure R'000
<b>PROGRAMME 1: FINANCIAL PERFORMANCE BY SUB-PROGRAMME</b>						
Office of the CEO	6 663	7 214	(551)	6 105	6 414	(309)
Strategic Management Services	3 992	3 660	332	3 397	3 423	(26)
Legal Services and Board Secretariat	6 544	7 855	(1 310)	6 653	5 930	723
Financial Management Services	10 824	10 788	36	10 040	9 763	277
Human Resources Management and Development	6 835	5 957	878	7 011	6 069	942
Communication and Marketing	2 124	1 960	164	2 375	1 381	994
Socio-Economic Development	465	409	56	490	622	(132)
Information Management and Technology	4 212	4 074	138	3 672	3 248	424
<b>Total Expenditure</b>	<b>41 659</b>	<b>41 915</b>	<b>(257)</b>	<b>39 743</b>	<b>36 850</b>	<b>2 893</b>
<b>% Under / (Over) Expenditure</b>			<b>(0.6%)</b>			<b>7.3%</b>

#### STRATEGIES TO OVERCOME AREAS OF UNDER-PERFORMANCE BY BUDGET PROGRAMME 1

There were no areas of under-performance on the performance indicators that were planned during the financial year of reporting.

#### CHANGES TO PLANNED TARGETS

There were no changes to the performance indicators that were made during the financial year of reporting.

## BUDGET PROGRAMME 2: GAMBLING REGULATION AND CONSUMER PROTECTION

### PURPOSE OF THE PROGRAMME

The purpose of this programme is to implement the ECGB Act and other statutory mandates through conducting investigations, licensing, compliance, revenue and environmental audits, gaming control and law enforcement, as well as protecting consumers (punters).

### SUB-PROGRAMMES

#### THE FOLLOWING ARE BUDGET SUB-PROGRAMMES OF GAMBLING REGULATION AND CONSUMER PROTECTION:

- Investigation and Licensing Administration
- Law Enforcement and Gaming Control
- Audit and Compliance Services

## STRATEGIC OBJECTIVES

### THE FOLLOWING STRATEGIC OBJECTIVES GUIDE THE PERFORMANCE OF BUDGET PROGRAMME 2 TO ACHIEVE THE DESIRED OUTCOMES:

- To award different types of gambling licences to suitably qualified applicants;
- To strengthen effective compliance and adherence with bid commitments, licence conditions, regulations and all other relevant and applicable pieces of legislation;
- To protect the public and gambling operators from unlicensed gambling operators and illegal competition; and
- To organise and present public education and to raise awareness of excessive and irresponsible gambling, as well as the economic opportunities associated with gaming.

### KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2018/19 FINANCIAL YEAR

Performance Indicator	Actual Achievement 2017/18 (Baseline Information)	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
<b>INVESTIGATION AND LICENSING ADMINISTRATION</b>					
Strategic Objectives: To award different types of gambling licences to suitably qualified applicants and to organise and present public education and awareness programmes regarding excessive and irresponsible gambling, as well as economic opportunities associated with gaming					
Number of Licences Issued <sup>2</sup>	10	1	2	1	The target was exceeded due to licence applications originally submitted in 2017/18, which were withdrawn by the respective applicants, being resubmitted in Quarter 1 of 2018/19.
Number of Gambling Economic Opportunities Awareness Programmes Conducted	2	5	5	No deviation	N/A
<b>SUB-PROGRAMME: LAW ENFORCEMENT AND GAMING CONTROL</b>					
Strategic Objective: To protect the public and gambling operators from unlicensed gambling operators and illegal competition					
Number of Sweeps Conducted	5	5	5	No deviation	N/A
Number of Inspections Conducted	125	130	130	No deviation	N/A

<sup>2</sup> All key licences issued, as defined in the Annual Performance Plan, are reported in the Annual Report. In 2018/19, one casino licence (Zone 5 renewal) was earmarked to be issued, however the actual achievement was two LPM Type B applications.

### KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2018/19 FINANCIAL YEAR

#### SUB-PROGRAMME: AUDIT AND COMPLIANCE SERVICES

Performance Indicator	Actual Achievement 2017/18 (Baseline Information)	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
Strategic Objective: To strengthen effective compliance and adherence with bid commitments, licence conditions, regulations and all other relevant and applicable pieces of legislation					
Number of Compliance Audits Conducted	75	80	80	No deviation	N/A
Number of Revenue Audits Conducted	80	71	71	No deviation	N/A

### SUMMARY OF PAYMENTS BY SUB-PROGRAMME OF BUDGET PROGRAMME 2

Sub-Programme	2018/19			2017/18		
	Adjusted Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000
<b>PROGRAMME 2: FINANCIAL PERFORMANCE BY SUB-PROGRAMME</b>						
Investigation and Licensing Administration	11 451	11 160	291	10 614	11 147	(533)
Law Enforcement and Gaming Control	4 873	4 629	244	3 905	3 943	(37)
Audit and Compliance Services	5 732	5 181	551	5 617	5 085	532
<b>Total Expenditure</b>	<b>22 056</b>	<b>20 970</b>	<b>1 086</b>	<b>20 136</b>	<b>20 175</b>	<b>(39)</b>
<b>% Under / (Over) expenditure</b>	<b>4.9%</b>			<b>(0.2%)</b>		

#### STRATEGIES TO OVERCOME AREAS OF UNDER-PERFORMANCE BY BUDGET PROGRAMME 2

There were no areas of under-performance on the performance indicators that were planned during the financial year of reporting.

#### CHANGES TO PLANNED TARGETS

There were no changes to the performance indicators that were made during the financial year of reporting.

### BUDGET PROGRAMME 3: RESEARCH AND PUBLIC EDUCATION

#### PURPOSE OF THE PROGRAMME

The purpose of this programme is to build a strong foundation of valid and reliable empirical research to inform operational and policy advisory decision making, including public interest activities such as educating consumers and the public about responsible gambling and mitigation of excessive and uncontrolled gambling.

#### SUB-PROGRAMMES

##### THE FOLLOWING ARE BUDGET SUB-PROGRAMMES OF RESEARCH AND PUBLIC EDUCATION:

- Empirical Research and Information Management
- Responsible Gambling and Public Education

### STRATEGIC OBJECTIVES

#### THE FOLLOWING STRATEGIC OBJECTIVES GUIDE THE PERFORMANCE OF BUDGET PROGRAMME 3 TO ACHIEVE THE DESIRED OUTCOMES:

- To guide the development and generation of information within the gambling industry in order to make informed choices and decisions
- To organise and present public education and awareness regarding excessive and irresponsible gambling as well as economic opportunities associated with gaming

### KEY PERFORMANCE MEASURES, TARGETS AND ACTUAL RESULTS FOR 2018/19 FINANCIAL YEAR

Performance Indicator	Actual Achievement 2017/18 (Baseline Information)	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from Planned Target to Actual Achievement for 2018/19	Comment on Deviations
<b>SUB-PROGRAMME: EMPIRICAL RESEARCH and INFORMATION MANAGEMENT</b>					
Strategic Objectives: To guide the development and generation of information within the gambling industry in order to make informed choices and decisions					
Empirical Research Conducted	1	1	1	No deviation	N/A
Number of Research Seminars Conducted	2	2	2	No deviation	N/A
<b>SUB-PROGRAMME: RESPONSIBLE GAMBLING and PUBLIC EDUCATION</b>					
Strategic Objectives: To organise and present public education and awareness programmes regarding excessive and irresponsible gambling, as well as economic opportunities associated with gaming					
Number of Responsible Gambling Awareness Sessions / Workshops Conducted	14	12	13	01	Additional responsible gambling awareness workshops were requested by stakeholders, leading to an over-achievement versus the planned target.
Number of People Reached Through Responsible Gambling Campaigns	3.7 Million	1.7 Million	3.66 Million	1.96 Million	Responsible gambling messages communicated reached more people than anticipated due to the various media and event platforms utilised.



### SUMMARY OF PAYMENTS BY SUB-PROGRAMME OF BUDGET PROGRAMME 3

Sub-Programme	2018/19			2017/18		
	Adjusted Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000
<b>PROGRAMME 3: FINANCIAL PERFORMANCE BY SUB-PROGRAMME</b>						
Empirical Research	544	272	272	515	510	5
Responsible Gambling and Public Education	5 235	5 439	(204)	4 803	4 385	418
<b>Total Expenditure</b>	<b>5 779</b>	<b>5 711</b>	<b>68</b>	<b>5 318</b>	<b>4 895</b>	<b>423</b>
<b>% Under / (Over) expenditure</b>		<b>1.2%</b>			<b>8.0%</b>	

#### STRATEGIES TO OVERCOME AREAS OF UNDER-PERFORMANCE BY BUDGET PROGRAMME 3

There were no areas of under-performance on the performance indicators that were planned during the financial year of reporting.

#### CHANGES TO PLANNED TARGETS

There were no changes to the performance indicators that were made during the financial year of reporting.

## 2.4 SUMMARY OF REVENUE COLLECTION

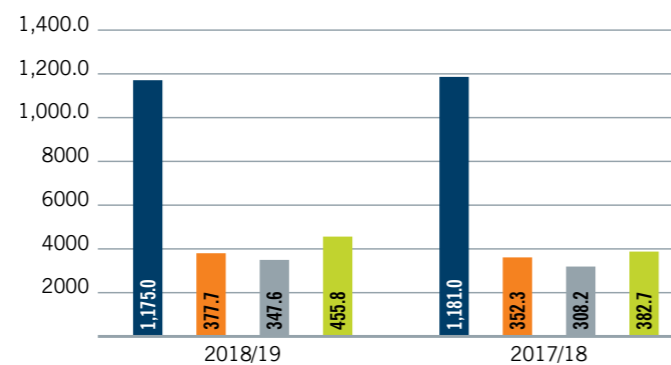
Revenue to Fiscus	2014/15 R'000	2015/16 R'000	2016/17 R'000	2017/18 R'000	2018/19 R'000
Casinos	98,119	99,935	97,158	96,057	95,168
Bookmakers and Totalisator	7,686	9,106	11,107	11,759	12,799
Bingo	11,395	21,944	31,411	38,291	45,582
Limited Payout Machines	23,880	27,140	31,142	35,234	37,771
<b>Total Taxes</b>	<b>141,080</b>	<b>158,125</b>	<b>170,818</b>	<b>181,341</b>	<b>191,320</b>

# 2.5 GROSS GAMING REVENUE AND TAX STATISTICS

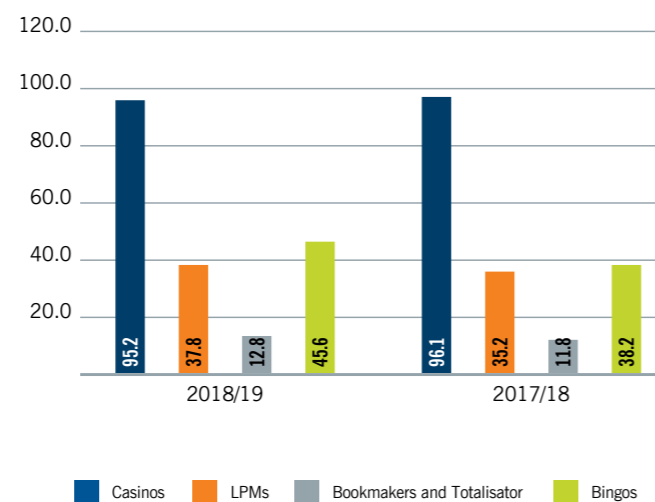
## 2018/19 vs 2017/18

THE FOLLOWING IS A GRAPHIC DEPICTION OF GAMING PERFORMANCE PER GAMING CATEGORY:

**GROSS GAMING REVENUES**  
5.9% growth overall  
**TOTAL GGR**  
of R2 356.2 million



**TAXES COLLECTED**  
5.5% growth overall  
**TOTAL TAXES**  
of R191.3 million



# PART C

## GOVERNANCE



# 3.1 INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, as well as the Companies Act (Act 71 of 2008), corporate governance with regard to public entities is applied through the prescripts of the Public Finance Management Act (PFMA) (Act 1 of 1999) and the Eastern Cape Gambling and Betting Act (Act 5 of

1997, as amended) (ECGB Act). This runs in tandem with the principles contained in the King Report on Corporate Governance. Section 3.12 below provides detail of the Eastern Cape Gambling Board's initiatives regarding King IV.

The Eastern Cape Legislature, the Executive and the Accounting Authority of the ECGB are responsible for corporate governance.

# 3.2 EXECUTIVE AUTHORITY

Oversight by the Executive Authority rests by and large on the prescripts of the PFMA. The Executive Authority has the power to appoint and dismiss the Board of a public entity. The Executive Authority must also

ensure that the appropriate mix of executive and non-executive directors is appointed and that directors have the necessary skills to guide the public entity.

## REPORTS SUBMITTED TO THE EXECUTIVE AUTHORITY DURING THE YEAR UNDER REVIEW ARE REFLECTED BELOW:

NO	DATE	REPORTS SUBMITTED TO THE EXECUTIVE AUTHORITY
1	20 July 2018	2018/19 First Quarter Financial and Performance Report
2	31 August 2018	2017/18 Annual Report, including the Annual Financial Statements
3	28 September 2018	2019/20 Annual Budget and Budget Adjustments 2018/19
4	19 October 2018	2018/19 Second Quarter Financial and Performance Report
5	26 October 2018	Six Months Oversight Report and Six Months Performance Information Report
6	19 January 2019	2018/19 Third Quarter Financial and Performance Report
7	31 January 2019	2019/20 Annual Performance Plan
8	23 April 2019	2018/19 Fourth Quarter Financial and Performance Report

## 3.3 PORTFOLIO COMMITTEE

The Portfolio Committee on Economic Development, Environmental Affairs and Tourism exercises oversight over the service delivery performance of the ECGB and, as such, reviews the non-financial information contained in the Annual Reports of the ECGB and is concerned with service delivery and enhancing economic growth.

**REPORTS SUBMITTED TO THE PORTFOLIO COMMITTEE DURING THE YEAR UNDER REVIEW ARE REFLECTED BELOW:**

NO	DATE	REPORTS SUBMITTED TO THE PORTFOLIO COMMITTEE
1	17 April 2018	Presentation of the 2018/19 - 2020/21 Annual Performance Plan and Budget of the ECGB
2	15 November 2018	Consideration of the 2017/18 Annual Report and 2018/19 Six Months Oversight Report

## 3.4 THE ACCOUNTING AUTHORITY

### THE ROLE OF THE BOARD

In terms of its enabling legislation (the ECGB Act) the Board is mandated to oversee gambling and betting activities in the Eastern Cape and to advise the responsible MEC on related matters.

