



PROMOTING RESPONSIBLE GAMBLING



THE BEST, MOST EFFICIENT AND EMPOWERING
GAMING REGULATOR



ECGB ANNUAL REPORT 2019/20

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WE COMMIT TO PROMOTING A SOCIALLY
RESPONSIBLE INDUSTRY THROUGH
**REGULATION, LICENSING AND
LAW ENFORCEMENT.**



1.1

PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME OF THE PUBLIC ENTITY

Eastern Cape Gambling and Betting Board ¹

REGISTERED OFFICE ADDRESS

ECGB Building, Quenera Park
Quenera Drive, Beacon Bay
East London, 5241

POSTAL ADDRESS

PO Box 15355, Beacon Bay
East London, 5205

CONTACT NUMBER

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EMAIL

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

Ms T Dumalisile



www.ecgb.org.za

¹ 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.

1.2

LIST OF ABBREVIATIONS

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



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

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



1.4.1 SCHEDULE IN TERMS OF THE PFMA

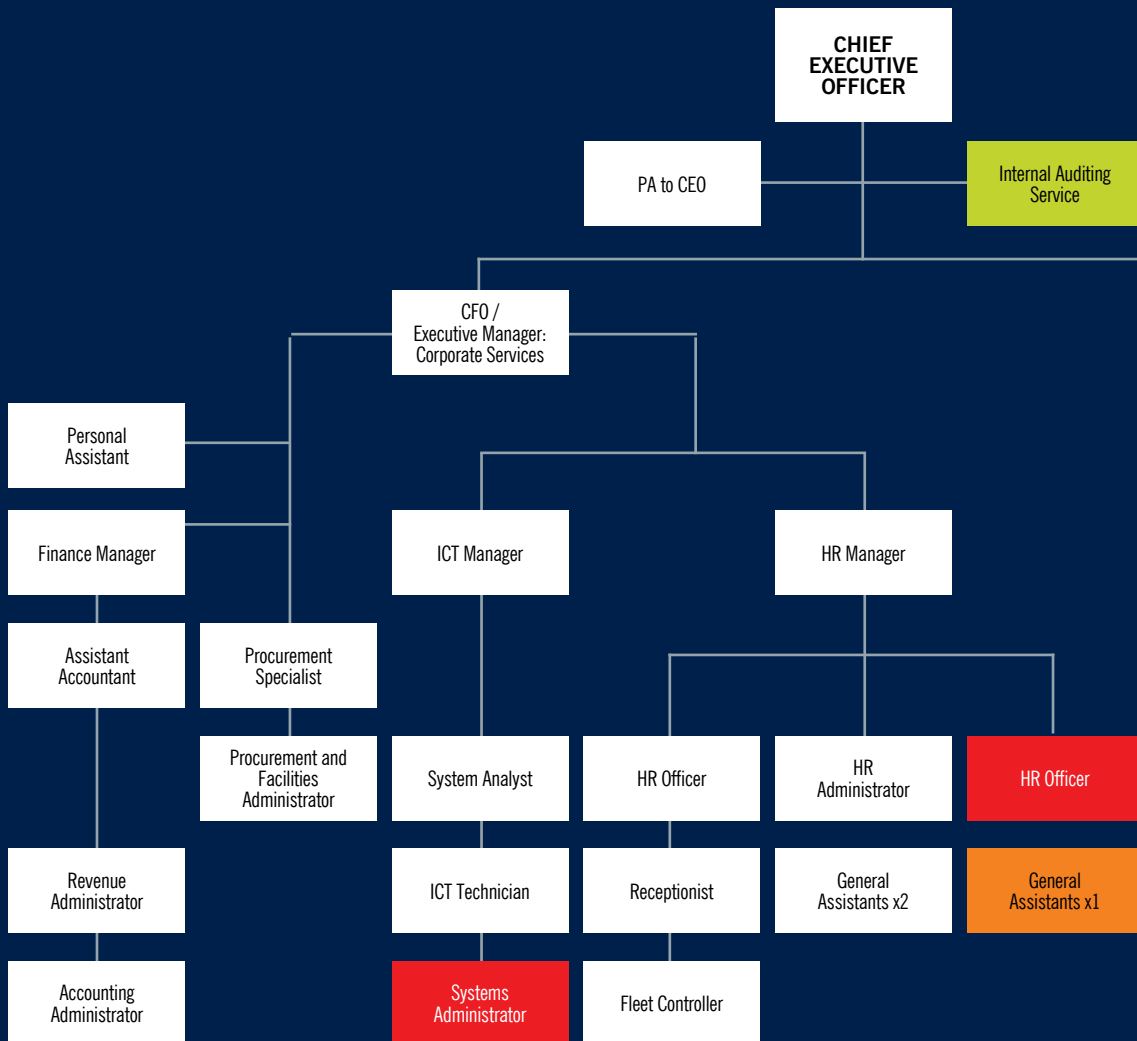
The Eastern Cape Gambling Board falls under Schedule 3, Part C of the Public Finance Management Act (Act 1 of 1999).

1.4.2 SPECIFIC CONSTITUTIONAL AND OTHER LEGISLATIVE, FUNCTIONAL AND POLICY MANDATES

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

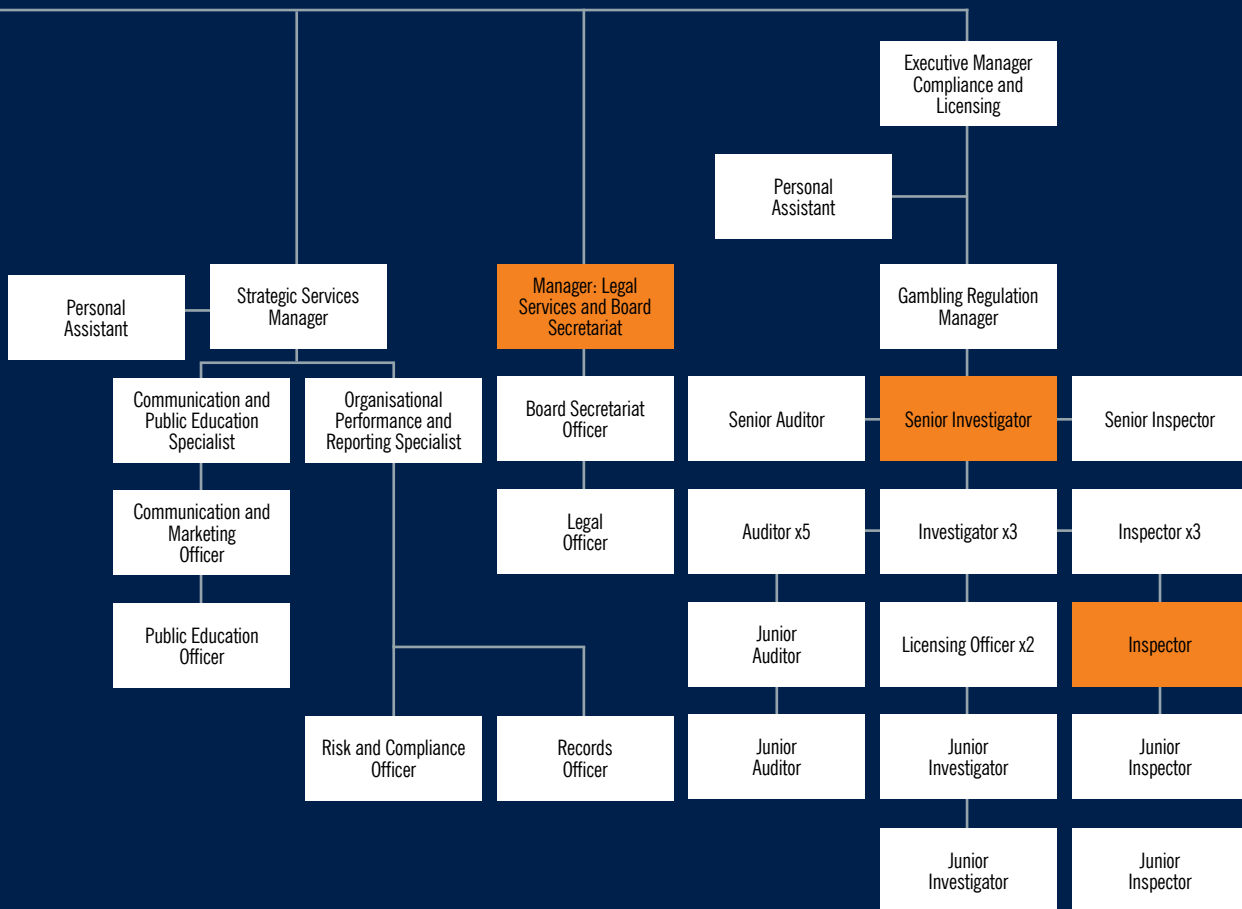
1.5

ORGANISATIONAL STRUCTURE at 31 March 2020



3* Frozen positions
 4 Vacant positions
 49 Filled positions
 1 Outsourced service

61 Total number of positions * Includes Executive Manager Corporate Services currently performed by the CFO



1.6

FOREWORD BY THE CHAIRPERSON



THE 2019/20 FINANCIAL YEAR HAS BEEN A PERIOD OF KEY OPERATIONAL ACHIEVEMENTS, AS WELL AS SIGNIFICANT ORGANISATIONAL MILESTONES FOR THE ECGB.

The entity implemented a clear and consistent strategy which demonstrated the required combination of focus and flexibility to deliver results against limited budget allocation. The ECGB also 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.

COVID-19 and the subsequent national state of disaster significantly affected fourth quarter operations. Despite the negative impact of the pandemic, however, the ECGB managed to achieve 86% of all planned key performance targets for the year.

In another key metric, the industry's compliance maturity, as measured by the innovative compliance barometer, increased to 85%. This was almost 3% higher than the previous period, resulting in the entity meeting its target of achieving compliance Level 3.

Overall compliance was further enhanced by identifying and addressing areas of non-compliance and supporting industry players to meet the obligations and commitments of their licence conditions.

The ECGB also supported licenced operators by taking decisive steps to stamp out illegal gambling activities throughout the province. During the year in review, several illegal gambling operations were closed and numerous illegal machines seized.

Promoting responsible gambling behaviour remains a strong focus area for the ECGB. To this end, the entity ran several highly effective responsible gambling

campaigns, which reached in excess of five million period during the year in review.

Effective revenue collection is one of the entity's core mandates and an important measure of operational performance. During the 2019/20 financial year, a total of R189.7 million was collected on behalf of Eastern Cape Treasury, and duly distributed to the provincial fiscus.