### BOARD CHARTER

**THE BOARD HAS A CHARTER SETTING OUT ITS RESPONSIBILITIES WHICH IS DISCLOSED HEREIN. THE CHARTER CONFIRMS, AMONGST OTHER MATTERS:**

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

### PROGRESS MADE REGARDING COMPLIANCE WITH THE CHARTER

The objective of the Board Charter is to ensure that all Board members, employees of the entity and other stakeholders are aware of the duties and responsibilities of the Board and has the basis upon which it interacts with management, in giving effect to its obligations.

**THE BOARD CHARTER ENSURES THAT BOARD MEMBERS ARE RESPONSIBLE FOR THE FULL AND EFFECTIVE CONTROL OF THE BOARD AND ASSUMES RESPONSIBILITY FOR THE FOLLOWING:**

- Monitoring of management of the organisation and the implementation of its plans and strategies;
- Ensuring a comprehensive system of policies and procedures which remains operative;
- Ensuring ethical behaviour;
- Reserving specific powers to the Board where considered appropriate or necessary;
- Acting responsibly toward stakeholders; and
- Ensuring compliance with corporate governance principles and relevant legislation.

The Board Charter recognises that the two key and distinct tasks associated with the conduct of the Board's affairs are the running of the affairs of the organisation and the executive responsibility for the conduct of the organisation's business.

The Board conducts its business in accordance with the principles of good corporate governance, the ECGB Act and the PFMA. The Board Charter sets out the specific responsibilities to be discharged by Board members collectively and the individual roles expected.

## COMPOSITION OF THE BOARD

The Board consists of eight (8) non-executive members and one (1) executive member in an *ex officio* capacity.

Name	Designation	Date Appointed	Qualifications	Area of Expertise	Other Committees	No. of Meetings Attended
Adv N Mayosi	Chairperson	April 2011	BProc, LLB, LLM Advocate of the High Court	Legal Practitioner/ Law	None	7/11
Mr O Mtati	Deputy Chairperson	April 2011	BA, BJuris	Welfare, Community and Socio-economic Development	Compliance, Licensing and Transformation; Human Resources and Remuneration	11/11
Mr M Vena	Member	April 2011	BJuris	Community Interests	Compliance, Licensing and Transformation; Human Resources and Remuneration	10/11
Mr P White	Member	January 2014	BCom (Hons) CA(SA)	Chartered Accountant	Audit and Risk; Finance	11/11
Ms V Fredericks	Member	April 2016	BA (Hons) Economics	Finance / Treasury	Finance	5/11
Ms N Mlenzana	Member	April 2016	BA (Hons) Social Work	Safety and Security	Compliance, Licensing and Transformation; Human Resources and Remuneration	6/11
Mr A Mfenyana	Member	April 2016	Secondary Teachers Diploma, Nature Conservation Diploma	Environmental Affairs	Finance; Human Resources and Remuneration	11/11
Ms T Mackie	Member	March 2019	MA Communication	Socio-Economic Development and Tourism	Not yet appointed to committees	2/11
Mr RM Zwane	Ex-officio Member	December 2009	MA (Business Administration)	Chief Executive Officer	N/A	10/11

## COMMITTEES OF THE BOARD

Committee	No. of Meetings Held	No. of Members	Names of Members
Finance Committee	3	3	Ms V Fredericks (Chairperson) Mr A Mfenyana Mr P White
Compliance, Licensing and Transformation Committee	6	3	Mr O Mtati (Chairperson) Mr M Vena Ms N Mlenzana
Human Resources and Remuneration Committee	4	4	Mr M Vena (Chairperson) Mr O Mtati Ms N Mlenzana Mr A Mfenyana
Audit and Risk Committee	4	4	Ms L Smith (Chairperson) Mr P White Mr M Mbedhli Ms T Mngqeta

## REMUNERATION OF BOARD MEMBERS

- The Board Remuneration Policy was approved by the MEC for Economic Development, Environmental Affairs and Tourism (DEDEAT) on 18 June 2013, and is the standing policy for payment of Board members;
- Representatives of the provincial departments appointed as Board members in terms of Sections 5(1) (f) and 5 (1) (g), and Section 30 (1) of the Public Service Act (Act 103 of 1994) do not receive remuneration;
- Section 6 of the Remuneration Policy stipulates the amounts for travel and subsistence for Board members. In respect thereof, the National Treasury Instruction on Cost Containment further guides the provision of travel and subsistence to members.
- Extraordinary Board fees: The Board Remuneration Policy provides that there may be circumstances that warrant payment to Board members of "extraordinary board fees" (e.g. preparation time for consideration of licence applications which may not exceed one

day per application.) These fees are recovered from licence application deposits as reflected below.

### BOARD REMUNERATION IS PAYABLE AS FOLLOWS:

- Chairperson - R12 000 per day and R12 000 retainer fee (per month)
- Deputy Chairperson - R10 000 per day
- Ordinary Board member - R8 500 per day
- Committee members appointed as representatives of the respective provincial departments are not paid for meetings, except in exceptional circumstances.

Refer to Note 24 of Part E of this report (the Annual Financial Statements) which provides the amounts paid to each Board member in terms of the Board Remuneration Policy for the past two financial years.

# 3.5 ENTERPRISE RISK MANAGEMENT

The entity, in line with the Enterprise Risk Management (ERM) Policy approved by the Board, conducts annual and quarterly assessments of its risks. The ERM policy is designed to identify potential risk events that may affect the ECGB, manage risk to be within the entity's risk appetite and to further provide reasonable assurance regarding the achievement of ECGB's objectives. Further, the entity reports to the Executive Authority quarterly on progress with its risk management processes. According to the 2018/19 risk register, there are 33 risks that have been identified. A total of 10 risks are regarded as key strategic risks and 23 are classified as operational risks. Each risk has been assigned a responsible person and a risk owner to ensure that the identified mitigation measures are implemented. The risk register has specific risk mitigation actions with planned implementation dates ensuring that the risk action plan is time bound. Progress against mitigation action plans is noted in the risk register and progress is reported to the Audit and Risk Committee on a quarterly basis for the purpose of its oversight. The Audit and Risk Committee advises the Board on risk management and independently monitors the effectiveness of the entity's system of risk management.

As part of taking responsibility and accountability for the implementation of the enterprise risk management policy, the Management Risk Committee met quarterly to review existing and emerging risks, as well as to enable management to assess the current systems, controls and processes in the internal control environment. Risk management was a standing item in all management meetings to consider any emerging risks and provide updates on the prioritised risks. While some risks such as strategic risks may not change often, operational risks are changing regularly and have been monitored across the organisation at the divisional levels. This notwithstanding, a mature risk management process which involves the linking of related risks across business units and processes,

thereby ensuring an integrated approach, has been implemented rather than a departmental approach to risk management. The internal control effectiveness assessment, as recorded in the risk register, is consistently applied. During the year under review, all staff attended an awareness session facilitated by Provincial Treasury. The Board has seen progress in the management of risks, which has contributed to 100% achievement of the entity's performance targets.

#### THE ECGB HAS USED THE FOLLOWING AS KEY DETERMINANTS OF RISK APPETITE IN SETTING ITS PERFORMANCE TARGETS FOR 2019/20 AND OVER THE MTEF:

- Stakeholder expectations of performance - These are high due to current baselines / existing levels of achievement and this drives a general increase in expected performance year-on-year, although resources may not be following the same trend;
- Management experience along with risk and control management skills - Leadership of the entity has been stable for a number of years and the sustained clean audit outcome from the AGSA gives some assurance that existing controls will continue to ensure similar levels of performance over the next three years;
- The culture of the ECGB - This includes the provision of timely and quality professional service to all our stakeholders and constant improvement and efficiencies in all our processes, although it is important to recognise current service standards and what is generally regarded as acceptable;
- Longer term strategic priorities - Specifically the five-year strategic plan targets which will only be amended after 2019/20 and have informed the minimum level of expected performance per key target;
- All the above are viewed against realistic forecasts of what is possible, based on the national and provincial economy, industry specific factors and the current cost constrained operating environment.

Key strategic risks facing the entity are included in the dashboard below.

#### DASHBOARD ON STRATEGIC RISKS AS PER RISK REGISTER DURING THE 2018/19 FINANCIAL YEAR

Ranking	Risk Name / Description	Inherent Risk Exposure	Residual Risk Exposure	Summary of Control Actions Taken During the Year to Improve the Residual Risk
1	Litigation against Board decisions	25	19	<ul style="list-style-type: none"> <li>• The Investigation and Licensing Manual has been used on an ongoing basis to compile the reports that are submitted to the Board for decision making.</li> <li>• The draft RFP in respect of Sites and the Zone 5 casino has been subjected to external legal review.</li> </ul>
2	Proposed merger between Eastern Cape Liquor Board and ECGB without a feasibility study	20	15	<ul style="list-style-type: none"> <li>• The entity recommended that a full financial and operational research study be conducted to assess if there are significant opportunities.</li> </ul>
3	Loss of information	16	12	<ul style="list-style-type: none"> <li>• Ongoing implementation of the IT strategy</li> <li>• A new gambling regulation system under development with all departments being engaged and involved for information sharing.</li> </ul>
4	Increased incidences of illegal gambling	16	12	<ul style="list-style-type: none"> <li>• Sweeps were conducted in all five Zones of the province.</li> <li>• ECGB was involved in two operations spear-headed by SAPS.</li> <li>• Three illegal Chinese Roulettes machines were seized during the sweep exercise and dockets were opened.</li> <li>• Four illegal online operations in Port Alfred, Graaff-Reinet, Uitenhage and Jeffrey's Bay were identified.</li> <li>• Six shops with illegal gambling machines were identified and six managers / owners who are foreign nationals were arrested.</li> </ul>
5	Loss of appropriate skills impacting on capable workforce	16	08	<ul style="list-style-type: none"> <li>• Organisational structure and implementation plan was approved during the year, with the filling of vacant posts ongoing.</li> </ul>
6	Failure to prevent and detect non-compliance by licensees	16	08	<ul style="list-style-type: none"> <li>• ECGB conducted compliance and revenue audits using its risk-based approach, informed by the results of the compliance barometer.</li> <li>• The register of non-compliance was updated and maintained.</li> </ul>
7	Increased prevalence of irresponsible gambling	09	05	<ul style="list-style-type: none"> <li>• The entity's Responsible Gambling Strategy was reviewed and has been approved by the Board.</li> <li>• Responsible gambling awareness sessions were conducted as informed by the Responsible Gambling Strategy.</li> <li>• The Berlin November Traditional Horse Racing event was utilised as a platform and an extensive broadcast and print media campaign was conducted in order to communicate messages of responsible gambling.</li> </ul>
8	Inability to keep abreast of industry developments	09	05	<ul style="list-style-type: none"> <li>• Research seminars were held during the year and the planned research assignment was finalised in March 2019.</li> </ul>
9	Regression in internal control environment	16	04	<ul style="list-style-type: none"> <li>• The key controls dashboard report was reported quarterly to the Audit and Risk Committee.</li> <li>• An audit tracking document to ensure clean audit sustainability was also reported quarterly. This was reviewed by internal audit to provide assurance on management implementation.</li> </ul>

# 3.6 REPORT OF THE AUDIT AND RISK COMMITTEE

## RESPONSIBILITY

The Audit and Risk Committee (ARC) has complied with its responsibilities arising from Section 51(1)(a) (ii) of the Public Finance Management Act, as well as Treasury Regulation 27.1. The Committee has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

## KEY ACTIVITIES AND OBJECTIVES OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is a specially appointed statutory Committee to assist management in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control including risk management, the audit process and the Board's process for monitoring compliance with laws and regulations and the code of conduct. The Committee performs an advisory role to the Board. The Committee is accountable to the Board to properly consider and evaluate any matter that it has to deal with or which is referred to it.

## INTERNAL CONTROL ENVIRONMENT

The Audit and Risk Committee concludes that the internal control environment was effective for the year under review. No findings indicating significant control weaknesses, including material financial loss, fraud, corruption or error have been reported to the Audit and Risk Committee during the year ended 31 March 2019.

The Committee is satisfied with the controls and activities that were in place for combined assurance.

### THE FOLLOWING INTERNAL AUDIT PROJECTS WERE COMPLETED DURING THE YEAR UNDER REVIEW:

- 2017/18 Quarter 3 and 4 Performance and Annual Report review
- Risk Management Follow-up Review
- Information Technology – Firewall and Network Vulnerability Assessment Reviews
- 2018/19 Quarters 1 – 2 Performance Report Review
- Supply Chain Management – Due Diligence Bid Review
- Review of Audit Tracking tool
- Review of Illegal Gambling Monitoring Controls
- CSI Projects, Policy and Implementation
- Asset Management Review
- 2019/20 Draft Annual Performance Plan Review
- Ethics Review (separate ethics specialist contracted)

### IN ADDITION, THE FOLLOWING DOCUMENTS WERE REVISED BY INTERNAL AUDIT AND APPROVED BY THE COMMITTEE DURING THE 2018/19 YEAR:

- Audit and Risk Committee Charter (final approval by the Board)
- Internal Audit Charter and Methodology

The Audit and Risk Committee concludes that the internal audit function was effective for the year under review. Internal audit attended management's 2018/19 Risk Assessment, and the Committee reviewed the strategic risk register quarterly in order to make recommendations to the Board accordingly.

## IN-YEAR MANAGEMENT AND QUARTERLY REPORTS

The entity has been reporting quarterly to the Treasury as is required by the PFMA. Furthermore, management prepares a complete set of financial statements in compliance with Generally Recognised Accounting Practice (GRAP) standards on a quarterly basis. The Audit and Risk Committee concludes that the finance function and Chief Financial Officer were effective for the year under review.

## AUDITOR-GENERAL'S REPORT AND IMPLEMENTATION OF PRIOR YEAR AUDIT FINDINGS

The Committee has reviewed the entity's implementation plan for audit issues raised in the management report for the year ended 31 March 2018 (no matters were reported in the audit report) and we are satisfied that the matters have been adequately resolved. The external auditors are standing invitees to the Committee meetings and there has been communication throughout the year. The committee is satisfied that the Auditor-General is independent of the organisation.

The Audit and Risk Committee reviewed the Annual Financial Statements in May 2019. No significant areas of concern were identified and the Committee recommended they be submitted to the Auditor-General for audit.

The Audit and Risk Committee concurs with the conclusion of the Auditor-General of South Africa on the Annual Financial Statements. This is the fifth year in succession that no findings have been reported at audit report level and the Committee is of the opinion that this outcome is sustainable and that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.



**Loren Smith**  
Chairperson of the Audit and Risk Committee  
31 July 2019

## INFORMATION ON THE AUDIT AND RISK COMMITTEE

THE TABLE BELOW DISCLOSES RELEVANT INFORMATION ON THE AUDIT AND RISK COMMITTEE MEMBERS AS AT 31 MARCH 2019:

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Number of Meetings attended
Ms L Smith	BCom (Hons), CA(SA), RA, Member of the Institute of Internal Auditors	External	N/A	01 April 2014	4 out 4
Mr P White	BCom (Hons), CA (SA)	Internal	Board member	01 April 2014	4 out 4
Mr M Mbedhli	BTech – Internal Auditing, Member of the Institute of Internal Auditors	External	N/A	1 October 2017	4 out 4
Ms T Mqeta	BCom, Member of the Institute of Risk Management	External	N/A	1 October 2017	4 out 4

## 3.7 COMPLIANCE WITH LAWS AND REGULATIONS

### IN EXECUTING ITS RESPONSIBILITIES, THE ECGB COMPLIES WITH THE FOLLOWING LEGISLATION:

- Constitution of the Republic of South Africa. The ECGB ensures that the Bill of Rights is observed in respect of all dealings with its stakeholders and employees;
- National Gambling Act (Act 10 of 2008);
- Eastern Cape Gambling and Betting Act (Act 5 of 1997) and Regulations in terms of Act 5 of 1997, as amended;
- Public Finance Management Act (Act 1 of 1999) and Treasury Regulations;
- Promotion of Equality and Prevention of Unfair Discrimination Act (Act 4 of 2000);
- Preferential Procurement Policy Framework Act (Act 5 of 2000);
- Broad-Based Black Economic Empowerment Act (Act 53 of 2003), as amended;
- Labour Relations Act (Act 66 of 1995), as amended;
- Basic Conditions of Employment Act (Act 75 of 1997), as amended;
- Employment Equity Act (Act 55 of 1998), as amended;
- Skills Development Levies Act (Act 9 of 1999);
- Promotion of Access to Information Act (Act 2 of 2000);
- Promotion of Administrative Justice Act (Act 3 of 2000);
- National Archives and Records Service of South Africa Act (Act 43 of 1996);
- Income Tax Act (Act 58 of 1962), as well as all provisions of the Taxation Laws Amendment Act as promulgated from time to time;
- Financial Intelligence Centre Act (Act 38 of 2001), as amended;
- Electronic Communications and Transactions Act (Act 25 of 2002);

- Protection of Personal Information Act (Act 4 of 2013);
- Occupational Health and Safety Act (Act 181 of 1993);
- Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993), as amended; and
- Unemployment Insurance Act (Act 63 of 2001).

### OVER AND ABOVE THE AFOREMENTIONED PIECES OF LEGISLATION, THE ENTITY HAS DEVELOPED ITS OWN POLICIES AND PLANS TO GUIDE AND REGULATE ITS FUNCTIONALITY. THESE INCLUDE (AMONG OTHERS):

- Delegations of Authority Policy;
- Supply Chain Management Policy;
- Asset Management Policy within the Finance Policy;
- Human Resource Policy;
- Fraud Prevention Plan;
- Enterprise Risk Management Framework;
- Performance Management Policy;
- Disaster Management Policy;
- Travel and Subsistence Policy;
- Corporate Governance of Information Communications and Technology Policy; and
- Information Technology Security Policy;
- Finance Policy;
- Cost Containment Policy.

## 3.8 FRAUD AND CORRUPTION

The entity's approved Fraud Prevention Policy is reviewed at least every three years by the Audit and Risk Committee as well as by the Board. The policy seeks to define the term fraud and provide employees with steps to follow should they suspect fraudulent activities. The policy sets out the reporting lines to be followed should an employee wish to report possibly fraudulent activity.

The entity also makes use of an independently managed Fraud Hotline (number 0800 333 818) should an employee or member of the public wish to report fraudulent activity anonymously.

## 3.9 MINIMISING CONFLICT OF INTEREST

The entity manages conflict of interest by including a standing agenda item for all Board and committee meetings in which members are required to state any conflicts of interest. Staff and Board members are required bi-annually to disclose any interests in companies or other entities.



## 3.10 CODE OF CONDUCT

*The Code of Conduct consists of statutory principles which inform the general code of conduct and ethics of all members of the ECGB Board and its employees, as laid down in the ECGB Act.*

### THE CODE IS APPLIED WITH DUE CONSIDERATION TO THE FOLLOWING ENTRENCHED PROVISIONS:

- All members of the Board are required to declare any conflict of interest as provided for in the ECGB Act;
- Employees may not have controlling interest or any financial interest in any gaming activity;
- Board members and employees shall not participate in any gaming or betting in the province except in the performance of their duties in terms of the Act; and
- Board members and employees and their families may not accept any donation, reward or other benefit directly or indirectly from an applicant or licence holder, except within the recognised exceptions permitted by the Act.

## 3.11 HEALTH SAFETY AND ENVIRONMENTAL ISSUES

No health, safety or environment issues were reported during the year under review. However, the Health and Safety Policy was adhered to and reviewed for adequacy during the financial year. An emergency evacuation drill was conducted during the fourth quarter of

2018/19 in order to ascertain the effectiveness of the evacuation plans and the readiness of staff to respond to an emergency. The results indicated that employees are prepared to act in the event of an emergency.

# 3.12 APPLICATION OF KING IV PRINCIPLES

The entity supports the governance outcomes, principles and practices in the King IV Code on Corporate Governance, as set out in the King IV Report on Corporate Governance for South Africa (King IV).

Below we summarise the King IV principles implemented, progress made towards achieving the practices and, ultimately, the governance outcomes envisaged. Enhancements, where required, will be made over time in line with our objective to continuously improve and entrench corporate governance best practices.

## PRINCIPLE 1 The Board should lead ethically and effectively

Ethical and effective leadership is exemplified by integrity, competence, responsibility, accountability, fairness and transparency. The Board subscribes to these ethical characteristics in order to offer effective leadership that results in achieving strategic objectives and positive outcomes over time. The Board Charter and organisational Code of Ethics were both revised during 2017/18. A Board self-assessment evaluation was performed during 2018/19.

## PRINCIPLE 2 The Board should govern the ethics of the entity in a way that supports the establishment of an ethical culture

A formal Code of Conduct is in place which clearly communicates ethical values and good governance to all staff members, and aims to promote the values, spirit and objectives contained in the provisions of the Gambling and Betting Act. This Code was revised during 2017/18, presented to all staff and delegated to management to ensure its implementation.

During the reporting period ethical declarations were completed by all Board members and staff, and the fraud/whistle-blowing hotline was in place and monitored accordingly. No staff were implicated in any unethical behaviour in terms of these hotline reports. Furthermore, an independent ethics review was conducted to assess the maturity of the ethics programme and provide recommendations in this regard. The entity's overall ethics rating was an A on a scale from D to AAA, where AAA is the best result. Within the A rating, the scores for both behaviour and for ethical boundaries were at the top end of this quadrant, with a score of 4.08 and 4.06 respectively on a scale of 0 to 5 (in that quadrant). There were certain areas identified for improvement and enhancement which will be implemented during the 2019/20 year.

## PRINCIPLE 3 The Board should ensure that the entity is, and is seen to be, a responsible corporate citizen

The Board's mission is to promote a socially responsible industry through regulation, licensing and appropriate enforcement. It also aims to ensure that the Eastern Cape gaming industry is conducted honestly and competitively with maximum contribution to society. Key areas of focus during the period under review and in future include:

- Monitoring of progress against the employment equity plan;
- Revenue collection for the provincial revenue fund;
- Enforcement of licence conditions, including employment and shareholding empowerment in the industry;
- Continued implementation of both the Corporate Social Investment (CSI) Framework for the industry and ECGB's own CSI programmes (refer Section 3.13 of the Annual Report in this regard); and
- Rollout of responsible gambling campaigns in the province using various platforms (the updated Responsible Gambling Strategy of the ECGB was approved in March 2018).

## PRINCIPLE 4 The Board should appreciate that the entity's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

The practices recommended under Principle 4 address the development and approval of the organisation's strategy, implementation thereof and organisational performance, including the Annual Performance Plan targets as reported on in Section 2 of this Annual Report.

As far as performance is concerned, entities have to balance their priorities so as to both fulfil their mandate and remain financially sustainable. Over the current and previous financial years capital expenditure has been prioritised towards sustainability initiatives. In 2018/19 this specifically included the development of a custom Gambling Regulatory System. This is in order to modernise the entity's corporate and administrative systems and support service delivery, particularly the automation of business processes that entail various service offerings to the industry and the public at large. The development of this system was more than 90% complete at year-end.

## PRINCIPLE 5 The Board should ensure that reports issued by the entity enable stakeholders to make informed assessments of the entity's performance and its short-, medium- and long-term prospects

The ECGB Annual Report complies with the National Treasury guideline for public entities and related PFMA requirements. However, it also integrates how the entity interacts with its external environment and provides information on its strategy, governance, performance and risks, including how financial and human capital is employed to create value. Together with the Annual Performance Plan, these two documents are a practical way of informing stakeholders about the entity's performance and its short-, medium- and long-term prospects. Both documents are published on the ECGB's website for ease of access by stakeholders.

## PRINCIPLE 6 The Board should serve as the focal point and custodian of corporate governance in the entity

The Board is the governing body of an entity, and thus bears fiduciary responsibilities in terms of Section 50 of the PFMA. The Board regards corporate governance and adherence to the principles and prerequisites of the relevant legislation and guidelines, including the Eastern Cape Gambling Act, the PFMA and King IV Code of Corporate Governance, as vitally important to the success of the entity's business. As such, the entity is unreservedly committed to applying the principles necessary to ensure that these commitments are adhered to. Refer to Section 3.4 of this Annual Report for details included in the Board Charter and progress made regarding compliance with this Charter. The Board is satisfied that it has fulfilled its responsibilities in accordance with its Charter for the reporting period under review.

**PRINCIPLE 7** The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively

The composition of the Board is legislated in terms of Section 5 of the Eastern Cape Gambling Act. This notwithstanding, the Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence. The current Board was appointed by the Honourable MEC for Economic Development, Environmental Affairs and Tourism in April 2016 and consists of eight (8) non-executive members and one (1) executive member, the Chief Executive Officer, who serves in an ex officio capacity. The Chairperson and Deputy Chairperson are both considered to be independent Board members and the Deputy Chairperson fulfils the role of lead independent member, as contemplated in King IV.

During the year under review one Board member was appointed to fill the vacancy that arose in 2017/18. There is no Nominations Committee as the Act requires the MEC to invite interested parties by notice in the Provincial Gazette, and to follow the further processes outlined in the Act. As such, the Board has not set targets for gender or race representation but do seek to collaborate with the MEC on this critical issue, including the staggered rotation of members of the Board as allowed for in the Act.

Refer to Section 3.4 of this Annual Report for details of the qualifications of members and number of meetings attended during the reporting period.

**PRINCIPLE 8** The Board should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties

The Board has four standing committees that assist it in discharging its duties and responsibilities: Audit and Risk Committee; Finance Committee; Compliance, Licensing and Transformation Committee; and Human Resources and Remuneration Committee.

- The Audit and Risk Committee report is included in Section 3.6 of this report, and Section 3.4 provides information on membership and the number of meetings held during the period for all sub-committees. These committees operate in accordance with written Terms of Reference approved by the Board, which are reviewed annually. The committee's roles and responsibilities, as well as key areas of focus for the year under review, are as follows:
- The Finance Committee reviews and recommends the budget as well as in-year and Annual Financial Statements to the Board and advises on all finance-related policies. The cost containment, fleet management, and CSI policies were updated and reviewed by the committee during the year under review.
- The Compliance, Licensing and Transformation Committee considers and makes recommendations to the Board on the licensing regulatory regime or policy, investigation methods, the licensing criteria, regulatory compliance, revenue audit processes, consumer protection and public education, as well as transformation of the Eastern Cape gaming industry in terms of black economic empowerment and social and economic development. The Committee considered and made recommendations to the Board in respect of the revised LPM Site RFP. The Committee also reviewed the updated communications and stakeholder management strategies during the year.
- The Human Resources and Remuneration Committee assists the Board with its Human Resources responsibilities and oversight duties, advises and recommends to the Board on Organisational Structure and Skills Development, Human Resources Policies and Practice and ensures that the staff of the Board receive reasonable and fair reward for their individual and combined contributions to the overall performance of the Board. The organisational structure was reviewed and approved during 2018/19 with the creation of eight additional positions in order to meet existing areas of capacity constraints. Five human resources policies were revised and approved during the year under review.
- The Board does not have a social and ethics committee as oversight duties in this regard are performed by the Compliance, Licensing and Transformation Committee (compliance, BEE, social and economic development) the Human Resources and Remuneration Committee (employment equity and health and safety) and the Audit and Risk Committee (ethics, risk and fraud prevention).

The Board is satisfied that each of these committees have fulfilled their responsibilities in accordance with its terms of reference for the reporting period.

The Committees are appropriately constituted and members are appointed by the Board. Currently there is a vacancy on both the Finance and Compliance, Licensing and Transformation committees due to the Board vacancy that was only filled close to year-end. There are no external advisers or invitees who are standing attendees at committee meetings, although experts may be engaged when required.

**PRINCIPLE 9** The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness

The effectiveness and performance of the Board as a whole, as well as the individual Board committees, is evaluated annually. An external service provider led the evaluation process during 2018/19. The Board is satisfied that the evaluation process is contributing to improvement in the Board's performance and effectiveness.

**PRINCIPLE 10** The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities

The Board Delegation of Authority Policy sets out the different levels of authority afforded to the CEO, Board committees and executive management in the ECGB. The policy is developed in order to maintain high levels of corporate governance within the ECGB and to ensure that all parties are aware of their responsibilities. The Board is satisfied that it contributes to role clarity and the effective exercise of authority and responsibilities.

The CEO was re-appointed by the Board in December 2014 on the terms and conditions contained in ECGB's Human Resource policies. The role and responsibilities of the CEO are set out in the Board Charter. The Board evaluates the performance of the CEO annually against agreed performance measures and targets. A succession plan is in place for the CEO and other executive managers. The CEO is a Board member of the International Association of Gaming Regulators (IAGR) and the South African Responsible Gambling Foundation (SARGF).

The Board Secretariat reports to the Legal Manager and together they provide effective corporate governance services to the Board. Their performance is evaluated annually during the assessment of Board effectiveness.

**PRINCIPLE 11** The Board should govern risk in a way that supports the entity in setting and achieving its strategic objectives

The Board is responsible for the governance of risk in terms of the approved Enterprise Risk Management Policy. The risk appetite is reviewed during the strategic planning process. Specifically, management considers levels of acceptable risk when developing performance indicators. The Board subsequently reviews the Annual Performance Plan and approves the operating objectives as being achievable. The ECGB's risk appetite then represents the amount of risk the ECGB is willing to accept as it seeks to achieve its defined strategic objectives. Detailed risk appetite considerations are included in the 2019/20 Annual Performance Plan.