With regard to governance, the entity continued its drive to create functional and transparent structures and systems of accountability. This included implementing the ECGB's Risk Management Framework, as well as advancing the institutionalisation of a risk management culture.

Another of the ECGB's core mandates is job creation and social upliftment, as guided by the Eastern Cape Anti-Poverty Strategy. To this end, the entity continued to work closely with its social and strategic partners throughout the reporting period to implement socio-economic development and empowerment programmes in the province's most impoverished areas.

The ECGB is committed to being an effective, efficient and progressive regulator. As such, there was continued focus during the year under review on conducting cutting-edge research, as well as developing and embracing a knowledge management culture.

We will also continue to focus on organisational performance and reporting on the achievement of planned targets, while maintaining a clean audit.



The Board takes its responsibility to effectively and continuously monitor management's progress with regard to the achievement of its targets, exceptionally seriously. Stringent, quarterly review also enables early intervention measures to be implemented timeously in the auditing cycle. This, coupled with an entity-wide commitment to compliance with policies, both internal and external, will continue to stand us in good stead to deliver on our mandate in the months and years ahead.

The ECGB is responsible for governance and sustainable performance. As such, the Board is firmly committed to the principles of good corporate governance and will continue to insist on the implementation of the sound business practices expected of a stable and functional organisation. Against the backdrop of increasing regulatory and legislative compliance requirements within the gambling sector, we will also strive to further strengthen our regulatory processes, with a view to enhancing the Board's overall effectiveness.

To the gambling operators and licencees whom we regulate, I express my deepest gratitude for the space and time you afforded the ECGB to conduct its business. This has ensured ongoing improvement and continued accountability in the standards that we set for the industry.

The COVID-19 has taken an unprecedented toll on our economy. We are aware of the far-reaching consequences of the pandemic and the subsequent national state of disaster, and we commit to being mindful of the impact it may have had on your operations.

On behalf of the Board, I would like to acknowledge and express my appreciation for the sterling work of the CEO, his management team and all ECGB staff during the 2019/20 financial year. I also 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.

Adv Ncumisa Mayosi
Chairperson of the Board

1.7

CHIEF EXECUTIVE OFFICER'S OVERVIEW



THE EASTERN CAPE GAMBLING INDUSTRY IS AN IMPORTANT COG IN THE ENGINE THAT DRIVES ECONOMIC GROWTH, JOB CREATION, INFRASTRUCTURE DEVELOPMENT AND TOURISM PROMOTION IN OUR PROVINCE. AS SUCH, THE EASTERN CAPE GAMBLING BOARD TAKES SERIOUSLY ITS RESPONSIBILITY - IN TERMS OF THE EASTERN CAPE GAMBLING ACT - TO REGULATE, PROTECT AND OVERSEE THE GAMBLING INDUSTRY AND ALL ITS PRINCIPAL STAKEHOLDERS.

We embrace the challenge of ensuring that all gambling and betting operations throughout the province are conducted in a fiscally and socially responsible manner, whilst contributing to overall socio-economic upliftment of all communities throughout the province. To this end, I am pleased to report that the entity discharged of its responsibilities diligently and efficiently during the period under review, notwithstanding the emergence of the COVID-19 pandemic towards the end of the financial year, enabling us to report on a number of significant achievements in the delivery of our mandate.

The Eastern Cape Gambling Board provided the following successful regulatory services to the industry during the reporting period:

- The industry maintained a total of 4 588 sustainable job opportunities, created cumulatively as at 31 March 2020.
- The compliance maturity of the industry in the province improved by 2.72%, from 82% to 85%, as measured by the compliance barometer.
- The entity collected R189.7 million in gambling tax revenue from all licenced gambling operators in the province, which is a significant contribution to

the provincial fiscus, albeit less than the target for the year under review. The COVID-19 pandemic and associated regulations in terms of the Disaster Management Act (Act 57 of 2002) had a significant impact on gambling revenues in the last quarter and this trend is expected to be extend into the next financial year.

- The entity investigated 27 applications for various gambling licences and conducted two public hearings to ensure transparency in the process of awarding licences to suitable and qualifying applicants.
- Five sweeps / gambling raids were carried out across all five provincial zones to search for and root out illegal gambling operations. Conducted in collaboration with the South African Police Service, the sweeps resulted in 16 illegal gambling establishments being closed down, with criminal cases opened and court processes underway.
- One Type B (20-40 machines) gambling licence was awarded to a suitably qualified applicant.
- A total of 86 compliance audits were conducted at several licenced operators in the province. A further 69 revenue audits were conducted to verify the completeness and accuracy of gaming revenue reported by all operators in the province.

A core focus area of the ECGB during the year under review was to strengthen its socio-economic development functions and responsibilities, thereby contributing to the most impoverished areas within the Eastern Cape.

- The entity also conducted 140 inspections at licenced operators in the province in line with the requirements of the Eastern Cape Gambling and Betting Act (Act 5 of 1997).
- A total of 1 239 applications for both temporary and permanent employee registration were processed during the 2019/20 financial year.
- SMMEs in the province benefitted from R298.6 million in total procurement spend by licencees, which equates to more than half of the operators total spend going towards local suppliers.
- Licenced gambling operators contributed R13.6 million collectively towards Corporate Social Investment (CSI) and Socio-Economic Development (SED) initiatives, in line with the CSI framework approved by the Board for the period ending 31 March 2020.
- Two Gambling Economic Opportunity awareness sessions were conducted within the various municipalities in the province, under the theme gambling licences as catalysts for economic development through procurement and enterprise development.
- The entity conducted five sweeps (operations) to eradicate illegal gambling, protect the public from nefarious trends related to illegal gambling and to protect licenced gambling operators from illegal competition. The sweeps were conducted in various towns and areas across all five zones in the province, in collaboration with state agencies such as the SAPS, South African Revenue Service (SARS), Asset Forfeiture Unit and prosecuting authorities.
- A research study was conducted to investigate possible revenue generation models and opportunities within the gambling industry, in terms of potential taxes and fees.
- Two seminars were hosted on the findings and recommendations of the research study, "Effectiveness and Efficiency of the Support Provided by the Route Operators to Type A, B and C Limited Payout Machine Site Owners", which was conducted during the previous financial year.
- The ECGB achieved a Level 5 human resources service delivery rating, as measured by the Human Resource Efficiency Index. The Index is a Department of Public Service and Administration (DPSA) assessment tool that is used to strategically assist human resources departments to achieve their service delivery goals. The assessment is conducted annually by a panel of managers from all budget programmes, with the outcomes used to inform appropriate strategies to strengthen human resources functionality and effectiveness in the organisation. The ECGB is utilising the results of the assessment to guide it towards becoming an employer of choice.

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:

- The organisation achieved 86% of all planned key performance targets for the year.
- The entity hosted 12 successful workplace awareness and responsible gambling campaigns aimed at minimising the harmful effects of excessive and irresponsible gambling. These campaigns were conducted at various government departments and targeted employees across all occupational levels.
- A total of 5.1 million people were reached across various platforms, including electronic and print media as well as through general events, to promote responsible gambling and create awareness about the consequences of illegal gambling activities.
- Four socio-economic development projects and other CSI-related contributions supporting designated and vulnerable groups were implemented with several Eastern Cape organisations. The projects, valued at R561 662, 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.

A core focus area of the ECGB during the year under review was to strengthen its socio-economic development functions and responsibilities, thereby contributing to the most impoverished areas within the Eastern Cape.

GENERAL INFORMATION

In seeking to balance the negative impacts of gambling, it is important for the organisation to leverage and access its own budget allocations and, through the proceeds of gambling, be agents of real change in the communities in which the entity operates. The focus in this regard 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, which are youth, the disabled, women and the elderly within the province;
- Coordinating implementation of the developed CSI framework of the industry, as well as ensuring that CSI initiatives are implemented in the most impoverished areas of the province, in line with the Eastern Cape Anti-Poverty Strategy.

During the year review, the ECGB further prioritised stakeholder engagement and collaborative work with other government entities and strategic partners. This strategy was pursued through implementation of memoranda of agreement with different government departments and municipalities, in respect of the following:

- Joint implementation of responsible gambling and public education and awareness campaigns within the metropolitan and district municipalities of the province;
- Joint and collaborative research 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 work of the ECGB within the metropolitan municipalities in the province;
- 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 • of Social Development, Education, Health, Sport, Recreation, Arts and Culture and the South African Social Security Agency in respect of implementing the Eastern Cape Anti-Poverty Strategy.

Corporate governance and organisational performance was strengthened by:

- Maintaining and achieving clean audit outcomes on both financial information and predetermined objectives;
- Strengthening human resources management services and ensuring that HR achieve a Level 5 maturity efficiency index score by the end of the five-year period;
- Facilitating training and capacity building of all ECGB employees to equip 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.

During the year under review the ECGB hosted the 15th Gambling Regulators Africa Forum, which was held from 18-22 August 2019 at the Boardwalk Casino in Port Elizabeth. The conference was a gathering of the gaming sector at large, including regulators, gaming licence holders, gaming manufacturers from around the African continent and other stakeholders to discuss matters affecting the sector in their respective countries.

Countries that make up the forum are Angola, Botswana, Ghana, Kenya, Malawi, Mauritius, Mozambique, Namibia, South Africa, Seychelles, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. The theme of the conference was The Fourth Industrial Revolution and its Impact on Gaming in Africa, and saw forum members discuss how best the gaming sector could respond to the advent of the 4th Industrial Revolution.

One of the highlights of the conference for the Nelson Mandela Metro community was a legacy project, whereby three schools were provided with interactive white boards. The technology-based boards are installed with interactive curriculum software which has been developed according to the South African National Curriculum Statement (NCS) to achieve national curriculum goals such as learner-centred learning, active, exploratory and collaborative learning, creativity, critical thinking and analytical skills.

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 and the ECGB management team which has made the discharge of our mandate tenable. I also extend my gratitude to all ECGB staff for their resilience despite a challenging operating environment. Lastly, I am thankful to the licencees for their continued support in build a sustainable, responsible and empowering gaming industry.



Mr Reuben Mabutho Zwane
Chief Executive Officer

1.8

STATEMENT OF RESPONSIBILITY

AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT



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 is 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 control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The 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 2020.

Mr Reuben Mabutho Zwane
Chief Executive Officer
31 July 2020

Adv Ncumisa Mayosi
Chairperson of the Board
31 July 2020

ECGB ANNUAL REPORT 2019/20

ACHIEVEMENTS



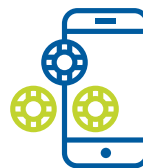
86 compliance audits were conducted.
69 revenue audits were conducted.



THE ENTITY COLLECTED **R189.7 million** in gambling tax revenue from all licenced gambling operators in the province.



A TOTAL OF **5.1 million** people were reached through responsible gambling campaigns.



LICENCED GAMBLING OPERATORS CONTRIBUTED **R13.6 million** COLLECTIVELY towards Corporate Social Investment (CSI) and Socio-Economic Development (SED) initiatives.

PROMOTING RESPONSIBLE GAMBLING



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

2.2.1 SERVICE DELIVERY ENVIRONMENT

During the 2019/20 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 by 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.

2.2.2 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:

- The entity's overall organisational performance achievement is 86% of planned key performance indicators / targets for the financial year under review.

- The entity hosted 12 successful workplace awareness and responsible gambling campaigns to minimise the harmful effects of excessive and irresponsible gambling. These campaigns were held at government departments and targeted employees across all occupational levels.
- A total of 5.1 million people were reached through various media and event platforms such as electronic media, print media and general events that were utilised to profile and promote responsible gambling and create awareness about the consequences of involvement in illegal gambling activities.
- Four socio-economic development projects 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.
- Two Gambling Economic Opportunity awareness sessions were conducted. The theme of these sessions was gambling licences as catalysts for economic development, through procurement and enterprise development within the various municipalities in the province.
- The entity carried out five sweeps (operations) to eradicate illegal gambling, protect the public from nefarious trends related to illegal gambling and protect licenced 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 investigate possible revenue generation models and opportunities within the gambling industry in terms of potential taxes and fees. The ECGB also continued its quest to conduct research to inform policy-making decisions while also keeping abreast with industry requirements. The recommendations from this research will inform the ECGB's decision-making on further revenue streams in the province.
- The entity held two seminars on 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.

PERFORMANCE INFORMATION

- The ECGB achieved a Level 5 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 R189.7 million in gambling tax revenue from all licenced gambling operators in the province. The COVID-19 pandemic and associated regulations in terms of the Disaster Management Act (Act 57 of 2002) had a significant impact on revenue generation during the last quarter, a trend which is expected to extend into the next financial year.
 - The industry maintained in excess of 4 500 sustainable job opportunities, created cumulatively as at 31 March 2020.
 - The compliance maturity of the industry in the province was 85%, as measured by the compliance barometer. This reflects a 2.72% increase over the previous reporting period, and meets the acceptable/targeted compliance Level 3.
 - ECGB investigated 27 applications for various gambling licences and conducted two public hearings to ensure transparency in the process of awarding licences to suitable and qualifying applicants.
 - Five licences were issued, including one key Type B (20-40 machines) gambling licence, other non-key licences include two Type C gambling machine site licences and two bookmaker licences. These licences contributed to infrastructure development and the Small Towns Revitalisation Programme and created job opportunities benefitting the province.
 - A total of 86 compliance audits were conducted at several licenced operators in the province. A further 69 revenue audits were carried out to verify the completeness and accuracy of gaming revenue reported by operators in the province. These audits were conducted for purposes of ensuring accuracy and completeness of gambling tax revenues, compliance with the requirements of the Act, regulations, rules as well as bid commitments made by the respective licencees.
 - The entity carried out a further 140 inspections at licenced operators throughout the province, in line with the requirements of the Eastern Cape Gambling and Betting Act (Act 5 of 1997).
 - A total of 1 239 applications for both temporary and permanent employee registrations were processed and issued during the 2019/20 financial year.
 - In support of SMMEs, licencees spent R298.6 million, or 52% of total procurement expenditure, on local suppliers.
- The industry contributed a total of R13.6 million towards CSI and SED initiatives, in line with the CSI framework approved by the Board for the period ending 31 March 2020.
 - In a bid to root out of illegal gambling operations, five sweeps operations / gambling raids were conducted in various towns in all five Zones in the province. Conducted in collaboration with state agencies such as the SAPS, SARS, Asset Forfeiture Unit and prosecuting authorities, these operations resulted in 16 illegal gambling establishments being discovered and closed down. Subsequently, 16 cases were opened at the applicable police stations. Court processes in these cases are ongoing. In addition, 27 gambling machines and proceeds of R16 022 were confiscated during the sweeps. Four illegal internet gambling operations were also identified. Sweeps operations are a pro-active approach that seek to eradicate illegal gambling, protect the public from nefarious illegal gambling trends and ensure protection of licenced gambling operators from illegal competition.

2.2.3 CHALLENGES ENCOUNTERED AND CORRECTIVE STEPS

Lower-than-projected revenue during the reporting period is due primarily to the impact of the COVID-19 pandemic, as well as associated regulations in terms of the Disaster Management Act (Act 57 of 2002), during the last quarter of the financial year. In addition, negative year-on-year revenue was recorded during the prior quarters in the horseracing and casino sectors. It is anticipated, however, that COVID-19's negative impact on gambling and tax revenues will be especially significant in the new financial year.

A Zone 5 casino licence Request for Proposal (RFP) was advertised and one application was received. This was approved in part, on condition that the applicant submit a revised bid. The licensing project was due to conclude in March 2020, however the applicant requested a three-month extension to accommodate the COVID-19 lockdown. As a result, the Board will consider this application only in the 2020/21 financial year.

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.

Lack of office space has been a serious challenge for the entity. In 2019/20, the Board approved an extension of the existing ECGB building in order to address this challenge. Construction work commenced during the fourth quarter.

2.2.4 ORGANISATIONAL ENVIRONMENT

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.

The unprecedented COVID-19 pandemic has been identified as an external strategic emerging risk, affecting both the operations of the entity and the industry as a whole. It is envisaged that the pandemic will significantly impact revenue collection for the fiscus during the next financial year.

During the year under review the ECGB hosted the 15th Gambling Regulators Africa Forum, which was held from 18-22 August 2019 at the Boardwalk Casino in Port Elizabeth. The conference was a gathering of the gaming sector at large, including regulators, gaming licence holders, gaming manufacturers from around the African continent and other stakeholders to discuss matters affecting the sector in their respective countries. Countries that make up the forum are Angola, Botswana, Ghana, Kenya, Malawi, Mauritius, Mozambique, Namibia, South Africa, Seychelles, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. The theme for the conference was The Fourth Industrial Revolution and its Impact on Gaming in Africa and saw forum members discuss how best the gaming sector can respond to the advent of the 4th Industrial Revolution. One of the highlight of the conference for the Nelson Mandela Metro community was a legacy project, whereby three schools were provided with interactive white boards. The technology-based boards are installed with interactive curriculum software which has been developed according to the South African National Curriculum Statement (NCS) to achieve national curriculum goals such as learner-centred learning, active, exploratory and collaborative learning, creativity, critical thinking and analytical skills.

2.2.5 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There were no major changes to the policy or legislative framework during the 2019/20 reporting period. Revised gambling regulations in terms of the Act were published for consultation, however the final regulations have not yet been gazetted.

2.2.6 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 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 of the Eastern Cape; and
- To enhance and generate an information-, communication-, technology- and paperless-driven organisation.



PERFORMANCE INFORMATION

GOAL 1

TO ACHIEVE CORPORATE SERVICES WITH EXCELLENT PEOPLE AND PROCESSES IN ORDER TO OPTIMISE THE SERVICE DELIVERY OFFERING

Progress made by the ECGB:

- a) An external service provider conducted employee wellness sessions on various wellness topics 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 has reached the maximum Level 5 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.
- d) In pursuance of this goal, the ECGB 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 the ECGB:

- a) In pursuance of this goal, the ECGB followed industry best practices 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 the requirements of these RFPs, draw attention to the 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 licencees. Furthermore, applicants were afforded the opportunity to raise issues from the floor and to allow the Board to receive input from interested parties.
 - Two 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, licence conditions, the Act, rules and regulations, the Financial Intelligence Centre Act (FICA) (Act 38 of 2001), 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 roadshows 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 the ECGB:

- a) During the 2019/20 financial year the ECGB collected by R189.7 million in gambling taxes, against a target of R200 million.
- b) The entity received a fifth consecutive clean audit report for the 2018/19 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 the ECGB:

- a) In pursuance of this goal, the entity contributed R561 662 towards socio-economic development opportunities and other CSI-related contributions supporting designated and vulnerable groups in Eastern Cape areas identified as impoverished.
- b) Several socio-economic development projects were implemented across the province to empower the most vulnerable and impoverished communities.
- c) The entity also 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 roleplayers in implementing CSI projects in impoverished communities in the province. Licencees are required in terms of their licence conditions to contribute 1% of Gross Gaming Revenue (GGR), or a similar amount, to corporate social initiatives.

GOAL 5

TO ENHANCE AND GENERATE AN INFORMATION-, COMMUNICATION-, TECHNOLOGY- AND PAPERLESS-DRIVEN ORGANISATION

Progress made by the ECGB:

- a) In pursuance of this goal, a proprietary system for gambling regulation and automation of related business processes was undertaken.
- b) The Board approved a research project to investigate possible revenue generation models and opportunities within the gambling industry in terms of potential taxes and fees. This research was conducted during the year under review.
- c) The entity hosted seminars on research outcomes on the topic "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", in order to sensitise the public about previous research findings and recommendations.

2.3 PERFORMANCE INFORMATION BY PROGRAMME

2.3.1 BUDGET PROGRAMME 1: CORPORATE SERVICES MANAGEMENT AND ADMINISTRATION

2.3.1.1 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.