The Audit and Risk Committee assists the Board with the governance of risk and monitors risk management and combined assurance. It is supported by management and the Management Risk Committee, which reports quarterly on risk management, including mitigation action plans.

**PRINCIPLE 12** The Board should govern technology and information in a way that supports the entity setting and achieving its strategic objectives

In terms of the Board Charter and the Audit and Risk Committee Terms of Reference, the Audit and Risk Committee assists the Board with technology and information (IT) governance. The Corporate Governance of IT Framework and Charter, including processes, procedures and structures to achieve the IT strategic objectives, was adopted by the Board and also ensures compliance with the Corporate Governance of IT policy framework for the public sector. During the year under review internal audit conducted a review of the Firewall and performed a Network Vulnerability Assessment. The development of the Gambling Regulatory System is a significant step towards the strategic objective of becoming a paperless organisation.

**PRINCIPLE 13** The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the entity being ethical and a good corporate citizen

The entity understands which laws and regulations with which it is required to comply (the legal universe applicable to ECGB) and has developed a compliance calendar for the organisation that is reviewed on a quarterly basis. Compliance self-assessments are performed bi-annually by the legal department under the guidance of the Legal Manager, who reports accordingly to the Audit and Risk and Compliance, Licensing and Transformation Committees. The Legal Manager attends Management Risk Committee meetings as well as all Board and sub-committee meetings. No material non-compliance with laws and regulations were identified during the reporting period.

**PRINCIPLE 14** The Board should ensure that the entity remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term

The approved Remuneration and Reward Policy and Individual Performance Management Policy of the Board aim to achieve the following objectives:

- Attraction and retention of suitably skilled and competent employees;
- Appropriate reward for superior performance delivered by employees; and
- Obtain value for money for ECGB and ensure transparency, equity, consistency, and fairness in the levels of remuneration paid.

ECGB determines remuneration levels on the basis of job grading and market benchmarking results which is conducted as necessary but at least every three years.

Refer to Section 4 of this Annual Report for further Human Resources information, including personnel costs and performance rewards. The Annual Financial Statements include details of Board members' and senior management remuneration in Note 24 and Note 16, respectively. The Board remuneration policy is approved by the MEC and was last revised in 2013.

**PRINCIPLE 15** The Board should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the entity's external reports

The Board has delegated to the Audit and Risk Committee oversight of, among others, the effectiveness of the entity's assurance services, including external audit, internal audit and the finance function, as well as the integrity of the Annual Report and the Annual Financial Statements.

With the assistance of independent assurers, such as the external auditor and the internal auditor, the Audit and Risk and Finance Committees review and evaluate the Annual Report and the Annual Financial Statements, prior to recommendation to the Board for approval.

The Audit and Risk Committee has been delegated the responsibility for ensuring that assurance services are performed in terms of the Internal Audit Charter. ECGB has an outsourced internal audit function, whose role and responsibilities are set out in an Internal Audit Charter. This requires, inter alia, the performance of risk-based internal audits in terms of an internal audit plan, as approved by the Audit and Risk Committee.

Internal audit submits formal reports to the Audit and Risk Committee quarterly. Refer Section 3.6 for detail of the reviews performed by internal audit during the reporting period.

**PRINCIPLE 16** In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the entity over time

The Board has an approved stakeholder strategy that was reviewed during the 2018/19 financial year. The Board is convinced that the successful attainment of its objectives requires a multi-sectoral approach and a robust management of various stakeholder groupings. The focus on stakeholder management should assist the regulator in building credible associations and collaborative work with sister organisations and departments towards the achievement of its stated objectives.

Both strategic and operational principles inform ECGB's engagement with stakeholders and strategic partners. Strategic principles include:

- Significance: ECGB will engage stakeholders when there is a clear purpose and value in doing so.
- Completeness: ECGB will seek to understand the concerns, views, needs and expectations of stakeholders.
- Responsiveness: ECGB will respond coherently, appropriately and on time to its stakeholders.

Operational principles include:

- Communication: ECGB will be open and promote effective communication.
- Transparency: ECGB will provide clear information and establish feedback channels for all stakeholders.
- Collaboration: ECGB will seek mutually beneficial outcomes where feasible.
- Inclusiveness: ECGB will recognise, understand and involve stakeholders.
- Integrity: ECGB will engage stakeholders in a manner that fosters mutual respect and trust.

## 3.13 SOCIAL RESPONSIBILITY

Over and above its regulatory work, the ECGB implements a Corporate Social Investment (CSI) programme which focuses on improving the lives of people and communities in the areas in which we operate. The ECGB acknowledges the role it needs to play in this regard as a public entity in what is a largely rural and impoverished province. The total direct amount spent on Corporate Social Investment is included in Note 14 of the Annual Financial Statements.

The entity's CSI initiatives are aimed at making a difference by sharing our time and knowledge, including socio-economic development and community

engagement. The ECGB uses corporate social responsibility as a societal lens, helping us to understand community expectations and societal trends, manage our activities in light of these and invest in positive societal change that delivers on our mandate.

The areas of focus for the first half of the 2018/19 financial year was supporting the province's basic education, specifically the learning, teaching and mastery of Mathematics, Science and Technology from Grade R to Grade 7. Figure 1 below depicts ECGB's CSI focus areas, as informed by the approved CSI Framework.

**FIGURE 1: CSI FRAMEWORK FOCUS AREAS**

### 01 EDUCATION BASKET

Focus on study, learning and mastery of Mathematics, Science and Technology at primary levels of education (grades R - 7).

### 02 HEALTH BASKET

Focus on primary health care initiatives and in particular health promotion activities.

### 03 ART AND CULTURE BASKET

Focus on developmental creative arts and culture initiatives.

### 04 SOCIAL DEVELOPMENT BASKET

Focus on early childhood development, in particular, contributions to infrastructure development and building of Early Childhood Development and food gardening and security.

### 05 SPORTS AND TOURSIM BASKET

Supporting developmental sports and tourism-related activities in the Eastern Cape province.

The CSI Framework provides guidance on areas or municipal wards where sustainable CSI projects can be implemented. This is meant to realise the implementation of the Provincial Policy and Strategy to reduce levels of poverty in the province. Sixteen (16) municipal wards were identified as the most impoverished areas in the province and are called “anti-poverty wards”.

Below is a summary of the socio-economic development contributions made in impoverished communities in pursuit of the Eastern Cape Anti-Poverty Strategy, as championed by the Eastern Cape Department of Social Development and Special Programmes.

DISTRICT / METRO	LOCAL MUNICIPALITY	WARD	VILLAGE / TOWNSHIP	LIST OF SPONSORSHIP	SCHOOL NAME
AMATHOLE DISTRICT MUNICIPALITY	MNQUMA LOCAL MUNICIPALITY	25	NKANGA VILLAGE CALA / BUTTERWORTH	<ul style="list-style-type: none"> <li>• 3x natural science kits;</li> <li>• 3x technology kits;</li> <li>• 10 user kits;</li> <li>• 3x boxes of chemicals;</li> <li>• Signage board with responsible gambling messages and logos of the school, ECGB, DSD and DOE.</li> </ul>	NGQAQINI JUNIOR SECONDARY SCHOOL
CHRIS HANI DISTRICT MUNICIPALITY	INTSIKA YETHU LOCAL MUNICIPALITY	22	KWA-HALA VILLAGE COFIMVABA	<ul style="list-style-type: none"> <li>• 3x natural science kits;</li> <li>• 3x technology kits;</li> <li>• 10 user kits;</li> <li>• 3x boxes of chemicals;</li> <li>• Signage board with responsible gambling messages and logos of the school, ECGB, DSD and DOE.</li> </ul>	HEUKILE PRIMARY SCHOOL
BUFFALO CITY METRO MUNICIPALITY	BUFFALO CITY METRO	34	DIMBAZA TOWNSHIP KING WILLIAMS TOWN	<ul style="list-style-type: none"> <li>• 3x natural science kits;</li> <li>• 3x technology kits;</li> <li>• 10 user kits;</li> <li>• 3x boxes of chemicals;</li> <li>• Signage board with responsible gambling messages and logos of the school, ECGB, DSD and DOE.</li> </ul>	AMALINDE PRIMARY SCHOOL
ALFRED NZO DISTRICT MUNICIPALITY	UMZIMVUBU LOCAL MUNICIPALITY	14	MANDILENI VILLAGE MOUNT FRERE	<ul style="list-style-type: none"> <li>• 3x natural science kits;</li> <li>• 3x technology kits;</li> <li>• 10 user kits;</li> <li>• 3x boxes of chemicals;</li> <li>• Signage board with responsible gambling messages and logos of the school, ECGB, DSD and DOE.</li> </ul>	SAHLULO PRIMARY SCHOOL

### EXAMPLES OF ECGB'S SOCIO-ECONOMIC CONTRIBUTIONS



Mandela Day at Floradale Primary School in East London



Handover of bookbags in Queenstown



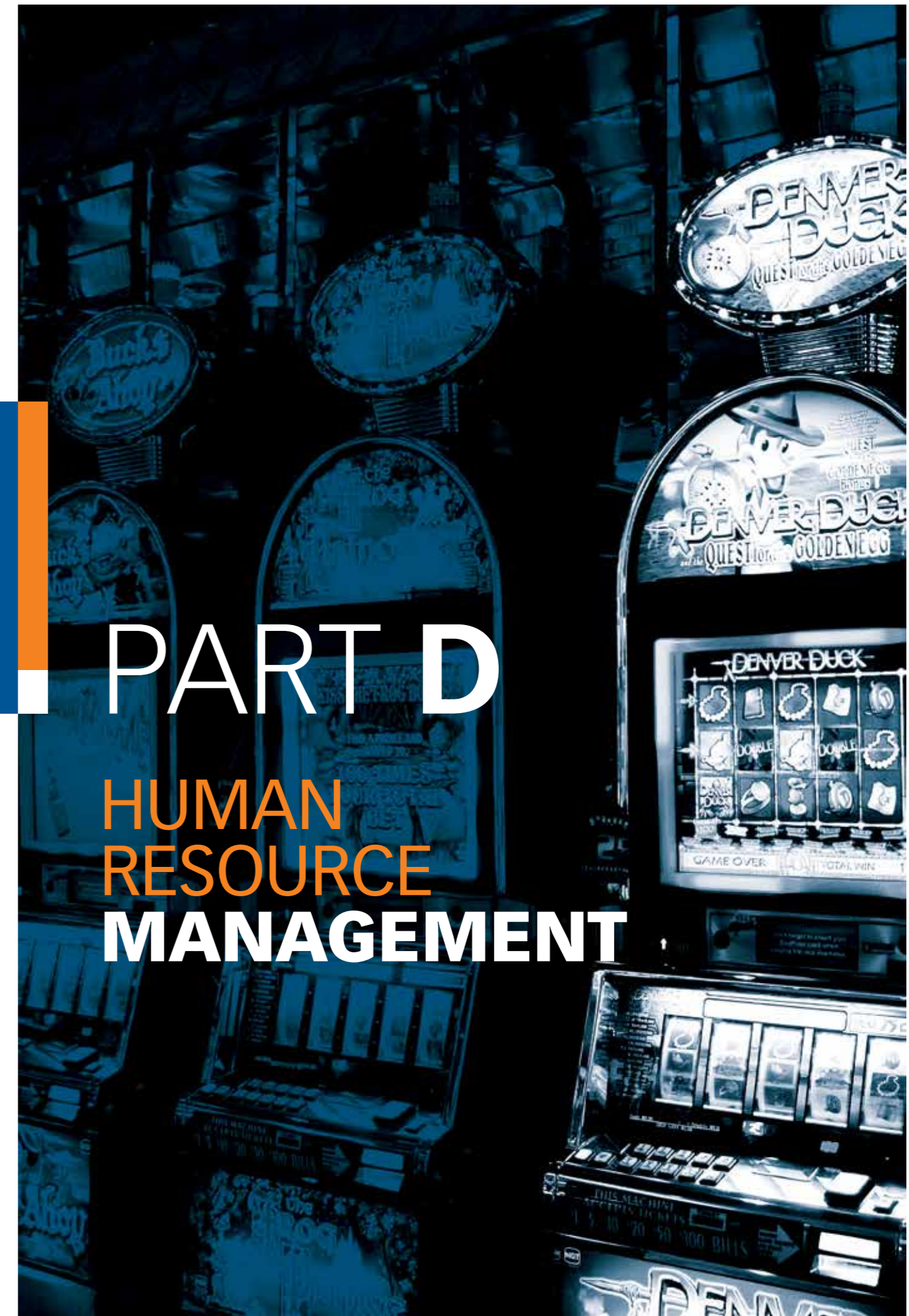
Handover of science and technology kits in Cofimvaba



The ECGB has interacted with different communities and stakeholders to add socio-economic value and, more specifically, to become an agent of social change within the province through the implementation of programmes meant to support vulnerable communities,

especially Designated and Vulnerable Groups. During the 2018/19 financial year ECGB implemented the activities indicated in the table below in support of Designated and Vulnerable Groups in the Eastern Cape.

LOCATION IN THE PROVINCE	FOCUS / BASKET AND BENEFICIARY CATEGORY	BRIEF DESCRIPTION OF PROJECTS IMPLEMENTED FOR DESIGNATED and VULNERABLE GROUPS DURING 2018/19
Sunduza Village, Sterkspruit	Education Basket; Youth	ECGB established a fully-fledged computer laboratory at Sunduza Junior Secondary school in Sterkspruit in 2011. The entity took a principled decision to continue supporting the laboratory by servicing the computers and incurring monthly internet costs utilised by learners.
Queenstown, Chris Hani District East	Education Basket; Youth	The ECGB implemented a Youth Month commemoration programme in collaboration with Enoch Mgijima Local Municipality, Emalahleni Local Municipality, the South African Responsible Gambling Foundation, Divine Nature Communications, Nelson Mandela Institute, Ikhala TVET College, Walter Sisulu University, Department of Education and Boston College. The programme provided young people a platform for a purposeful conversation regarding different aspects that will empower and equip young people with social skills and readiness for tertiary institutions.
Nompumelelo Township, East London, Buffalo City Metropolitan Municipality	Education Basket; Youth	In commemoration of Mandela Day, the ECGB, in collaboration with the Departments of Public Works and Social Development identified and assisted Floradale Primary School. The school is situated in Nompumelelo Township, East London, which has a high percentage of indigent families, most of whom live in shacks.  The school was adopted by the Eastern Cape Department of Social Development and Special Programmes under their Social Relief of Distress Programme as one of the needy, no-fee schools in the area with a high percentage of needy pupils. On 18 July 2018, ECGB officials and other role players contributed to the upliftment of the pupils, providing much-needed assistance by: <ul style="list-style-type: none"> <li>• Cleaning and painting the internal walls of six classrooms to create a conducive teaching and learning environment; and</li> <li>• Handing over sanitary dignity packs to learners.</li> </ul>
Libode, Nyandeni Local Municipality	Social Development Basket; Elderly Women	The ECGB conducted an awareness campaign on the harmful effects of excessive and irresponsible gambling and also handed over household dignity packages to the elderly in attendance. The project was aimed at providing the elderly with information on how to detect a gambling problem, where to find help for such a problem as well as what steps to take by those who choose to gamble in order to prevent gambling becoming a problem.
HEBPSO, Nelson Mandela Metropolitan Municipality	Social Development Basket; People Living with Disabilities	The ECGB supported the Help the Blind and Partially Sighted Society (HEBPSO) Centre in Uitenhage with IT technical support and also purchased 3G modems, sim cards and start up data to assist the Centre in their day to day operations, including email access and desktop research.