2.3.1.2 Sub-Programmes

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

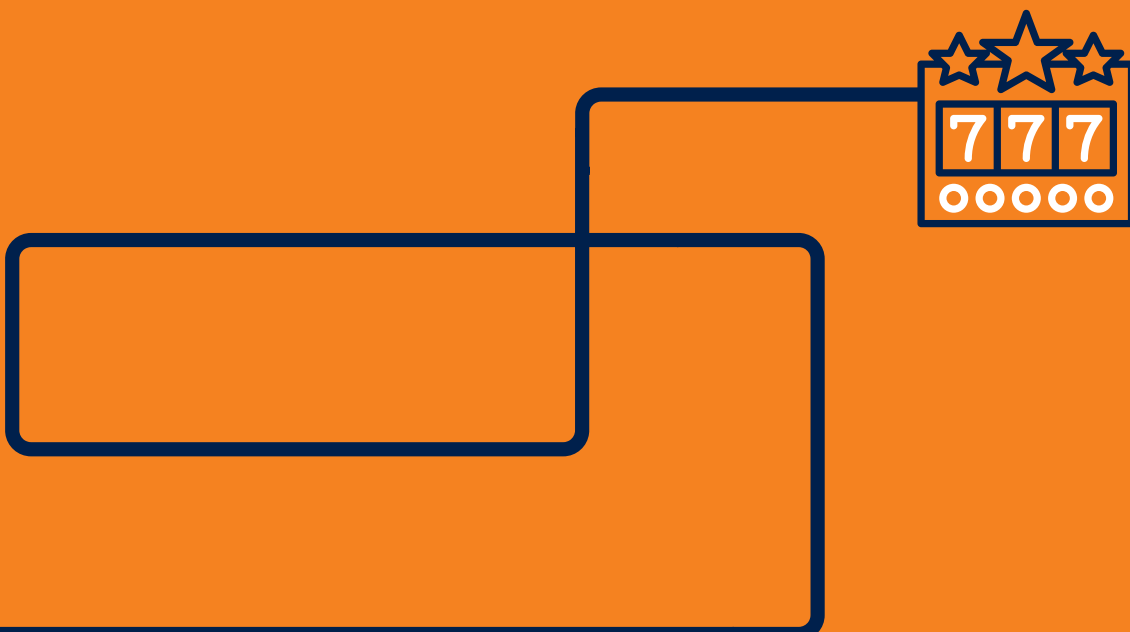
- Office of the Chief Executive Officer
- Strategic Management Services
- Legal Services and Board Secretariat
- Financial Management
- Human Resources Management and Development
- Information Management and Technology

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.

2.3.1.3 Strategic Objectives

The following strategic objectives guide the performance of the Budget Programme to achieve the desired outcomes:

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



PERFORMANCE INFORMATION

2.3.1.4 Key Performance Measures, Targets and Actual Results for the 2019/20 Financial Year

Performance Indicator	Actual Achievement 2018/19 (Baseline Information)	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
SUB-PROGRAMME: FINANCIAL MANAGEMENT SERVICES					
STRATEGIC OBJECTIVE To promote good corporate governance and financial management systems for accountability purposes					
Revenue Collected	R191.3 million	R200 million	R189.7 million	-R10.3 million	Lower-than-projected revenue was due primarily to the impact of the COVID-19 pandemic and associated regulations in terms of the Disaster Management Act (Act 57 of 2002), especially during the last month of the financial year. Furthermore, negative year-on-year revenues were experienced prior to this in the horseracing and casino sectors.
SUB-PROGRAMME: STRATEGIC MANAGEMENT SERVICES					
STRATEGIC OBJECTIVE To implement socio-economic development projects 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
SUB-PROGRAMME: HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT					
STRATEGIC OBJECTIVE To develop a highly capable workforce of individuals and teams to optimise service delivery, including an enabling workplace environment					
Human Resources Efficiency Index	Level 4	Level 5	Level 5	No deviation	N/A

2.2.1.5 Summary of Payments by Sub-Programme of Budget Programme 1

PROGRAMME 1: FINANCIAL PERFORMANCE BY SUB-PROGRAMME						
Sub-Programme	2019/20			2018/19		
	Adjusted Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000	Adjusted Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000
Office of the CEO	7 414	7 178	236	6 663	7 214	(551)
Strategic Management Services	5 425	5 867	(442)	4 457	4 069	388
Legal Services and Board Secretariat	7 572	7 470	102	6 544	7 855	(1 310)
Financial Management Services	11 970	11 714	256	10 824	10 788	36
Human Resources Management and Development	7 246	6 148	1 098	6 835	5 957	878
Information Management and Technology	4 062	4 645	(583)	4 212	4 074	138
Total Expenditure	43 689	43 022	667	39 535	39 957	(421)
% Under / (Over) Expenditure			1.5%			(1.1%)

2.3.1.6 Strategies to Overcome Areas of Under-Performance by Budget Programme 1

The only area of under-performance under this programme during the reporting period was lower-than-projected revenue collection, which was due primarily to the impact of the COVID-19 pandemic during the last month of the financial year. Furthermore, negative year-on-year revenues were experienced prior to that in the horseracing and casino sectors. The industry is under significant trading difficulty due to COVID-19 and it is expected that the impact of the pandemic will be even greater over the next financial year. As a result, the projected revenue collection for 2020/21 and beyond has been revised downwards.

2.3.1.7 Changes to Planned Targets

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

2.3.2 BUDGET PROGRAMME 2 GAMBLING REGULATION AND CONSUMER PROTECTION

2.3.2.1 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).

2.3.2.2 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

2.3.2.3 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, raise awareness of excessive and irresponsible gambling and highlight the economic opportunities associated with gaming.



2.3.2.4 Key Performance Measures, Targets and Actual Results for the 2019/20 Financial Year

Performance Indicator	Actual Achievement 2018/19 (Baseline Information)	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
INVESTIGATION AND LICENSING ADMINISTRATION					
STRATEGIC OBJECTIVES					
<ul style="list-style-type: none"> To award different types of gambling licences to suitably qualified applicants 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	2	2	1	1	The under-achievement was due to the planned Zone 5 casino licence. Only one application was received, and this was approved in part on condition that the applicant submit a revised bid. During March, the applicant requested a three-month extension to accommodate the COVID-19 lockdown.
Number of Gambling Economic Opportunities Awareness Programmes Conducted	5	2	2	No deviation	N/A
SUB-PROGRAMME: LAW ENFORCEMENT AND GAMING CONTROL					
STRATEGIC OBJECTIVES					
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	130	140	140	No deviation	N/A
SUB-PROGRAMME: AUDIT AND COMPLIANCE SERVICES					
STRATEGIC OBJECTIVES					
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	80	85	86	01	Over-achievement was due to an additional compliance audit conducted for a new Independent Site Operator (ISO) licensee (as part of the risk-based audit approach).
Number of Revenue Audits Conducted	71	68	69	01	Over-achievement was due to an additional revenue audit conducted for a new Independent Site Operator (ISO) licensee (as part of the risk-based audit approach).
Gambling industry compliance maturity level	N/A (new target)	Compliance Maturity Level 3	Compliance Maturity Level 3	No deviation	N/A

2.3.2.5 Summary of Payments by Sub-Programme of Budget Programme 2

PROGRAMME 2: FINANCIAL PERFORMANCE BY SUB-PROGRAMME						
Sub-Programme	2019/20			Budget R'000	2018/19	
	Adjusted Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000		Actual Expenditure R'000	(Over) / Under Expenditure R'000
Investigation and Licensing Administration	10 745	11 917	(1 172)	11 451	11 160	291
Law Enforcement and Gaming Control	5 208	5 106	102	4 873	4 629	244
Audit and Compliance Services	6 783	6 708	75	5 732	5 181	551
Total Expenditure	22 736	23 731	(995)	22 056	20 970	1 086
% Under / (Over) expenditure			(4.4%)			4.9%

2.3.2.6 Strategies to Overcome Areas of Under-Performance by Budget Programme 2

There was one area of under-performance against planned performance indicators under this programme during the reporting period. This was due to the planned Zone 5 casino licence. The entity received only one application for a Zone 5 casino licence, which was approved in part, on condition that the applicant submit a revised bid. During March, the applicant requested a three-month extension to accommodate the COVID-19 lockdown. The application will be considered and finalised in the 2020/21 financial year.

2.3.2.7 Changes to Planned Targets

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

2.3.3 BUDGET PROGRAMME 3: RESEARCH AND PUBLIC EDUCATION

2.3.3.1 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.

2.3.3.2 Sub-Programmes

The following are budget sub-programmes of Research and Public Education:

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

2.3.3.3 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 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

2.3.3.4 Key performance measures, targets and actual results for the 2019/20 financial year

Performance Indicator	Actual Achievement 2018/19 (Baseline Information)	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from Planned Target to Actual Achievement for 2019/20	Comment on Deviations
SUB-PROGRAMME: EMPIRICAL RESEARCH & INFORMATION MANAGEMENT					
STRATEGIC OBJECTIVES					
To guide the development and generation of information within the gambling industry 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
SUB-PROGRAMME: RESPONSIBLE GAMBLING & PUBLIC EDUCATION					
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	13	12	12	No deviation	N/A
Number of People Reached Through Responsible Gambling Campaigns	3.66 Million	1.0 Million	5.1 Million	4.1 Million	Responsible gambling messages communicated reached more people than anticipated due to the change in event platforms from the prior year, and the various types of media that were utilised.

2.3.3.5 Summary of Payments by Sub-programme of Budget Programme 3

Sub-Programme	2019/20			2018/19		
	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
Empirical Research	1 114	284	830	544	272	272
Responsible Gambling and Public Education	4 997	5 219	(222)	7 359	7 399	-40
Total Expenditure	6 111	5 503	608	7 903	7 671	232
% Under / (Over) expenditure			9.8%			2.9%

2.3.3.6 Strategies to Overcome Areas of Under-Performance by Budget Programme 3

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

2.3.3.7 Changes to Planned Targets

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

2.4

SUMMARY OF REVENUE COLLECTION

Revenue to Fiscus	2015/16	2016/17	2017/18	2018/19	2019/20
	R'000	R'000	R'000	R'000	R'000
Casinos	99 935	97 158	96 057	95 168	90 639
Bookmakers & Totalisator	9 106	11 107	11 759	12 799	11 816
Bingo	21 944	31 411	38 291	45 582	39 824
Limited Payout Machines	27 140	31 142	35 234	37 771	47 484
Total Taxes	158 125	170 818	181 341	191 320	189 764

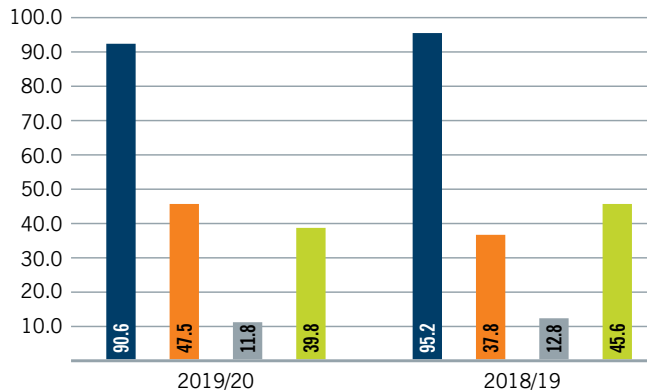


2.5

GROSS GAMING REVENUE AND TAX STATISTICS

2019/20 VS 2018/19

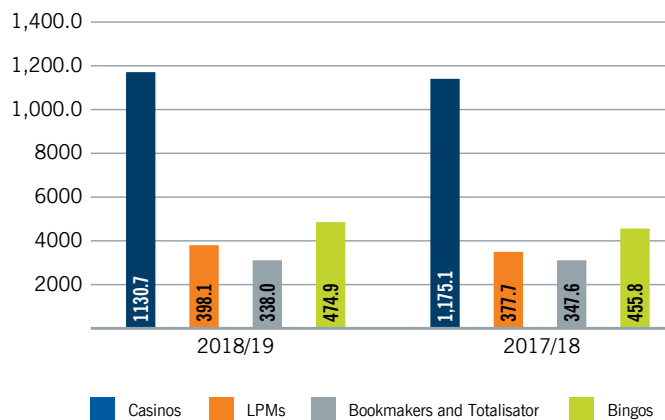
TAXES COLLECTED (R 'MILLIONS)



YEAR-ON-YEAR AT THE END OF FEBRUARY 2020 CUMULATIVE TAXES WERE

3.6% HIGHER THAN IN 2018/19.

GROSS GAMING REVENUES (R 'MILLIONS)



THE MONTHLY REVENUES DECLINED ON AVERAGE BY

38% IN MARCH 2020, PRIMARILY AS A RESULT OF THE COVID PANDEMIC AND STATE OF DISASTER REGULATIONS.

CONSEQUENTLY TAXES DECLINED BY

0.8% FOR THE FULL YEAR TO END MARCH 2020

2.6

CAPITAL INVESTMENT

Capital expenditure was implemented mainly as planned during the financial year under review, except for delays encountered in the building extension project. The start of this project on-site was delayed until the last quarter of the year primarily due to delays in obtaining approved building plans from the municipality. The expenditure for the year represents the construction costs and professional fees to date and is reflected as additions in note 7 to the financial statements. The capital commitment for this project is included in the capital commitments disclosed in Note 32.

Infrastructure projects	2019/20			2018/19		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Building extension project	5 684	1 555	4 129	746	149	597

Maintenance took place as planned during the year under review, and quarterly physical inspections were conducted to assess the condition of assets. Indicators of any possible change in useful life or residual values were considered and the asset register updated where required.



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 (ECGB Act

(Act 5 of 1997, as amended). 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	23 April 2019	2018/19 Fourth Quarter Financial and Performance Report
2	19 July 2019	2019/20 First Quarter Financial and Performance Report
3	30 August 2019	2018/19 Annual Report, including the Annual Financial Statements
4	27 September 2019	2020/21 Annual Budget and Budget Adjustments 2019/20
5	18 October 2019	2019/20 Second Quarter Financial and Performance Report
6	28 October 2019	Six Months Oversight Report and Six Months Performance Information Report
7	20 January 2020	2019/20 Third Quarter Financial and Performance Report
8	17 February 2020	2020/21 Annual Performance Plan and Five-Year Strategic Plan

3.3

PORTFOLIO COMMITTEE

The Portfolio Committee on Economic Development, Environmental Affairs and Tourism exercises oversight over the service delivery performance of the ECGB. As such, it 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	24 July 2019	Presentation of the 2019/20 - 2021/22 Annual Performance Plan and Budget of the ECGB
2	20 November 2019	Consideration of the 2018/19 Annual Report and 2019/20 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 the management of the organisation and the implementation of its plans and strategies;
- Ensuring a comprehensive, active system of policies and procedures;
- Ensuring ethical behaviour;
- Reserving specific powers for the Board, where considered appropriate or necessary;
- Acting responsibly toward stakeholders; and
- Ensuring compliance with corporate governance principles and relevant legislation.



Inset:
Adv N Mayosi
[Chairperson]

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

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 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, as well as individual roles expected.

In line with the requirements of King IV, the Board sets the tone in leading by example, being ethical and effective and ensuring that the organisation's ethics are monitored, assessed and managed effectively. To this end, the Board has established ethical norms in the organisational culture, relevant codes of conduct and policies.

COMPOSITION OF THE BOARD

The Board consists of eight non-executive members as well as one executive member in an *ex officio* capacity. In May 2019, Miss Vanessa Fredericks, the Eastern Cape Treasury representative, tendered her resignation which left a vacancy on the Board that still needs to be filled.

Name	Designation	Date Appointed	Qualifications	Area of Expertise	Other Committees	No. of Meetings Attended ²
Adv N Mayosi	Chairperson	April 2011	BProc, LLB, LLM Advocate of the High Court	Legal Practitioner/ Law	None	10/11
Mr O Mtati	Deputy Chairperson	April 2011	BA, BJuris	Welfare, Community and Socio-Economic Development	Compliance, Licensing & Transformation; Human Resources & Remuneration	11/11
Mr M Vena	Member	April 2011	BJuris	Community Interests	Compliance, Licensing & Transformation; Human Resources & Remuneration	9/11
Mr P White	Member	January 2014	BCom (Hons) CA(SA)	Chartered Accountant	Audit & Risk; Finance	11/11
Ms V Fredericks (Resigned 27 May 2019)	Member	April 2016	BA (Hons) Economics	Finance / Treasury	Finance	Resigned
Ms N Mlenzana	Member	April 2016	BA (Hons) Social Work	Safety and Security	Compliance, Licensing & Transformation; Human Resources & Remuneration	10/11
Mr A Mfenyana	Member	April 2016	Secondary Teachers Diploma, Nature Conservation Diploma	Environmental Affairs	Finance; Human Resources & Remuneration	11/11
Ms T Mackie Huisman	Member	March 2019	MA Communication	Socio-Economic Development and Tourism	Finance, Compliance, Licensing and Transformation	9/11
Mr M Zwane	Ex Officio Member	December 2009	MA (Business Administration)	Chief Executive Officer	N/A	11/11

² During 2019/20 there were seven meetings of the Board, with two additional public hearings regarding licence applications and two special meetings with the MEC.

COMMITTEES OF THE BOARD

Committee	No. of Meetings Held	No. of Members	Name of Members
Finance Committee	5	3	Ms V Fredericks (Chairperson – resigned) Mr A Mfenyana Mr P White Ms T Mackie Huisman
Compliance, Licensing & Transformation Committee	5	4	Mr O Mtati (Chairperson) Mr M Vena Ms N Mlenzana Ms T Mackie Huisman
Human Resources & Remuneration Committee	4	4	Mr M Vena (Chairperson) Mr O Mtati Ms N Mlenzana Mr A Mfenyana
Audit and Risk Committee	5	4	Ms L Smith (Chairperson) Mr P White Mr M Mbedhli Ms T Mnqet

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 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; and
- 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 in the table 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 25 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 ECGB is guided by the Enterprise Risk Management Policy (ERM) approved by the Board. The Board assumes responsibility for the governance of risk by setting the direction on how risk should be approached and addressed by the entity. The Board treats the risk as an integral process for decision-making through the execution of their duties. The ERM Policy requires that the Risk Register is approved by the Board and the Board receives regular feedback in respect of risk management. 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 informed by the ERM Policy, the ECGB has developed a Risk Management Maturity Index Framework which is in line with the Public Sector Risk Management Framework and Financial Management Capability Maturity Model (FMCMM) and which has been approved during the year under review. The Maturity Index Framework has been developed to provide ECGB with clear guidelines for measuring risk maturity levels which the ECGB is aiming to achieve over the next financial years.

The entity has and maintains a risk inventory of 34 risks according to the 2019/20 risk register. Twelve of these risks are strategic and 22 are operational. Out of the 12 strategic risks, four are high risk, five are medium risk and three are low risk. Graph 1 below depicts a quantification of the ECGB's prioritised strategic risks.

Graph 1: Prioritised Strategic Risks

12 PRIORITISED RISKS

04	HIGH RISKS
05	MEDIUM RISKS
03	LOW RISKS

THE RISK REGISTER IS REVIEWED ON A QUARTERLY BASIS AND MITIGATION STRATEGIES ARE MONITORED THROUGHOUT THE YEAR. PROGRESS AGAINST MITIGATION ACTION PLANS NOTED IN THE RISK REGISTER AND REPORTED TO THE AUDIT AND RISK COMMITTEE BY THE MANAGEMENT COMMITTEE ON A QUARTERLY BASIS. STRATEGIC RISK ASSESSMENT, WHICH IS CONDUCTED ANNUALLY, WAS DONE IN MARCH 2019 FOR THE YEAR UNDER REVIEW TO IDENTIFY ANY NEW OR EMERGING RISKS WHICH COULD HINDER ACHIEVEMENT OF THE ECGB'S OBJECTIVES.

The unprecedented **COVID-19** pandemic presented an external emerging strategic risk that has led to a complete lockdown of businesses. This triggered the establishment of an ECGB Business Continuity Committee (BCC) as well as the development of a business continuity plan, which was approved by the Board on 30 March 2020. In terms of this, the Management Risk Committee is required to meet every two weeks to advise the BCC on COVID-19 risk-related matters. The impact of this risk has been felt financially and socially, and by everyone in the organisation. However, it has also brought some opportunities through adaptation to a virtual workplace environment and paperless processing of transactions. An emerging risk with mitigation controls has been identified in this regard and has been added in the organisational risk register.