# 4.1 INTRODUCTION

## OVERVIEW OF HUMAN RESOURCE MATTERS AT THE PUBLIC ENTITY

The Eastern Cape Gambling Board aims to be an employer of choice and has designed a Human Resources Management (HRM) Strategy with this in mind.

The overall purpose of HR is to ensure that all matters relating to Human Capital Management and Development are implemented effectively and efficiently. The entity's ability to implement its strategic intent rests on its management and employees, particularly how they are led/managed and capacitated within the right climate to deliver and grow into a high-performance culture. Human Resource Management plays a pivotal role in this process.

### THE HUMAN RESOURCES DIVISION PROVIDES THE FOLLOWING SERVICES:

- Training and development
- Talent management and organisational development
- Recruitment and selection
- Employee benefits, rewards and payroll management
- Policy development
- Occupational health and safety
- Employee wellness
- Legal compliance
- Employee relations
- Employment equity
- Individual performance management
- General administration and maintenance

## HR PRIORITIES FOR THE YEAR UNDER REVIEW AND THE IMPACT OF THESE PRIORITIES

The Human Resource Index Assessment instrument is used to ensure the Human Resources division strategically assists the Board in the achievement of service delivery goals. Emanating from this instrument, a wide variety of priorities emerged, together with priorities embedded in the Human Resource Management Strategy. These play a vital role in the achievement of the organisation's overall strategic objectives and its mandate of regulating the gaming industry and protecting the public in the province.

### THE FOLLOWING WERE THE HR PRIORITIES DURING THE YEAR UNDER REVIEW:

- Facilitate the provision of sufficient workforce size through the organisational design process
- Improve efficiency in HR service delivery
- Improve employee retention rates
- Effectively manage employment relations within the organisation
- Enhance employee wellness programmes
- Promote implementation of human resources planning and organisational development
- Enhance human capital development for all employees
- Enhance integrated performance management

People are the organisation's most valuable resource and their management and development is critical to meeting planned organisational objectives.

## WORKFORCE PLANNING FRAMEWORK AND KEY STRATEGIES TO ATTRACT AND RECRUIT A SKILLED AND CAPABLE WORKFORCE

Training and development initiatives are in place to ensure that the current workforce is efficient. Furthermore, a succession planning programme has been initiated to ensure that necessary skills are in place and to guarantee the availability of experienced and capable employees to assume those roles when they become available. The organisation offers competitive salaries and benefits. Its policies allow for professional growth and employee wellness. Career advancement programmes are also in place to allow for internal progression of employees.

## EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The Integrated Performance Management System ensures that the organisation's strategic objectives are translated into operational and performance objectives which are cascaded at every level (from top to bottom throughout the organisation) and which inform how the institution and its employees function.

Performance management, which is an ongoing and continuous process rather than an event, requires all employees to sign annual performance contracts which are evaluated on a quarterly basis. Excellent performance is recognised.

## EMPLOYEE WELLNESS PROGRAMMES

The entity continued to implement its Employee Assistance Programme throughout the year. The service provides a 24-hour counselling and advisory services to all employees of the Board and their immediate families, whenever required.

The organisation also facilitates other wellness sessions such as the annual staff Wellness Day, as well as educational sessions on selected wellness topics.

## POLICY DEVELOPMENT

The HR Department ensures that policies are up to date. Six policies were reviewed and one developed during the year under review.

## ACHIEVEMENTS DURING THE YEAR

An assessment of the HR component's ability to strategically assist in the achievement of service delivery goals, known as the Human Resources Efficiency Index, was conducted and a Level 4 rating was achieved, the target for the year under review.

The organisational structure was reviewed and approved in order to ensure sufficient capacity to achieve the organisation's strategic goals. Filling of vacancies is underway. Nine graduate interns were placed in the internship programme. Of the nine, three completed the internship programme.

The annual Workplace Skills Plan and Annual Training Report was submitted to the Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA). One employee at supervisory level completed a Management Development course with the University of Stellenbosch. Funding was also obtained from CATHSSETA for bursaries which enabled two employees to further their studies. Management training on selected topics and other functional training programmes were undertaken in various programmes.

An Internship Plan was developed to guide the intake of interns. An employee wellness plan was also developed to provide structured wellness programmes. Change management champions were also appointed to assist employees in dealing with changes.

## CHALLENGES FACED BY THE ENTITY

A number of HR interventions require funding which has not always been available. There is currently a lack of office space.

## FUTURE HR PLANS / GOALS

- A job evaluation process to align job profiles with the new structure has commenced and will be finalised in the first quarter of 2019/20, followed by salary benchmarking in the second quarter. Selected HR policies will be reviewed in the 2019/20 financial year to ensure alignment with the overall organisational strategy.
- An action plan will be implemented to achieve a Level 5 rating on the Human Resource Efficiency Index by 2019/20.
- An organisation-wide succession plan will be reviewed to ensure that a pool of employees is ready for vacancies that may occur.
- A change management programme will be rolled out to assist employees to deal with changes in the organisation.
- An employee engagement study will be conducted to assess the level of engagement and satisfaction of staff members.
- The ethics programme will be strengthened through the development of framework and awareness sessions.

# 4.2 HUMAN RESOURCE OVERSIGHT STATISTICS

## TOTAL PERSONNEL COST BY PROGRAMME<sup>3</sup>

Programme	Total expenditure for the entity (R'000)	Total personnel expenditure (R'000)	Personnel cost as a % of total expenditure (R'000)	No. of staff	Average personnel cost per employee (R'000)
Programme 1: Corporate Services Management and Administration	41 916	22 493	54%	29	776
Programme 2: Gambling Regulation and Consumer Protection	20 969	17 255	82%	22	784
Programme 3: Research and Public Education	5 711	300	5%	1	300
<b>TOTAL</b>	<b>68 596</b>	<b>40 049</b>	<b>58%</b>	<b>52</b>	<b>770</b>

## PERSONNEL COST BY SALARY BAND (COST TO COMPANY)

Level	Personnel expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Executive / Senior Management	7 032	21%	3	2 344
Management	5 590	17%	5	1 118
Specialists and Professional Qualified	5 107	15%	6	851
Skilled	13 196	39%	27	489
Semi-skilled	2 587	8%	8	323
Unskilled	337	1%	3	112
<b>TOTAL</b>	<b>33 850</b>	<b>100%</b>	<b>52</b>	<b>651</b>

<sup>3</sup> Costs reflected exclude employees appointed on short term contracts, casual labour costs and the internship programme.

## PERFORMANCE REWARDS PAID

Level	Performance rewards (R'000)	Cost to company (R'000)	% performance rewards paid
Executive / Senior Management	1 592	7 032	23%
Management	1 264	5 590	23%
Specialists and Professional Qualified	1 043	5 107	20%
Skilled	1 880	13 196	14%
Semi-skilled	378	2 587	15%
Unskilled	41	337	12%
<b>TOTAL</b>	<b>6 198</b>	<b>33 850</b>	<b>18%</b>

## TRAINING AND DEVELOPMENT COSTS (LOCAL)

Programme	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	No. of employees trained	Avg training cost per employee (R'000)
Programme 1: Corporate Services Management and Administration	22 493	475	2%	29	16
Programme 2: Gambling Regulation and Consumer Protection	17 255	389	2%	22	18
Programme 3: Research and Public Education	300	0	-	1	-
<b>TOTAL</b>	<b>40 049</b>	<b>864</b>	<b>2%</b>	<b>52</b>	<b>17</b>

## EMPLOYMENT AND VACANCIES

Positions vacant	2017/2018 No. of employees	2018/19 Approved posts	2018/19 No. of employees	2018/19 Vacancies	% of vacancies
Manager: Legal Service and Board Secretariat	0	1	0	1	2%
Risk and Compliance Officer	0	1	0	1	2%
Records Officer	0	1	0	1	2%
Junior Investigator	0	2	1	1	2%
Junior Auditor	0	2	0	2	4%
Junior Inspector	0	2	1	1	2%

Level	2017/2018 No. of employees	2018/19 Approved posts	2018/19 No. of employees	2018/19 Vacancies	% of vacancies
Executive / Senior Management	3	3	3	0	0%
Management	4	6	5	1	2%
Specialists and Professional Qualified	6	6	6	0	0%
Skilled	20	32	26	6	12%
Semi-skilled	9	8	8	0	0%
Unskilled	3	3	3	0	0%
<b>TOTAL</b>	<b>45</b>	<b>58</b>	<b>51</b>	<b>7</b>	<b>14%</b>

Permanent filling of vacancies is underway.



## EMPLOYMENT CHANGES

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Executive / Senior Management	3	0	0	3
Management	4	0	0	4
Specialists and Professional Qualified	6	0	0	6
Skilled	20	6	0	26
Semi-skilled	9	0	0	9
Unskilled	3	0	0	3
<b>Total</b>	<b>45</b>	<b>6</b>	<b>0</b>	<b>51</b>

## REASONS FOR STAFF LEAVING (N/A FOR 2018/19)

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	0	0%
Dismissal	0	0%
Retirement	0	0%
Ill Health	0	0%
Expiry of Contract	0	0%
Promotion	0	0%
Other	0	0%
<b>Total</b>	<b>0</b>	<b>0%</b>

## LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written Warning	0
Dismissal	0

## EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

During the year under review, the entity continued to implement its Employment Equity (EE) Plan. Targets have been achieved during the filling of vacancies. An

Employment Equity report is submitted annually to the Department of Labour as required by the Employment Equity Act (Act 55 of 1998).

MALE Levels	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Executive / Senior Management	2	2	0	0	0	0	1	1
Management	3	3	0	0	1	1	0	0
Specialists and Professional Qualified	2	2	0	0	0	0	0	0
Skilled	12	12	0	0		0	2	2
Semi-skilled	1	1	0	0	0	0	0	0
Unskilled	1	1	0	0	0	0	0	0
<b>TOTAL</b>	<b>21</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>2</b>

FEMALE Levels	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Executive / Senior Management	0	1	0	0	0	0	0	0
Management	1	1	0	0	0	0	0	0
Specialists and Professional Qualified	4	4	0	0	0	0	0	0
Skilled	11	11	1	1	0	0	0	0
Semi-skilled	7	7	0	0	0	0	0	0
Unskilled	2	2	0	0	0	0	0	0
<b>TOTAL</b>	<b>25</b>	<b>26</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

DISABLED Levels	MALE		FEMALE	
	Current	Target	Current	Target
Executive / Senior Management	0	0	0	0
Management	0	0	0	0
Specialists and Professional Qualified	0	0	0	0
Skilled	1	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>



# PART E

## FINANCIAL STATEMENTS

## 5.1 AUDITOR-GENERAL REPORT

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

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

##### OPINION

- 1 I have audited the financial statements of the Eastern Cape Gambling Board set out on pages 71 to 97, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of actual and budget amounts 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 Eastern Cape Gambling Board as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

##### BASIS FOR OPINION

- 3 I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

- 4 I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- 5 I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

- 6 The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 7 In preparing the financial statements, the accounting authority is responsible for assessing the Eastern Cape 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 appropriate governance

structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

## AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

### INTRODUCTION AND SCOPE

- 10 In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined

objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

- 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 programmes presented in the annual performance report of the public entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 1 - Corporate Services Management and Administration	26 - 28
Programme 2 - Gambling Regulation and Consumer Protection	29 - 30
Programme 3 - Research and Public Education	31 - 32

- 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 raise any material findings on the usefulness and reliability of the reported performance information for these programmes:
- Programme 1 - Corporate Services Management and Administration
  - Programme 2 - Gambling Regulation and Consumer Protection
  - Programme 3 - Research and Public Education

### OTHER MATTER

- 15 I draw attention to the matters below. Our opinions are not modified in respect of this matter.

### ACHIEVEMENT OF PLANNED TARGETS

- 16 Refer to the annual performance report on pages 26 to 32 for information on the achievement of planned targets for the year and explanations provided for the over achievement of a number of targets.

## REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

### INTRODUCTION AND SCOPE

- 17 In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the 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 raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

## OTHER INFORMATION

- 19 The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
- 20 My opinion on the financial statements and findings on the reported performance information and compliance with legislation 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 programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- 22 If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
- 23 I have nothing to report in this regard.