DASHBOARD ON STRATEGIC RISKS AS PER RISK REGISTER DURING THE 2019/20 FINANCIAL YEAR

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

Risk Ranking	Risk Name / Description	Inherent Risk Exposure	Residual Risk Exposure	Summary of Progress / Actions Towards Mitigating / Improving the Residual Risk
1	Coronavirus Pandemic	25	19	<ul style="list-style-type: none"> COVID-19 Business Continuity Committee was established in March 2020 to look into all COVID-19 related issues and risks. MRC meets every week to look into all COVID-19 related issues and risks and report to the BCC. Specific Covid-19 Business Continuity Plan. Continuous awareness and safety precautions.
2	Litigation against Board Decisions	25	19	<ul style="list-style-type: none"> Local PDI policy is still in progress.
3	Proposed Merger Between Eastern Cape Liquor Board and ECGB Without a Feasibility Study	20	12	<ul style="list-style-type: none"> Formal correspondence in this regard is required in order to provide clarity for the public entity's future plans.
4	Lack of Governance Oversight	20	12	<ul style="list-style-type: none"> A draft reminder to DEDEAT is under consideration and review by Executive Management.
5	Loss of Information	16	12	<ul style="list-style-type: none"> GRS has all data imported from GIMS and staff have started to use the system, with some issues being rectified when required. Cibecs Replication system has been upgraded for end-user data. DR Site Implemented March 2020.
6	Increased Incidences of Illegal Gambling	16	12	<ul style="list-style-type: none"> Illegal gambling displacement strategy has been developed and is awaiting Board approval.
7	Possibility of the Research Study Being Challenged	15	11	<ul style="list-style-type: none"> Database of service providers developed.
8	Loss of Appropriate Skills Impacting on Capable Workforce	16	8	<ul style="list-style-type: none"> GRS system is operational, change management sessions were conducted. Ethics Action Plan Implementation is in progress.
9	Failure to Prevent and Detect Non-Compliance by Licencees	16	8	<ul style="list-style-type: none"> Interest and penalties imposed for late, non-payment of taxes and fees.
10	Increased Prevalence of Irresponsible Gambling	9	5	<ul style="list-style-type: none"> Twelve responsible gambling workshop sessions were conducted for employees across all occupational levels of the: Department of Public Works, Provincial Head Office; Department of Treasury, Provincial Head Office; South African Police Services and CPF Members; Old Age Senior Citizens of the Eastern Cape.
11	Inability to Keep Abreast with Industry Developments	9	5	<ul style="list-style-type: none"> Research Findings and Recommendations on Revenue Generation study was completed and presented to the Board by the relevant service provider on 30 March 2020. The findings and recommendations have been approved.
12	Regression in Internal Control Environment	16	4	<ul style="list-style-type: none"> Navision system currently being upgraded. SCM process flow being finalised.

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 to 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 as well as 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.

Audit committees met separately with auditors to discuss matters that the committee or auditors believe should be discussed privately. The committee also reviews proposed audit approaches. The committee reviews and approves the audit plan, reviews staffing and organisation of the function and meet with internal auditors and management on a periodic basis to discuss matters of concern that may arise.

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 2020. 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:

- 2018/19 Quarters 3 and 4 Performance and Annual Report review
- 2019/20 Quarters 1 and 2 Performance Report Review
- Supply Chain Management (Five competitive bids reviewed)
- General Financial Controls Review
- Litigation against Board Decisions Review
- Research Implementation & Effectiveness Review
- 2020/21 Draft Annual Performance Plan and Five-Year Strategy Review
- Responsible & Illegal Gambling Reviews

In addition, the following documents were revised by internal audit and approved by the Committee during the 2019/20 year:

- Audit and Risk Committee Charter (final approval by the Board)
- Internal Audit Charter and Methodology
- Quality Assurance and Improvement Program

The Audit and Risk Committee concludes that the internal audit function was effective for the year under review. Internal audit attended management's 2019/20 Risk Assessment, and the Committee reviewed the strategic risk register quarterly in order to make recommendations to the Board.

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

No audit issues were raised in the management or audit reports for the year-ended 31 March 2019, however the committee has reviewed the status of quarterly key controls. 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 July 2020. 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. The Committee is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

Information on the Audit and Risk Committee

The table below discloses relevant information on the Audit and Risk Committee members as at 31 March 2020:

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	1 April 2014	5 of 5
Mr P White	BCom (Hons), CA (SA)	Internal	Board member	1 April 2014	4 of 5
Mr M Mbedhli	BTech – Internal Auditing, Member of the Institute of Internal Auditors	External	N/A	1 October 2017	3 of 5
Ms T Mnqeta	BCom, Member of the Institute of Risk Management	External	N/A	1 October 2017	4 of 5



Loren Smith

Chairperson of the Audit and Risk Committee
30 September 2020

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 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 & 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;
- 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; and
- 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 was last reviewed in March 2020. It 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 biannually 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 of Conduct was reviewed during the second quarter of 2019/20, in line with best practice.

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 AND SAFETY ENVIRONMENTAL ISSUES



While no health, safety or environment issues were reported during the year under review, 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 2019/20 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.

During the fourth quarter an occupational health and safety risk assessment was conducted by an external service provider with the aim of advising the organisation on the safety measures to be implemented in line with COVID-19 regulations. Awareness sessions on COVID-19 were conducted for staff and management in March. On 26 March 2020, the ECGB offices were closed in compliance with the national lockdown and employees were provided with all the necessary resources in order to work remotely.

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 of continuously improving and entrenching 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 result in achieving strategic objectives and positive outcomes over time. The Organisational Code of Ethics was revised during the year under review. A Board self-assessment evaluation was performed by an independent audit firm appointed by DEDEAT. The outcome was an overall combined total score of 4.48 out of 5.00 (89%), indicating that the Board is operating effectively.	
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 the financial year, 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 overall Ethics Framework was developed and 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: <ul style="list-style-type: none"> • 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, in terms of the updated Responsible Gambling Strategy of the ECGB, which 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. During the current financial year the Board approved a new five-year strategy where outputs and outcomes have been planned to ensure not only sustainable value creation by the entity itself, but also with the aim of a transformed and sustainable gambling industry at large.	

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 adherence to these commitments.

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 non-executive members and one 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 resigned, and this vacancy had not yet been filled at year-end. 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 & Transformation Committee; and Human Resources & 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 Supply Chain Management and overall Finance policies were updated and reviewed by the committee during the year under review.
- The Compliance, Licensing & 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 continues to monitor the Community Trusts associated with licencees.
- The Human Resources & Remuneration Committee assists the Board with its human resources responsibilities and oversight duties, advises the Board and makes recommendations on organisational structure and skills development, human resources policies and practice and ensures that the staff of the entity receive reasonable and fair reward for their individual and combined contributions to the overall performance of the organisation.
- The Board does not have a social and ethics committee as oversight duties in this regard are performed by the Compliance, Licensing & Transformation Committee (compliance, B-BBEE, 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 one vacancy on the Finance Committee due to the Board member vacancy. 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
<p>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 2019/20. The Board is satisfied that the evaluation process is contributing to improvement in the Board's performance and effectiveness.</p>	
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
<p>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.</p>	
<p>The CEO was re-appointed by the Board in consultation with the Executive Authority, effective December 2019, 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).</p>	
PRINCIPLE 11	The Board should govern risk in a way that supports the entity in setting and achieving its strategic objectives
<p>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 2020/21 Annual Performance Plan.</p>	
<p>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.</p>	
PRINCIPLE 12	The Board should govern technology and information in a way that supports the entity setting and achieving its strategic objectives
<p>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. This further ensures compliance with the Corporate Governance of IT policy framework for the public sector. During the year under review, internal audit commenced a review of the data migration to the new Gambling Regulatory System which was still in progress at year-end. During 2020/21, the application controls for this system will be tested.</p>	
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
<p>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 biannually by the legal department under the guidance of the Legal Manager, who reports accordingly to the Audit and Risk and Compliance, Licensing & 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.</p>	
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
<p>The approved Remuneration and Reward Policy and Individual Performance Management Policy of the Board aim to achieve the following objectives:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>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 the remuneration of Board members and senior managers, in Notes 25 and 17, respectively. The Board remuneration policy is approved by the MEC and was last revised in 2013.</p>	

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 of 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

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade and Industry.

Criteria	Response	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Yes	<p>The ECGB is empowered in terms of section 53(1)(c) of the National Gambling Act, No. 7 of 2004 to impose reasonable and justifiable conditions on a licence to inter alia address black economic empowerment (“BEE”). In addition, it may apply the Codes to determine qualification criteria for the issuing of a licence in terms of section 10(1) of the BBBEE Act.</p> <p>The ECGB in its RFP accordingly requires that a minimum percentage of the shareholding of the holder of Licence must be held by Local PDIs as a reasonable and justifiable condition to meaningfully empower PDIs who are local inhabitants (“the Local PDI Requirement”) in terms of section 33(1) (k) of the Act.</p> <p>Further to this all licences have criteria for overall B-BBEE status that the applicant must maintain as a condition of licence.</p>
Developing and implementing a preferential procurement policy?	Yes	All procurement is conducted in line with the approved Supply Chain Management policy of the Board which includes the preferential procurement regulations in terms of the PPPF Act. In this regard points are awarded for all procurement greater than R30 000 based on the B-BBEE status level of the supplier.
Determining qualification criteria for the sale of state-owned enterprises?	N/A	
Developing criteria for entering into partnerships with the private sector?	N/A	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	N/A	



3.14

SOCIAL RESPONSIBILITY

Over and above the awarding of different types of licences and the collection of revenue for the Provincial Fiscus, the ECGB has corporate responsibility for identifying and supporting socio-economic development initiatives to empower communities in poverty-stricken areas. In addition, it is mandated to support impoverished communities in terms of the Provincial Anti-Poverty Strategy, including the designated and vulnerable groups of youth, the elderly, disabled persons and women. The Eastern Cape Gambling Board is proud to share this brief reflection of some of its CSI initiatives, in collaboration with licencees over the past year. This reflection is themed No Place Too Far. Over the past few years, we have committed ourselves as an empowering gambling regulator to invest in the neediest communities of our province and no place has been too remote to receive assistance.

In an effort to achieve the maximum impact, the ECGB's Socio-Economic Development (SED) and Designated and Vulnerable Groups (DVG) divisions stretched their limited budgets as far as possible. A CSI framework was developed and approved by the Board to guide the implementation of sustainable CSI projects by provincial licencees, either as individual companies or in collaboration with each other. The CSI framework has identified focus areas or baskets for implementation of sustainable CSI projects by the licencees. Furthermore, 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 municipal wards were identified as the most impoverished areas in the province and are called "anti-poverty wards".

Driven by the passion of our people, especially the Province's children, youth and vulnerable groups, the ECGB has taken a principled decision to dedicate all SED efforts towards supporting social development,

in particular early childhood development, education, health, arts and culture and sports and tourism, primarily among poorer communities in our province. We have partnered with various departments, notably, the Departments of Social Development, Education, Health and Sports, Arts, Culture & Recreation in our various CSI drive. Notably, the Department of Social Development influenced our decision to prioritise the 16 Anti-Poverty Sites that were identified in terms of the approved Anti-Poverty Strategy of the Eastern Cape. We have been flexible and open to collaboration in some of our CSI endeavours and have called upon both the public and private sectors, specifically our licencees, to join us when opportunities availed themselves.

The ECGB has committed itself to sustainable and community driven projects that change lives, while building a positive image and reputation. It is through our CSI initiatives that we are able to shift public perception about the industry and have made positive strides in this regard. This reflection is a means to showcase some of the work that we have done, in the hope of creating a wider appreciation of the inroads the ECGB has made on the CSI front, especially with regard to the investments we have made across the province with the No Place Too Far initiative.

Figure 1 below depicts the CSI Framework Focus Areas, as well as a summary of the socio-economic development contributions or projects implemented by the ECGB in various impoverished communities in the Eastern Cape.

During the 2019/20 financial year, ECGB collaborated with licencees by focusing on the Education Basket as per the CSI Policy and the industry-approved CSI Framework, investing in study, learning and the mastery of mathematics, science and technology from Grade R to Grade 7.

Figure 1 ECGB CSI Focus Areas, as informed by the approved CSI Framework.

CSI FRAMEWORK AREAS OF FOCUS	1	EDUCATION BASKET	Focus of study, learning and mastery of mathematics, science and technology levels of education (Grades E-7)
	2	HEALTH BASKET	Focus on primary healthcare initiatives and in particular, health promotion activities.
	3	ARTS AND CULTURE BASKET	Focus on development creative arts and culture initiatives.
	4	SOCIAL DEVELOPMENT BASKET	Focus on early childhood development, in particular, contributions to infrastructure development and building of ECDC, food gardening and security.
	5	SPORTS AND TOURSIM BASKET	Supporting developmental sport and tourism-related activities in the Eastern Cape.



ANELISA: OPERA SINGER SPONSORED BY AFRICAN PIONEER



ECD CENTRE IN JEFFREY'S BAY SPONSORED BY AFRICAN PIONEER



AFRICAN PIONEER RUGBY TOURNAMENT IN QUEENSTOWN



BINGO ROYALE MATATIELE



INTERNATIONAL NELSON MANDELA DAY IN MATATIELE



INTERNATIONAL NELSON MANDELA DAY IN MATATIELE

CSI FRAMEWORK FOCUS AREAS

Below is a summary of the socio-economic contributions or projects implemented by the ECGB in various impoverished communities in the Eastern Cape, in pursuance of the Eastern Cape Anti-Poverty Strategy as coordinated by the Eastern Cape Department of Social Development.

DISTRICT / METRO	LOCAL MUNICIPALITY	WARD	VILLAGE / TOWNSHIP	INVESTMENT DESCRIPTION	SCHOOL NAME
OR TAMBO DISTRICT MUNICIPALITY	PORT ST. JOHNS LOCAL MUNICIPALITY	10	BHOLANI VILLAGE / PORT ST. JOHNS	<ul style="list-style-type: none"> • 3x natural science kits; • 3x technology kits; • 1x maths kit; • 1x signage board; • 2x poles; • 2x cement mixes • Payment for signage board installer 	BHOLANI JUNIOR PRIMARY SCHOOL
BUFFALO CITY METROPOLITAN MUNICIPALITY	BUFFALO CITY METROPOLITAN MUNICIPALITY	32	TSHOLOMNQA VILLAGE	<ul style="list-style-type: none"> • 3x natural science kits; • 3x technology kits; • 1x maths Kits; • 1x signage board; • 2x poles; • 2x cement mixes • Payment for signage board installer 	LUNGISA PRIMARY SCHOOL
JOE GQABI DISTRICT MUNICIPALITY	ELUNDINI LOCAL MUNICIPALITY	6	UPPER SINXAKO VILLAGE	<ul style="list-style-type: none"> • 3x natural science kits; • 3x technology kits; • 1x maths kits; • 1x signage board; • 2x poles; • 2x cement mixes • Payment for signage board installer 	LOWER ESINXAKO JUNIOR SECONDARY SCHOOL
CHRIS HANI DISTRICT MUNICIPALITY	ENGCOBO LOCAL MUNICIPALITY	11	QEBE VILLAGE	<ul style="list-style-type: none"> • 3x natural science kits; • 3x technology kits; • 1x maths kits; • 1x signage board; • 2x poles; • 2x cement mixes • Payment for signage board installer 	QEBE SENIOR PRIMARY SCHOOL



MATHS AND SCIENCE KIT HANDOVER IN LUSIKISIKI



YOUTH DAY NCGOBO

DESIGNATED AND VULNERABLE GROUPS

The ECGB has interacted with different communities and collaborated with our stakeholders to add socio-economic value and, more specifically, to become an agent of social change within the province. This was achieved through the implementation of programmes meant to support vulnerable communities, especially designated and vulnerable groups. During the 2019/20 financial year, the ECGB implemented various activities in support of these groups in line with the CSI policy of the ECGB.

The ECGB implemented a Youth Month commemoration programme in collaboration with Engcobo Local Municipality, Emalahleni Local Municipality, Chris Hani District Municipality, the South African Responsible Gambling Foundation, Divine Nature Communications and the Department of Education to provide young people with a platform for a purposeful conversation aimed at empowering and equipping them with social and life skills and career readiness.

In commemoration of Nelson Mandela International Day, the ECGB partnered with the Department of Social Development, Department of Public Works, Ruliv, Bingo Royale Matatiele, Department of Agriculture, Forestry and Fisheries, Department of Health, South African Police Service South African Responsible Gambling Foundation.

- The project was at a school situated within the Matatiele Local Municipality (in the Alfred Nzo District) which falls within an area where the ECGB has a gambling footprint, and the Township in which the school is situated was highlighted by the educators as having a high percentage of needy families. On 18 July 2019, ECGB officials and other role players contributed to the upliftment of the pupils, providing much-needed assistance by:
- Cleaning and painting external walls of the two face brick structures in the school to create a conducive teaching and learning environment;

REVIVAL OF THE SCHOOL'S VEGETABLE GARDEN AND GENERAL REFUSE COLLECTION AROUND THE YARD

The ECGB, together with the South African Responsible Gambling Foundation, participated in the Active Golden Games in the Nelson Mandela Metropolitan Municipality. Organised by the National Department of Social Development, the games aim to encourage senior citizens to live actively in their golden years. To utilise the games as a platform to profile and communicate responsible gambling messages amongst the elderly, the ECGB and South African Responsible Gambling Foundations conducted awareness sessions on the harmful effects of excessive and irresponsible gambling and sponsored the provision of jackets and sun hats to the elderly. 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. The merchandise handed to participants was branded with messages of responsible gambling as well as the telephone numbers to contact to access information regarding harmful effects of excessive and irresponsible gambling.

The ECGB supported the Eastern Cape Braille and Print Institute based in the Buffalo City Metropolitan Municipality with two desktop computers and two air conditioning units. The desktop computers were requested by the institute to assist with their day-to-day computing needs. The air conditioning units were supplementary to the investment as it was advised that the computers would have to be in a temperature-regulated environment to extend their lifespan.



YOUTH DAY NCGOBO



IMTHUNGO PEDDIE

3.15 RESPONSIBLE GAMBLING

THE PURPOSE OF THIS FUNCTION WITHIN THE ECGB IS TO ENSURE THAT POTENTIAL GAMBLERS AND CURRENT USERS OF LEGAL AND REGULATED GAMBLING REMAIN RECREATIONAL AND SOCIAL GAMBLERS. IN ADDITION, IT ENSURES THAT PROVINCIAL GAMBLING LICENCEES CONTINUOUSLY SUPPORT AND PROTECT POTENTIAL GAMBLERS WITHOUT BEING COERCED OR FORCED THROUGH COMPLIANCE AND REGULATORY REQUIREMENTS.

The constitution of the Republic of South Africa, read together with the National Gambling Act, requires the establishment of uniform norms and standards, aimed at safeguarding people participating in gambling and their communities against the adverse effects of gambling. Notably, both the legislation and Constitution support the following concurrently:

- Members of the public who participate in any licenced gambling activity are protected; and
- Society and the economy are protected against over-stimulation of the latent demand for gambling.

The ECGB therefore endeavours to ensure that all public servants are made aware of the harmful effects that may have a negative impact in the workplace, especially in the Eastern Cape, where the economy is largely sustained by the public sector.

The need to develop a comprehensive responsible gambling strategy and therefore host Responsible Gambling Awareness workshops is informed by research that was commissioned by the organisation in 2013/14 in respect of gambling prevalence among employees within the public service in the province.

The strategy is also informed by research that was commissioned by the ECGB with regard to gambling prevalence among the recipients of old age social grants in the Eastern Cape.

- Problem gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse effects and consequences for the gambler, others, or for the community. The planned sessions are therefore meant to:
- Prevent harmful effects before they occur in the workplace;
- Shift the focus from ‘problem gambling’ to recognising ‘gambling harm’, as well as a shifting the thinking from the individual to the collective wellbeing associated with workplace productivity;
- Raise awareness and literacy while reducing stigma and shame associated with gambling harm to a selected target as indicated above; and
- Mitigate perceptions of the downplaying of gambling harm in a province characterised by huge unemployment levels, low economic growth and, more importantly, high dependency on government support and the provincial Fiscus for monthly salaries of public servants.



GOVERNANCE

The table below illustrates the reach, demographics and areas impacted by responsible gambling workshop sessions conducted during the period under review.

No.	Organisation	No. Of People Reached	Equity Demographics				Region / Location	Dates
			Youth	Women	Disabled	Other		
Minimisation of Harmful Effects of Irresponsible Gambling in the Workplace								
1.	Engcobo Local Municipality, Department of Correctional Services & Department of Rural Development and Agrarian Reform	48	N/A	26	N/A	22	Engcobo Local Municipal Area, Engcobo	25 July 2019
2.	Inxuba Yethemba Local Municipality, Department of Education, Correctional Services, Health and South African Police Services	32	N/A	16	N/A	16	Inxuba Yethemba Local Municipal Area, Middelburg	1 August 2019
3.	Ingquza Hill Local Municipality	22	N/A	14	N/A	8	Ingquza Hill Local Municipal Area, Lusikisiki	5 September 2019
4.	O.R. Tambo District Municipality	21	N/A	6EW	N/A	15	O.R. Tambo District Municipal Area, Mthatha	6 September 2019
5.	Department of Rural Development and Agrarian Reform	32	N/A	26	N/A	6	Buffalo City Metropolitan Municipality, Bhisho	9 October 2019
6.	Department of Human Settlements	38	N/A	22	N/A	16	Buffalo City Metropolitan Municipality, Bhisho	29 October 2019
7.	Tsolo Agriculture and Rural Development Institute (TARDI)	29	N/A	N/A	N/A	29	KSD Local Municipality, Tardi/Tsolo	31 October 2019
8.	South African Police Services & Community Police Forum	25	N/A	11	N/A	14	Alfred Nzo District Municipality, Mount Ayliff	6 March 2020
9.	Department of Public Works, Provincial Head Office	73	N/A	56	N/A	17	Buffalo City Metropolitan Municipality, Bhisho	11 March 2020
10.	Department of Treasury, Provincial Head Office	29	N/A	18	N/A	11	Buffalo City Metropolitan Municipality, Bhisho	12 March 2020
Workshops for Older and Senior Citizens of the Eastern Cape:								
11.	Old Age Citizens of Inxuba Yethemba Local Municipality	46	N/A	41	N/A	5	Inxuba Yethemba Local Municipality, Cradock	27 February 2020
12.	Old Age Citizens of Mbizana Local Municipality	46	N/A	37	N/A	9	Mbizana Local Municipality, Mbizana	5 March 2020



4.1 INTRODUCTION

OVERVIEW OF HUMAN RESOURCE (HR) 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 Resource Management 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 Resources Department is measured based on the Human Resource Efficiency Index Assessment instrument to ensure it 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.