## INTERNAL CONTROL DEFICIENCIES

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

AUDITOR GENERAL

East London  
31 July 2019



AUDITOR-GENERAL  
SOUTH AFRICA

Auditing to build public confidence

## ANNEXURE AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

## FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority;

- conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority, in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Eastern Cape Gambling Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

# 5.2

## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2019

	NOTES	2019 [R]	2018 [R]
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	18 170 216	17 929 227
Prepayments	3	235 079	161 327
Receivable on collection for distribution from non-exchange transactions	4	16 865 176	16 123 285
Trade and other receivables from exchange transactions	5	456 268	621 053
		<b>35 726 739</b>	<b>34 834 892</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	11 983 027	11 544 897
Intangible assets	7	3 736 612	159 059
<b>TOTAL ASSETS</b>		<b>51 446 378</b>	<b>46 538 848</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Collections for distributions from non-exchange transactions	8	17 024 786	16 173 547
Trade and other payables from exchange transactions	9	13 266 993	10 532 502
Provisions	10	3 511 793	5 767 104
Finance lease obligation	11	124 696	270 786
		<b>33 928 268</b>	<b>32 743 939</b>
<b>Non-current liabilities</b>			
Provisions	10	350 755	344 358
Finance lease obligation	11	14 926	83 722
<b>TOTAL LIABILITIES</b>		<b>34 293 949</b>	<b>33 172 019</b>
<b>NET ASSETS</b>		<b>17 152 429</b>	<b>13 366 829</b>
<b>Net assets</b>			
Accumulated surplus		17 152 429	13 366 829
<b>TOTAL NET ASSETS</b>		<b>17 152 429</b>	<b>13 366 829</b>

# 5.3

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2019

	NOTES	2019 [R]	2018 [R]
<b>REVENUE</b>			
Revenue from exchange transactions	12	14 582 522	14 286 509
Revenue from non-exchange transactions	12	55 761 000	53 072 000
		<b>70 343 522</b>	<b>67 358 509</b>
<b>EXPENDITURE</b>			
Administrative expenditure	13	9 851 678	9 652 764
Corporate social investment	14	292 056	440 804
Consumer protection and public education	15	4 691 296	4 005 394
Depreciation and impairment of PPE	6	1 615 016	1 390 560
Amortisation of intangible assets	7	101 029	106 383
Employee costs	16	41 190 936	37 833 348
Legal costs		4 882 013	2 709 099
Marketing and research costs	17	699 645	704 371
Other operating expenditure	18	4 001 895	3 598 675
Statutory audit fees	19	1 270 560	1 350 228
<b>TOTAL EXPENDITURE</b>		<b>68 596 124</b>	<b>61 791 626</b>
<b>NET EXPENDITURE</b>		<b>1 747 398</b>	<b>5 566 883</b>
Finance income	20	2 040 160	1 782 478
(Loss) / Profit on disposal of PPE	21	(1 953)	42 578
<b>TOTAL OTHER INCOME</b>		<b>2 038 207</b>	<b>1 825 056</b>
<b>SURPLUS FOR THE YEAR</b>		<b>3 785 605</b>	<b>7 391 939</b>

# 5.4

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2019

	Accumulated Surplus	Total
	[R]	[R]
Balance as at 01 April 2017	5 974 882	5 974 882
Surplus for the year	7 391 939	7 391 939
<b>Balance as at 1 April 2018</b>	<b>13 366 829</b>	<b>13 366 829</b>
Surplus for the year	3 785 605	3 785 605
<b>Balance as at 31 March 2019</b>	<b>17 152 429</b>	<b>17 152 429</b>

# 5.5

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	NOTES	2019 [R]	2018 [R]
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Gambling fees and taxes		201 424 304	188 269 851
DEDEAT Grant		55 761 000	53 072 000
Other receipts		16 550 791	16 395 172
		<b>273 736 095</b>	<b>257 737 023</b>
<b>Payments</b>			
Gambling fees and taxes		191 306 183	181 023 846
Payment to suppliers, employees and other payments		78 109 226	68 786 683
		<b>269 415 409</b>	<b>249 810 529</b>
<b>Net cash flows from operating activities</b>	<b>21</b>	<b>4 320 686</b>	<b>7 926 493</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	21	1 878 295	1 782 478
Proceeds from sale of property, plant and equipment	21	203 074	81 626
Purchase of property, plant and equipment		(2 185 644)	(2 274 944)
Purchase of intangible assets	7	(3 678 581)	(82 251)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease payments		(296 841)	(239 428)
<b>Net cash flows from investing and financing activities</b>		<b>(4 079 697)</b>	<b>(732 518)</b>
<b>Net increase in cash and cash equivalents</b>		<b>240 989</b>	<b>7 193 975</b>
Cash and cash equivalents at beginning of the year		17 929 227	10 735 252
<b>Cash and cash equivalents at end of the year</b>	<b>2</b>	<b>18 170 216</b>	<b>17 929 227</b>

# 5.6

## STATEMENT OF COMPARISON OF ACTUAL AND BUDGET AMOUNTS FOR THE YEAR ENDED 31 MARCH 2019

	NOTES	Approved Budget [R]	Final Adjusted Budget [R]	Actual Amounts [R]	Difference: Final Budget and Actual [R]	Variance %
<b>REVENUE</b>						
Revenue from exchange transactions		14 923 000	14 673 000	14 582 522	(90 478)	(0.6%)
Revenue from non-exchange transactions		55 761 000	55 761 000	55 761 000	-	0.0%
		<b>70 684 000</b>	<b>70 434 000</b>	<b>70 343 522</b>	<b>(90 478)</b>	<b>(0.1%)</b>
<b>EXPENDITURE</b>						
Administrative expenditure		10 084 984	10 384 984	9 851 678	(533 306)	(5.1%)
Corporate social investment		401,660	321 660	292 056	(29 604)	(9.2%)
Consumer protection and public education		5 218 571	4 883 152	4 691 296	(191 856)	(3.9%)
Depreciation and impairment of PPE		1 529 407	1 529 407	1 615 016	85 609	5.6%
Amortisation of intangible assets		105 239	105 239	101 029	(4 210)	(4.0%)
Employee costs		43 117 776	42 943 196	41 190 936	(1 752 260)	(4.1%)
Legal costs	33	1 773 573	2 623 573	4 882 013	2 258 440	86.1%
Marketing and research costs	33	1 024 453	964 453	699 645	(264 808)	(27.5%)
Other operating expenditure		5 539 607	4 439 607	4 001 895	(437 712)	(9.9%)
Statutory audit fees		1 448 090	1 298 090	1 270 560	(27 530)	(2.1%)
<b>TOTAL EXPENDITURE</b>		<b>70 243 361</b>	<b>69 493 362</b>	<b>68 596 124</b>	<b>(897 238)</b>	<b>(1.3%)</b>
<b>TOTAL (DEFICIT) / SURPLUS</b>		<b>440 639</b>	<b>940 638</b>	<b>1 747 398</b>	<b>806 760</b>	<b>85.8%</b>
Finance income		1 675 000	1 925 000	2 040 160	115 160	6.0%
Loss on disposal of PPE		-	-	(1 953)	(1 953)	(100%)
		1 675 000	1 925 000	2 038 207	113 207	5.9%
<b>SURPLUS FOR THE YEAR</b>		<b>2 115 639</b>	<b>2 865 638</b>	<b>3 785 605</b>	<b>919 967</b>	<b>32.1%</b>
<b>CAPITAL EXPENDITURE</b>	<b>33</b>	<b>3 750 286</b>	<b>7 500 284</b>	<b>5 967 477</b>	<b>(1 532 807)</b>	<b>(20.4%)</b>

# 5.7

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 1. ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2019

#### 1.1 REPORTING ENTITY

These Annual Financial Statements are for the Eastern Cape Gambling Board. The financial statements encompass the reporting entity as specified in the Public Finance Management Act (Act No. 1 of 1999, as amended).

##### Reporting oversight comprises:

- Eastern Cape Provincial Treasury
- Eastern Cape Department of Economic Development, Environmental Affairs and Tourism

#### 1.2 BASIS OF PREPARATION

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) for the Accrual Basis of Accounting including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements have been prepared on a going concern basis as detailed in Note 28 and the accounting policies have been applied consistently throughout the period, and consistent with the previous period.

They are presented in South African Rand.

The following Standards of GRAP became effective in the current financial period but have not had an impact on the accounting policies as noted:

Reference	Topic	Nature of change and Impact on reporting framework
GRAP 21	Impairment of non-cash generating assets - amendment	These standards were already applied by the Board and the amendments made did not have any material impact as they dealt primarily with designation of assets as either cash or non-cash generating units and the Board does not hold assets for commercial returns.
GRAP 26	Impairment of cash generating assets - amendment	

The following Standards of GRAP have been approved but are not yet effective. The Minister of Finance has determined that the effective date will be as from 1 April 2019:

Reference	Topic	Nature of change and Impact on reporting framework
GRAP 20	Related Party Disclosures	Compliance with these standards is not yet required and the Board has applied its accounting policies consistently with prior periods. The possible impact on future reporting periods is not considered to be material and relates mainly to required disclosure requirements of the approved standards.
GRAP 32 and IGRAP 17	Service Concession Arrangements: Grantor	
GRAP 108	Statutory Receivables	
GRAP 109	Accounting by principles and agents	
IGRAP 18	Recognition and derecognition of land	
IGRAP 19	Liabilities to pay levies	

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

#### 1.2.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, or for administrative purposes, and are expected to be used during more than one period. Since they are not used to generate a commercial return they are designated as non-cash generating units at initial recognition.

Property, plant and equipment is initially measured at cost and are subsequently carried at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line method to write off the cost of assets to their residual values over their anticipated useful lives as follows:

Item	Average useful life
Buildings	50 years
Fixtures and fittings	10 years
Motor vehicles	5 years
Furniture and Equipment:	
- Office furniture	10 years
- Office and operating equipment	5 years
- Sundry assets	5 years
Computer equipment	3 years
Cellphones (and iPads)	2 years

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

The useful lives as well as residual values are assessed annually for any indication that the previous expectations have changed, and depreciation methods are reviewed annually.

Depreciation is recognised even if the fair value of the asset exceeds its carrying amount, as long as the asset's residual value does not exceed its carrying amount. The depreciable amount of an asset is determined after deducting its residual value. The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the sales proceeds and the carrying amount of the assets and are recognised in the statement of financial performance as realised.

Property, plant and equipment are reviewed for impairment losses whenever events indicate that the carrying amount may not be recoverable. An impairment loss is recognised in respect of the amount by which the carrying amount of the asset exceeds its recoverable service amount, which is the higher of an asset's net selling price (fair value less costs to sell) and its value in use (the present value of the asset's remaining service potential.) An impairment loss or reversal of an impairment loss is recognised as an expense/income in the statement of financial performance as incurred.

#### 1.2.2 INTANGIBLE ASSETS

An asset is identified as an intangible asset when:

- it is capable of being separated or divided from the entity and then sold, transferred or used on its own or together with a related asset; and
- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:

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

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

Software is amortised on a straight line basis over its anticipated useful life. Generally, costs associated with developing computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the entity and have a probable benefit exceeding the cost beyond one year, are recognised as intangible assets.

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

The useful life of the intangible assets has been assessed as follows:

Item	Average useful life
Computer Software	3 years

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance.

### 1.2.3 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Board's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

Financial instruments at amortised cost are non-derivative financial assets and financial liabilities with fixed or determinable payments excluding those that have been designated as fair value at initial recognition or those that are held for trading.

Financial instruments at fair value comprise those financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Impairment of financial assets

The entity assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. When impaired, 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.

#### The entity has the following types of financial assets:

##### Trade and other receivables

Trade and other receivables are categorised as financial instruments at amortised cost and are initially recognised at fair value plus direct transaction costs and subsequently carried at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

##### Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The entity categorises cash and cash equivalents as at fair value which is considered to be equivalent to its carrying amount.

#### The entity has the following types of financial liabilities carried at amortised cost:

##### Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Short-term payables are not discounted where the initial credit period received is consistent with terms used in the public sector (30 days).

Leave accrual and 13th Cheque - refer 1.2.7 below  
Finance lease - refer 1.2.8 below

#### Derecognition of financial instruments

##### The Board derecognises a financial asset (or group of financial assets) when:

- The contractual rights to the cash flows arising from the financial asset have expired; or
- The entity transfers the financial asset, including substantially all the risks and rewards of ownership; or

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

- It transfers the contractual rights to receive the cash flows of the financial asset, but assumes a corresponding obligation to pay the cash flows to one or more recipients, and consequently transfers substantially all the risks and benefits associated with the asset; or
- No future economic benefits are expected.

A financial liability (or group of financial liabilities) is derecognised when and only when the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

### 1.2.4 RETIREMENT BENEFITS

The policy of the Board is to provide retirement benefits through an established fund governed by the Pension Fund Act (Act 24 of 1956, as amended).

The provident fund is a defined contribution fund which does not require an actuarial valuation. Contributions to the provident fund are charged to the Statement of Financial Performance in the year to which they relate. The Board has no obligation to fund post-retirement medical benefits.

### 1.2.5 PROVISIONS AND CONTINGENCIES

#### Provisions are recognised when:

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

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

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

#### Contingent assets and contingent liabilities

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

### 1.2.6 REVENUE

#### Revenue from Exchange Transactions:

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. Exchange Revenue comprises principally of:

- Fees charged for services rendered (i.e. Annual admin fees);
- Recoveries of expenses incurred in the production of revenue; and
- Sundry income.

#### Revenue from Exchange Transactions is recognised on an accrual basis using the following methods to determine stage of completion:

- Fees charged for services rendered are recognised when they become due in terms of the Eastern Cape Gambling and Betting Act (Act 5 of 1997, as amended). These fees are invoiced annually in December each year for the financial year ending 31st March; and
- Recoveries of expenses incurred in the production of revenue are accrued on completion of services rendered.

Revenue from Exchange Transactions is measured at fair value on the date it accrues.

#### Revenue from Non-Exchange Transactions (Taxes and Transfers)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions comprises the grant funding received from the provincial government.

Revenue relating to operational expenditure is recognised in the period in which the transfer agreement becomes binding and is measured at fair value as at the date of recognition.

#### Gambling taxes and fees to the Provincial Treasury

The gambling taxes and part of the fees collected are paid over to the Provincial Revenue Fund at the end of each month as prescribed by the Gambling and Betting Act. These gambling taxes and fees are not recognised as revenue as they are collected on behalf of the state. However, an asset and liability is recognised when taxes and fees become receivable from a licensee and payable to the state. Receivable and payables for collection and distribution to the state are initially measured at cost and carried at fair value.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 1.2.7 EMPLOYEE BENEFITS

Employee benefits are short-term benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave); and
- bonus, incentive and performance related payments.

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 an expense; and
- as a liability (accrued expense), after deducting any amount already paid.

The following accruals are recognised:

#### Leave accrual

The employees of the entity are entitled to 22 working days per annum as leave gratuity. The policy adopted by the Board is that all its employees should take leave during the year, failing which they will forfeit their leave days on the 30th of June each year. The leave days are recognised as they accrue to employees. The liability is based on the total amount of leave days due to each employee at year end multiplied by each employee's respective daily rate of remuneration which is calculated from the respective employee's gross annual remuneration package.

#### 13th Cheque

The employees of the Board are entitled to a 13th cheque if the Board achieves greater than 80% of its annual performance plan targets. The 13th cheque accrues on a pro-rata basis as services are rendered by the employees, and management's assessment is that the required level of performance has or will be achieved.

### 1.2.8 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.

#### 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 entity's incremental borrowing rate. Where finance charges are material the minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability over the lease term.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### Operating leases - lessee

Leases where the lessor retains the risk and reward of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight line basis over the period of the lease.

### 1.2.9 PREPAYMENTS

Prepayments for goods or services are avoided and arise only where required by the contractual arrangements with the supplier.

### 1.2.10 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

### 1.2.11 IRREGULAR EXPENDITURE

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 Annual Financial Statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the Annual Financial Statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant expenditure item, be disclosed as such in the note to the Annual Financial Statements and updated accordingly in the irregular expenditure register.

### 1.2.12 TAXATION

No provision for taxation has been made as the Eastern Cape Gambling Board is exempted in terms of Section 10 (1)(cA)(1) of the Income Tax Act (Act 58 of 1962).

### 1.2.13 RELATED PARTIES

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

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management member in their dealings with the entity.

### 1.2.14 BUDGET INFORMATION

Comparison of budget and actual amounts are presented in a separate additional financial statement: Statement of Comparison of Actual and Budget Amounts. The entity presents both the approved and the final budget amounts. Differences (variances) between the actual amounts and budget amounts are also presented. The financial statements and budget are both prepared on the accrual basis.

### 1.2.15 ACCOUNTING ESTIMATES AND JUDGEMENTS

Management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. The determination of estimates requires the exercise of judgement based on various assumptions and other factors including historical experience. Actual results in the future may vary from the estimates. Judgements and estimates are principally made in the following areas:

- The calculation of residual value per asset falling under property, plant and equipment;
- The estimation of the remaining useful lives of each item of property, plant and equipment;
- The estimation of the level of performance of staff in providing for performance bonuses at year end; and
- Assessment and classification of finance and operating leases.

### 1.2.16 COMMITMENTS

- Commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes only when required by the reporting framework.
- Items are classified as commitments where the entity contractually commits itself to future transactions that will normally result in the outflow of resources.
- Commitments are disclosed as required by the reporting framework only for approved and contracted capital commitments, where the expenditure has been approved and a contract has been awarded at the reporting date.
- Commitments that are approved but not yet contracted, where the expenditure has been approved but the contract has yet to be awarded or is awaiting finalisation at the reporting date are not disclosed.

### 1.2.17 SUBSEQUENT EVENTS

Events between the financial year end and the Annual Financial Statement reporting date which could materially impact on the fair presentation of the Annual Financial Statements have been duly considered.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	2019 [R]	2018 [R]
<b>2. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of:		
Bank balances	13 419 593	13 753 781
Cash on hand	5 000	5 000
	13 424 593	13 758 781
Investigation deposits	4 745 623	4 170 446
	<b>18 170 216</b>	<b>17 929 227</b>
<b>3. PREPAYMENTS</b>		
Business licences	111 767	138 761
Other prepaid expenditure	123 312	22 566
	<b>235 079</b>	<b>161 327</b>
<b>4. RECEIVABLES ON COLLECTION FOR DISTRIBUTION FROM NON-EXCHANGE TRANSACTIONS</b>		
Government taxes and levies from non-exchange transactions	16 865 176	16 123 285
Government taxes and levies are gambling taxes for March 2019 that were not yet due or received at period-end.		
<b>5. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Deposits	16 830	16 830
Sundry debtors	224 125	229 499
Trade debtors	215 313	374 724
	<b>456 268</b>	<b>621 053</b>
Less: Impairment of trade and other receivables	-	-
	<b>456 268</b>	<b>621 053</b>
Trade receivables - Age analysis		
120 days and older	-	-
90 days	-	2 400
60 days	-	-
30 days	-	-
Current	215 313	372 324
<b>TOTAL</b>	<b>215 313</b>	<b>374 724</b>
Amounts past due, but not impaired (greater than 30 days ageing)	-	2 400

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 6. PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	Cost [R]	Accumulated depreciation and impairment [R]	Carrying value [R]	Cost [R]	Accumulated depreciation and impairment [R]	Carrying value [R]
Buildings	5 830 719	987 718	4 843 001	5 682 317	987 718	4 694 599
Cell phones leased	336 271	232 463	103 808	368 593	144 615	223 978
Computer equipment	3 520 904	1 830 717	1 690 187	3 408 866	1 810 395	1 598 471
Fixtures and fittings	2 055 623	591 179	1 464 444	1 855 855	405 530	1 450 325
Furniture and equipment	1 521 099	986 188	534 912	1 555 861	988 886	566 975
Land	1 070 750	-	1 070 750	1 070 750	-	1 070 750
Motor vehicles	2 854 646	578 721	2 275 925	2 279 478	339 679	1 939 799
	<b>17 190 012</b>	<b>5 206 986</b>	<b>11 983 027</b>	<b>16 221 719</b>	<b>4 676 823</b>	<b>11 544 897</b>

#### Reconciliation of property, plant and equipment - 31 March 2019

	Opening balance [R]	Additions [R]	Disposals [R]	Depreciation [R]	Impairment [R]	Total [R]
Buildings	4 694 599	148 402	-	-	-	4 843 001
Cell phones leased	223 978	51 950	13 763	158 357	-	103 808
Computer equipment	1 598 471	1 047 717	71 958	884 043	-	1 690 187
Fixtures and fittings	1 450 325	199 768	-	185 649	-	1 464 444
Furniture and equipment	566 975	63 904	2 300	93 667	-	534 912
Land	1 070 750	-	-	-	-	1 070 750
Motor vehicles	1 939 799	777 155	147 729	293 300	-	2 275 925
	<b>11 544 897</b>	<b>2 288 896</b>	<b>235 750</b>	<b>1 615 016</b>	<b>-</b>	<b>11 983 027</b>

Land and Buildings comprise a sub-division of Erf2863, Beacon Bay, measuring 2371 m<sup>2</sup>, purchased in 2002 together with an office building. There is no depreciation charge for buildings due to the valuation which results in a residual value exceeding the current carrying value.

Due to budget constraints certain fully depreciated items are still in use, as sufficient funding was not available to replace them at the end of their estimated useful lives. This relates primarily to 36 items of computer equipment and 227 items of furniture and equipment with a historical acquisition cost of R185 340 and R718 681 respectively, included in the balances reflected above.

None of the property, plant and equipment have been provided as guarantee for liabilities.

Included in Note 18 is expenditure incurred on assets to repair and maintain them totalling R154 875.

Computer equipment reflected above includes 15 leased iPads with a carrying value of R83 750 as at year-end.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Reconciliation of property, plant and equipment - 31 March 2018

	Opening balance [R]	Additions [R]	Disposals [R]	Depreciation [R]	Impairment [R]	Total [R]
Buildings	4 575 839	118 760	-	-	-	4 694 599
Cell phones leased	66 180	366 521	59 503	145 217	4 003	223 978
Computer equipment	1 614 714	785 875	27 540	771 713	2 865	1 598 471
Fixtures and fittings	1 267 833	346 988	-	164 496	-	1 450 325
Furniture and equipment	271 280	364 489	597	68 197	-	566 975
Land	1 070 750	-	-	-	-	1 070 750
Motor vehicles	1 462 566	809 623	98 321	178 590	55 479	1 939 799
<b>Total</b>	<b>10 329 162</b>	<b>2 792 255</b>	<b>185 961</b>	<b>1 328 213</b>	<b>62 347</b>	<b>11 544 896</b>

### 7. INTANGIBLE ASSETS

Summary	2019			2018		
	Cost [R]	Accumulated Amortisation [R]	Carrying Value [R]	Cost [R]	Accumulated Amortisation [R]	Carrying Value [R]
Computer software	4 368 349	631 738	3 736 612	689 768	530 709	159 059
<b>Total</b>	<b>4 368 349</b>	<b>631 738</b>	<b>3 736 612</b>	<b>689 768</b>	<b>530 709</b>	<b>159 059</b>

#### Reconciliation of intangible assets - 31 March 2019

	Opening Balance [R]	Additions [R]	Disposals [R]	Transfers [R]	Amortisation [R]	Total [R]
Computer software	159 059	31 878	-	-	101 029	89 909
Software under development	-	3 646 703	-	-	-	3 646 703
<b>Total</b>	<b>159 059</b>	<b>3 678 581</b>	<b>-</b>	<b>-</b>	<b>101 029</b>	<b>3 736 612</b>

#### Reconciliation of intangible assets - 31 March 2018

	Opening Balance [R]	Additions [R]	Disposals [R]	Transfers [R]	Amortisation [R]	Total [R]
Computer software	183 191	82 251	-	-	106 383	159 059
<b>Total</b>	<b>183 191</b>	<b>82 251</b>	<b>-</b>	<b>-</b>	<b>106 383</b>	<b>159 059</b>

None of the intangible assets have been provided as guarantee for liabilities.

Computer software under development represents costs for a proprietary gambling regulatory system that is still under development at the year end.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 8. COLLECTIONS FOR DISTRIBUTION FROM NON-EXCHANGE TRANSACTIONS

	2019 [R]	2018 [R]
Taxes and levies	17 024 786	16 173 547

Taxes and levies for distribution are gambling taxes for March 2019 that are not yet due for distribution at year-end.

### 9. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Accruals	4 245 896	1 528 917
Investigation deposit accounts	4 745 623	4 170 446
Trade payables	4 275 474	4 833 139
<b>Total</b>	<b>13 266 993</b>	<b>10 532 502</b>

Trade payables relate to goods and services for March 2019 that are not yet due for payment at the period-end.

Accruals for 2018/19 includes the 13th cheque benefit for eligible employees which was not in place during 2017/18.

### 10. PROVISIONS

#### Current Provisions

Performance bonus provision opening balance	5 638 394	5 385 952
Provision used during the year	(6 198 481)	(5 532 388)
Over/ (Under) provision	(560 087)	(146 436)
Provision for the year	3 907 237	5 784 830
Performance bonus provision closing balance	<b>3 347 150</b>	<b>5 638 394</b>
Current portion of Provision for Long service awards	164 643	128 710
<b>Current provisions closing balance</b>	<b>3 511 793</b>	<b>5 767 104</b>

#### Non-Current Provisions

Provision for long service award opening balance	473 068	405 557
Provision used during the year	(146 000)	(35 000)
(Over)/ Under provision	-	-
Provision for the year	188 330	102 511
Less: current portion	(164 643)	(128 710)
<b>Non-current provisions closing balance</b>	<b>350 755</b>	<b>344 358</b>

The performance bonus provision is raised in terms of the Policy on the Integrated Performance Management System, and payouts are dependent on the final moderated individual performance scores which are approved by the Board in August each year. Payouts are also limited to the funds / budget available at the time.

During the 2018/19 year the maximum performance bonus payout percentages as per the policy were reduced and a 13th cheque based only on organisational performance was introduced. The impact is that an accrual for 13th cheque totalling R2 736 258 has been included in Note 9 above.

The provision for long service award is raised in terms of the long service award policy. The current portion relates only to employees who qualify for a long service award in the next 12 months. The non-current portion has been discounted and adjusted for the probability of staff leaving the employ of the entity before they are eligible for an award.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	2019 [R]	2018 [R]
<b>11. FINANCE LEASE OBLIGATION</b>		
Minimum lease payments due		
- within one year	124 696	270 786
- later than one year but not later than five years	14 926	83 722
<b>Present value of minimum lease payments</b>	<b>139 622</b>	<b>354 508</b>
<b>Current liabilities</b>	<b>124 696</b>	<b>270 786</b>
<b>Non-current liabilities</b>	<b>14 926</b>	<b>83 722</b>

Mobile devices were acquired through cellular airtime agreements which are for a two-year lease term.

The contract does not distinguish between subscription and equipment lease repayment amounts or specify an interest rate. Mobile devices were capitalised at their fair value when sold on a standalone basis, as this was lower than the present value of total subscriptions payable. All contracts have fixed subscriptions over the lease term and no arrangements have been entered into for contingent rent.

There was no default during the period and no terms have been renegotiated.

## 12. REVENUE

### Revenue from exchange transactions:

The amounts included in revenue arising from exchange of services are as follows:

Fees	11 881 420	10 329 758
Recoveries	2 391 775	3 841 948
Sundry income	309 327	114 803
	<b>14 582 522</b>	<b>14 286 509</b>

Recoveries revenue arises as a result of recoverable costs involved in the investigation and evaluation process pursuant to the issuance of licences. Costs are recovered against investigation deposit accounts.

### Revenue from non-exchange transactions

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

Unconditional Government Funding - Department of Economic Development, Environmental Affairs and Tourism	55 761 000	53 072 000
	<b>55 761 000</b>	<b>53 072 000</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	2019 [R]	2018 [R]
<b>13. ADMINISTRATIVE EXPENDITURE</b>		
Bank charges	57 364	57 353
Board members - fees	819 350	1 238 300
Board members - travel and subsistence	367 516	371 986
Internal audit fees	644 186	914 511
Consultation fees	1 246 265	603 361
Evaluation and hearings	985 500	1 705 618
Inspection, investigation, compliance and audit costs	775 138	616 414
Stationery and printing	492 638	462 700
Training and development	2 447 595	1 993 092
Travelling and subsistence	1 504 997	1 178 721
Stakeholder events	511 129	510 708
	<b>9 851 678</b>	<b>9 652 764</b>

Evaluation and hearings costs reflected above are recovered from investigation deposit accounts as reflected in Note 9.

## 14. CORPORATE SOCIAL INVESTMENT

The Board has supported various schools and projects in the year under review in the fields of early childhood development, education and social welfare as part of its Corporate Social Investment. The total direct amount spent on Corporate Social Investment is R292 056 (2018: R440 804).

## 15. CONSUMER PROTECTION AND PUBLIC EDUCATION

The Board undertook various consumer protection and public education activities amounting to R4 691 296 (2018: R4 005 394). Rollout of responsible gambling campaigns in the province were conducted using several platforms including print and electronic media, as well as event platforms such as the Berlin November Traditional Horseracing event. Thirteen awareness and responsible gambling programmes were hosted successfully during the reporting period.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	2019 [R]	2018 [R]
<b>16. EMPLOYEE COSTS</b>		
Basic salary	31 485 326	26 340 487
Casual and temporary labour	25 032	153 899
Funeral benefit	7 078	6 382
Insurance	69 938	82 174
Medical aid - company contributions	1 345 306	1 285 780
Pension	2 968 062	2 740 574
Performance awards	3 907 237	5 784 830
Recruitment costs	86 647	102 690
Other non-pensionable allowances	824 418	891 599
Unemployment Insurance Fund	92 926	91 441
Skills development levy	378 966	353 492
	<b>41 190 936</b>	<b>37 833 348</b>
<b>Senior Management Remuneration</b>		
<b>Remuneration of the Chief Executive Officer</b>		
Allowances	120 000	120 000
Bonus	498 448	719 138
Fund contributions	387 016	359 569
Salary	2 608 289	2 396 983
Long Service award	22 000	-
13th Cheque	259 608	-
	<b>3 895 361</b>	<b>3 595 689</b>
<b>Remuneration of the Chief Financial Officer</b>		
Allowances	70 000	70 000
Bonus	302 634	436 626
Fund contributions	140 987	130 988
Salary	1 680 478	1 545 518
13th Cheque	157 622	-
	<b>2 351 721</b>	<b>2 183 132</b>
<b>Remuneration of the Compliance and Licensing Manager</b>		
Allowances	108 000	108 000
Bonus	302 634	436 626
Fund contributions	197 381	183 383
Salary	1 586 084	1 455 122
13th Cheque	157 622	-
	<b>2 351 721</b>	<b>2 183 132</b>
<b>SENIOR MANAGEMENT REMUNERATION</b>	<b>8 598 803</b>	<b>7 961 953</b>

The amount shown as bonuses above relates to the provision raised in terms of the Policy on the Integrated Performance Management System.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	2019 [R]	2018 [R]
<b>17. MARKETING AND RESEARCH COSTS</b>		
The costs for marketing and research include the following:		
Advertising, subscriptions and publications	459 629	217 871
Research and public education	240 016	486 500
	<b>699 645</b>	<b>704 371</b>
<b>18. OTHER OPERATING EXPENDITURE</b>		
Canteen and catering	195 631	159 880
Communication costs	691 019	612 598
Computer consumables	105 753	27 834
Courier and delivery charges	4 770	6 873
Consumables	16 094	21 518
Fuel, oil and licences	317 725	219 027
Insurance premiums	270 886	208 328
Software support	16 560	41 027
Maintenance and repairs	262 782	192 426
Municipal services	521 136	509 568
Rentals in respect of operating leases - plant, machinery and equipment	327 378	276 506
Security services	382 317	374 125
Software annual licence fees	805 149	873 157
Staff wellness programme	80 977	72 221
Uniforms and crockery	3 718	3 587
	<b>4 001 895</b>	<b>3 598 675</b>
<b>19. STATUTORY AUDIT FEES</b>		
<b>Statutory Audit - Auditor-General</b>	<b>1 270 560</b>	<b>1 350 228</b>
<b>20. FINANCE INCOME</b>		
<b>Interest Revenue</b>		
Bank	2 001 969	1 778 407
Trade and other receivables	38 191	4 071
	<b>2 040 160</b>	<b>1 782 478</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	2019 [R]	2018 [R]
<b>21. CASH GENERATED FROM OPERATIONS</b>		
<b>Surplus</b>	<b>3 785 605</b>	<b>7 391 939</b>
<b>Adjustments for:</b>		
Amortisation of intangible assets	101 029	106 383
Depreciation and impairment of PPE	1 615 016	1 390 560
Interest income	(1 878 295)	(1 782 478)
Cash loss on disposal of assets (refer below)	<b>11 373</b>	<b>104 337</b>
<b>Changes in working capital:</b>		
Increase in trade and other payables and provisions	1 336 816	2 301 921
(Increase) / Decrease in trade and other receivables and prepayments	(650 858)	(1 586 169)
	<b>4 320 686</b>	<b>7 926 493</b>
<b>Disposal of Property, Plant and Equipment</b>		
Proceeds received	(203 074)	(81 626)
Carrying value of disposals	214 447	185 963
Cash loss on assets disposed during the year	11 373	104 337
Proceeds receivable (excluded above)	(9 420)	(146 915)
<b>Loss / (Profit) on disposal of PPE</b>	<b>1 953</b>	<b>(42 578)</b>

## 22. OPERATING LEASE COMMITMENTS

Minimum lease payments due		
- within one year	158 205	227 848
- later than one year and not later than five years	56 878	198 935
<b>Present value of minimum lease payments</b>	<b>215 083</b>	<b>426 783</b>

The Eastern Cape Gambling Board has operational lease agreements with the following terms:

- Four photocopy machines for a period of 36 months with a minimum monthly charge of R11 375, which remains constant. The machines will be returned to the lessor at the end of the period. The lessor is required to provide maintenance for the equipment during the period of the agreement and retains the risks and rewards of ownership.
- One modem, for a period of 36 months with a minimum monthly charge of R1 111 which remains constant. The equipment will be returned to the lessor at the end of the period. The lessor is required to provide maintenance for the equipment during the period of the agreement and retains the risks and rewards of ownership.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	2019 [R]	2018 [R]
<b>23. TRAINING AND DEVELOPMENT COSTS</b>		
<b>Overseas Travel</b>		
Car hire	3 545	-
Daily allowance	223 741	95 631
Training	139 129	55 825
Travel and accommodation	1 005 125	842 110
<b>Local Travel</b>		
Car hire	27 026	24 406
Daily allowance	52 395	41 745
Training	498 805	542 844
Travel and accommodation	357 344	390 532
<b>Bursary</b>		
Registration fees and books	140 486	-
Subsistence and travel	-	-
	<b>2 447 595</b>	<b>1 993 092</b>

Included in the training costs is travel and accommodation that relates to overseas and local conferences attended by selected Board members and staff during the year under review. The costs relating to this line item are budgeted for under training and development and reported as such in the Annual Financial Statements.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 24. BOARD AND COMMITTEE MEMBERS EMOLUMENTS

	Board Fes	Expenses / Allowances	Sub Committees	Other	Total
	[R]	[R]	[R]	[R]	[R]
<b>31 March 2019</b>					
For services as Board and committee members	402 750	-	204 600	212 000	819 350
<b>31 March 2018</b>					
For services as Board and committee members	799 000	-	214 550	224 750	1 238 300

#### Detailed Board members emoluments:

Board Members	31 March 2019				
	Board Fees	Retainer	Board Committee Fees	Training Overseas and Local	Total
	[R]	[R]	[R]	[R]	[R]
Adv N Mayosi	48 000	144 000	-	-	192 000
M Vena	93 500	-	37 000	25 500	156 000
O Mtati	130 000	-	42 200	17 000	189 200
P White	71 750	-	34 200	25 500	131 450
V Fredericks	34 000	-	13 500	-	47 500
T Huisman	25 500	-	-	-	25 500
<b>TOTAL</b>	<b>402 750</b>	<b>144 000</b>	<b>126 900</b>	<b>68 000</b>	<b>741 650</b>

#### Audit committee members (who are not Board members)

L Smith	-	-	38 250	-	38 250
T Mnqeta	-	-	31 850	-	31 850
T Mbedhli	-	-	7 600	-	7 600
	-	-	77 700	-	77 700
<b>TOTAL</b>	<b>402 750</b>	<b>144 000</b>	<b>204 600</b>	<b>68 000</b>	<b>819 350</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 24. BOARD AND COMMITTEE MEMBERS EMOLUMENTS CONTINUED

Board Members	31 March 2018				
	Board Fees	Retainer	Board Committee Fees	Training Overseas and Local	Total
	[R]	[R]	[R]	[R]	[R]
Adv N Mayosi	120 000	144 000	-	17 000	281 000
M Vena	144 500	-	33 200	12 750	190 450
O Mtati	228 500	-	37 700	34 000	300 200
P Voges (resigned September 2017)	25 500	-	7 600	-	33 100
P White	170 000	-	43 300	17 000	230 300
V Fredericks	110 500	-	18 000	-	128 500
<b>TOTAL</b>	<b>799 000</b>	<b>144 000</b>	<b>139 800</b>	<b>80 750</b>	<b>1 163 550</b>

Audit committee members (who are not Board members)	31 March 2018				
	Board Fees	Retainer	Board Committee Fees	Training Overseas and Local	Total
	[R]	[R]	[R]	[R]	[R]
H Marsberg (term ended September 2017)	-	-	7 600	-	7 600
L Smith	-	-	36 750	-	36 750
T Mnqeta (appointed October 2017)	-	-	15 200	-	15 200
T Mbedhli (appointed October 2017)	-	-	15 200	-	15 200
	-	-	74 750	-	74 750
<b>TOTAL</b>	<b>799 000</b>	<b>144 000</b>	<b>214 550</b>	<b>80 750</b>	<b>1 238 300</b>

In 2017/18 R371 000 of the Board members fees reflected in this note were recovered against investigation deposits in the licence application process and are included in Recoveries revenue in Note 12.

### 25. RELATED PARTIES

#### RELATIONSHIPS

##### a) DEDEAT

The ECGB is a Schedule 3C Public Entity falling under DEDEAT. The latter serves as the Executive Authority of the ECGB. The ECGB receives a grant from the DEDEAT for its operations as disclosed in Note 12, collects gambling taxes and fees on DEDEAT's behalf and pays them over monthly.

##### b) Key management personnel

Refer Note 24 and Note 16 for details of Board members and Senior Management remuneration respectively.

TRANSACTIONS:	2019 [R]	2018 [R]
<b>a) DEDEAT</b>		
Opening balance	16 173 547	15 014 967
Taxes and levies collected on behalf of DEDEAT	192 157 421	182 182 426
Taxes and levies paid over to DEDEAT	(191 306 183)	(181 023 846)
<b>Outstanding collections for distribution at year end</b>	<b>17 024 786</b>	<b>16 173 547</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 26. RISK MANAGEMENT

#### Liquidity Risk:

The Board manages liquidity risk through an ongoing review of future commitments. Cash flow forecasts are prepared and monitored. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Maturity analysis of non-derivative financial liabilities	2019	2018
Contractual maturities due	[R]	[R]
- within one year	30 416 475	26 976 835
- in second year	14 926	83 722
	<b>30 431 401</b>	<b>27 060 557</b>

#### Credit Risk:

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The Board only deposits cash with major banks with high credit standards and therefore has no concentration of credit risks. Receivables relate primarily to the licensed operators who pay their gambling taxes on a monthly basis and are assessed as having low credit risk due to the statutory requirement in this regard.

If counterparties have independent credit ratings, these ratings are used. Otherwise, if there is no independent rating, credit quality is assessed based primarily on past experience or other factors. The entity's maximum exposure to credit risk is equal to the cost amount of the financial assets at balance sheet date and is summarised below:

Cash and cash equivalents	18 170 216	17 929 227
Receivables on collection for distribution	16 865 176	16 123 285
Trade and other receivables from exchange transactions	456 268	621 053

As at 31 March 2019, trade and other receivables were not impaired. The age analysis of trade receivables is indicated in Note 5.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 27. FINANCIAL INSTRUMENTS

	Amortised Cost	Fair Value
31 March 2019	[R]	[R]
<b>Financial Assets</b>	<b>17 321 444</b>	<b>18 170 216</b>
Cash and cash equivalents		18 170 216
Receivable on collection for distribution from non-exchange transactions	16 865 176	
Trade and other receivables from exchange transactions	456 268	
<b>Financial Liabilities</b>	<b>(30 431 401)</b>	<b>-</b>
Payable on collection for distributions	(17 024 786)	
Trade and other payables from exchange transactions	(13 266 993)	
Finance lease obligation	(139 622)	

	Amortised Cost	Fair Value
31 March 2018	[R]	[R]
<b>Financial Assets</b>	<b>16 744 338</b>	<b>17 929 227</b>
Cash and cash equivalents		17 929 227
Receivable on collection for distribution from non-exchange transactions	16 123 285	
Trade and other receivables from exchange transactions	621 053	
<b>Financial Liabilities</b>	<b>(27 060 557)</b>	<b>-</b>
Payable on collection for distributions	(16 173 547)	
Trade and other payables from exchange transactions	(10 532 502)	
Finance lease obligation	(354 508)	



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 28. GOING CONCERN

The entity receives an annual grant and prepares budget on the basis of such grant. The entity is not able to generate sufficient cash flow from its own revenue to cover its operations. As such the entity is dependent for its continued operation in the foreseeable future on continued Government Grant funding. Management has determined that such funding is reasonably expected to continue and therefore has prepared these Annual Financial Statements on the going concern basis.

### 29. EVENTS AFTER REPORTING DATE

Management has reviewed the events between 31 March 2019 and the date of issue by the Accounting Authority to the Executive Authority. No events occurred during this time frame which provides further information on the amounts disclosed as at 31 March 2019, except for the information included in Note 32.

### 30. TAXATION

The income of the entity is exempt from tax in terms of section 10(1) (cA) of the Income Tax Act (Act 58 of 1962).

### 31. COMMITMENTS

	2019 [R]	2018 [R]
<b>Capital Commitments</b>		
Approved and Contracted for:		
Property, plant and equipment		
- Fixtures, Fittings, Furniture and other equipment	315 309	167 904
- Motor vehicles	292 056	-
- Buildings	597 601	118 760
Intangible Assets		
- Computer Software	1 440 386	5 126 347
	<b>2 645 352</b>	<b>5 413 011</b>

### 32. CONTINGENCIES

#### CONTINGENT LIABILITIES

Civil litigation proceedings	3 500 000	6 500 000
Should the Board not be successful in these proceedings, the likely estimate for the applicant's legal costs are as reflected. Any further costs / settlement amount in excess of this cannot be reliably estimated pending the outcome of the matters.		
	<b>3 500 000</b>	<b>6 500 000</b>

#### CONTINGENT ASSETS

During the prior and current financial years three court applications (one interdict and two review applications) were defended by the Board and dismissed with costs in its favour. As at reporting date it is not possible to reliably estimate any possible recovery of costs in this regard as a process of taxing the relevant bills is still underway, after which a claim against the applicants will be made.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 33. BUDGET VERSUS ACTUAL

The budget disclosed in the comparison of budget to actual amounts covers the period 01 April 2018 to 31 March 2019 and is for the ECGB entity only. The budget is prepared on the same basis as the Annual Financial Statements, being the accrual basis of accounting. Expenses in the budget are classified in the same manner as for the Financial Statements.

Material Budget Variances (greater than 10%)	Actual to Budget Variance	
	[R]	%
<b>Legal costs</b> The variance on legal costs was due to unavoidable litigation against the Board primarily due to the matters described in Note 32.	2 258 440	86.1%
<b>Marketing and research costs</b> The savings on research costs is due primarily to an effective procurement process enabling the planned research assignment to be conducted for less than originally budgeted.	(264 808)	(27.5%)
<b>Capital Expenditure</b> Capital expenditure is underspent primarily due to delays encountered in the development timetable of the new Gambling Regulation System. An extension was required to complete the project within the first quarter of 2019. The capital commitment for this project as well as capital expenditure that was in transit at year-end are included in the capital commitments disclosed in Note 31.	(1 532 807)	(20.4%)

#### Changes from approved to final budget


Changes between the approved and final budget are primarily due to reallocations within the approved budget to utilise budget savings in areas of cost pressures. The capital expenditure budget was adjusted upwards mainly due to the use of available funds for prior year capital commitments as reflected in Note 31.

### 34. CRIMINAL OR DISCIPLINARY STEPS TAKEN AS A CONSEQUENCE OF MATERIAL LOSSES

No material losses suffered, therefore no disciplinary steps taken.

### 35. SURRENDERING OF SURPLUS FUNDS

The Board has no surplus funds on-hand as at 31 March 2019, as defined by National Treasury Instruction 6 of 2017/18, or Provincial Treasury Instruction 3 of 2013/14 and has therefore not accounted for any surrender of surplus funds.



*“Responsible gambling remains a priority, with a total of 3.66 million people reached through responsible gambling campaigns during the year under review.”*

*Ncumisa Mayosi, ECGB Chairperson*

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