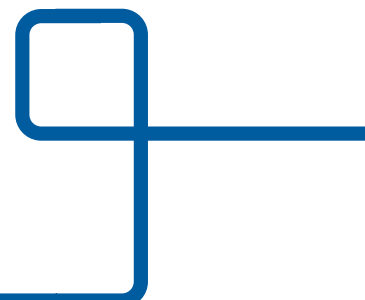
The following were the HR priorities during the year under review:

- Facilitate the provision of sufficient workforce size through the implementation of the new organisational structure
- 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 system

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, including the bursary scheme, are in place to ensure that the current workforce is efficient and to enhance personal development. Furthermore, the succession planning programme has been initiated to ensure that the necessary skills are in place to guarantee 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 progression of internal employees.





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

Performance management is an ongoing and continuous process rather than an event whereby all employees are required to sign annual performance contracts and 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 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. A total of four policies were reviewed / updated and two frameworks were 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 5 rating was achieved, which was the set target for the year under review.

Filling of vacancies as per the reviewed organisational structure took place. All new vacant posts were filled during this period.

Eight graduate interns were placed in the internship programme. Of the eight, one completed the internship programme at the end of March 2020.

With regard to skills development, the Annual Workplace Skills Plan and Annual Training Report was submitted to the CATHSSETA. Funding was also obtained from CATHSSETA for bursaries which enabled two employees to further their studies. Employee training on functional training programmes were undertaken in various programmes.

A new, three-year Employment Equity Plan was developed in consultation with the Employment Equity Committee and Management, and approved by the Board.

An Internship Plan that guides the intake of interns during the year was developed. An Employee Wellness Plan was also developed to provide structured wellness programmes for the year. A Change Management Framework and Committee that will be responsible for driving change initiatives within the organisation was established during this period.

CHALLENGES FACED BY THE PUBLIC ENTITY

There is currently a lack of office space however an extension of the existing building is underway. The rollout of the full succession plan is being explored.

FUTURE HR PLANS / GOALS

- The HR strategy will be reviewed in 2020/21 to align with the new five-year organisational strategy.
- The job evaluation process to align job profiles with the new structure will be finalised in 2020/21, together with salary benchmarking.
- Selected HR policies will be reviewed in the 2020/21 financial year to ensure alignment with the overall organisational and HR strategies.
- An action plan to close gaps identified during the Human Resource Efficiency Index assessment will be implemented in order to improve HR efficiency.
- 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 effectively manage changes in the organisation.
- An ethics programme will be strengthened through the implementation of the ethics framework and regular awareness raising.

4.2

HUMAN RESOURCE OVERSIGHT STATISTICS

Total Personnel Cost by Programme³

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 Capital Expenditure)	47 541	24 062	51%	30	802
Programme 2 : Gambling Regulation and Consumer Protection	23 744	19 848	84%	25	794
Programme 3 : Research and Public Education	5 502	2 086	38%	3	695
TOTAL	76 788	45 995	60%	58	793

Personnel Cost by Salary Band (Excluding Performance Bonus Below)

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	7 748	18%	3	2 583
Management	6 700	16%	6	1 117
Specialists & Professional Qualified	5 913	14%	6	986
Skilled	18 329	43%	32	573
Semi-Skilled	3 052	7%	8	381
Unskilled	397	1%	3	132
TOTAL	42 138	100%	58	727

Performance Bonus Paid

Level	Performance Bonus (R'000)	Other Personnel Costs (R'000)	% Performance Bonus Paid
Executive / Senior Management	1 104	7 748	14%
Management	829	6 700	12%
Specialists & Professional Qualified	678	5 913	11%
Skilled	996	18 329	5%
Semi-Skilled	228	3 052	7%
Unskilled	22	397	6%
TOTAL	3 857	42 138	9%

³ Costs reflected exclude employees appointed on short term contracts, casual labour costs or the internship programme.

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: Corporate Services Management & Administration	24 062	497	2%	22	23
Programme: Gambling Regulation and Consumer Protection	19 848	351	2%	24	15
Programme 3 : Research and Public Education	2 086	42	2%	3	14
TOTAL	45 995	890	2%	49	18

Employment and Vacancies

Positions Vacant	2018/19 No. of Employees	2019/20 Approved Posts	2019/20 No. of Employees	2019/20 Vacancies	% of Vacancies
Manager: Legal Service & Board Secretariat	0	1	0	1	1.7%
Inspector	4	4	3	1	1.7%
Senior Investigator	1	1	0	1	1.7%
General Assistant	3	1	0	1	1.7%

Level	2018/19 No. of Employees	2019/20 Approved Posts	2019/20 No. of Employees	2019/20 Vacancies	% of Vacancies
Executive / Senior Management	3	3	3	0	0%
Management	5	6	5	1	1.7%
Specialists & Professional Qualified	6	6	5	1	1.7%
Skilled	26	32	31	1	1.7%
Semi-Skilled	8	8	8	0	0%
Unskilled	3	3	2	1	1.7%
TOTAL	51	58	54	4	6.9%

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	5	1	1	5
Specialists & Professional Qualified	6	0	1	5
Skilled	26	6	1	31
Semi-Skilled	8	0	0	8
Unskilled	3	0	1	2
Total	51	7	4	54

Reasons for Staff Leaving

Reason	Number	% of Total No. of Staff Leaving
Death	1	1.8%
Resignation	2	3.7%
Dismissal	0	0%
Retirement	0	0%
Ill health	1	1.8%
Expiry of Contract	0	0%
Promotion	0	0%
Other	0	0%
Total	4	6.9%

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. Not all 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).

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Executive / Senior Management	2	2	0	0	0	0	1	0
Management & Professionally Qualified Specialists / Mid-Management	4	3	0	1	1	1	0	0
Skilled	14	12	0	2	0	0	2	2
Semi-Skilled	1	1	0	0	0	0	0	0
Unskilled	0	1	0	0	0	0	0	0
TOTAL	21	19	0	3	1	1	3	2

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Executive / Senior Management	0	1	0	0	0	0	0	0
Management & Professionally Qualified Specialists / Mid-Management	5	3	0	1	0	0	0	0
Skilled	14	11	1	1	0	0	0	0
Semi-Skilled	7	6	0	0	0	0	0	0
Unskilled	2	2	0	0	0	0	0	0
TOTAL	28	23	1	2	0	0	0	0

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Executive / Senior Management	0	0	0	0
Management & Professionally Qualified Specialists and Mid-Management	0	0	0	0
Skilled	0	1	0	0
Semi-Skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	0	1	0	0

*RESPONSIBLE GAMBLING REMAINS A
PRIORITY, WITH A TOTAL OF 5.1 MILLION
PEOPLE REACHED THROUGH RESPONSIBLE
GAMBLING CAMPAIGNS DURING THE YEAR
UNDER REVIEW.*

Ncumisa Mayosi, ECGB Chairperson





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 96, which comprise the statement of financial position as at 31 March 2020, 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 2020, 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 the 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 sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes) as well as 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 codes.
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 on the usefulness and reliability 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 usefulness and reliability of 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 do not examine whether the actions taken by the public entity enabled service delivery. 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 programme presented in the annual performance report of the public entity for the year-ended 31 March 2020:

Programmes	Pages in the annual performance report
Programme 2 - gambling regulation and consumer protection	28 - 30

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

Other matter

15. I draw attention to the matters below.

Achievement of planned targets

16. Refer to the annual performance report on pages 25 to 31 for information on the achievement of planned targets for the year and explanations provided for the under/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
30 September 2020



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

- 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, actions taken to eliminate threats or safeguards applied.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	NOTES	2020 R	2019 R
ASSETS			
Current assets			
Cash and cash equivalents	2	17,111,348	18,170,216
Prepayments	3	573,863	235,079
Statutory Receivables for distribution from non-exchange transactions	4	7,859,684	17,075,890
Statutory receivables from exchange transactions	5	33,360	4,599
Other receivables from exchange transactions	6	248,993	240,955
		25,827,248	35,726,739
Non-current assets			
Property, plant and equipment	7	14,012,493	11,983,027
Intangible assets	8	3,826,235	3,736,612
TOTAL ASSETS		43,665,976	51,446,378
LIABILITIES			
Current liabilities			
Collections for distributions from non-exchange transactions	9	8,006,041	17,024,786
Trade and other payables from exchange transactions	10	11,281,375	13,266,993
Provisions	11	2,987,309	3,511,793
Finance lease obligation	12	323,480	124,696
		22,598,205	33,928,268
Non-current liabilities			
Provisions	11	462,597	350,755
Finance lease obligation	12	268,999	14,926
TOTAL LIABILITIES		23,329,801	34,293,949
NET ASSETS		20,336,175	17,152,429
Net assets			
Accumulated surplus		20,336,175	17,152,429
TOTAL NET ASSETS		20,336,175	17,152,429

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2020

	NOTES	2020 R	2019 R
REVENUE			
Revenue from exchange transactions	13	14,425,988	14,582,522
Revenue from non-exchange transactions	13	58,710,000	55,761,000
		73,135,988	70,343,522
EXPENDITURE			
Administrative expenditure	14	9,569,849	9,851,678
Corporate social investment	15	561,662	292,056
Consumer protection and public education	16	2,568,019	4,691,296
Depreciation and impairment of PPE	7	1,735,812	1,615,016
Amortisation of intangible assets	8	316,499	101,029
Employee costs	17	46,900,236	41,190,936
Legal costs		3,929,082	4,882,013
Marketing and research costs	18	552,859	699,645
Other operating expenditure	19	4,878,324	4,001,895
Statutory audit fees	20	1,242,924	1,270,560
TOTAL EXPENDITURE		72,255,266	68,596,124
NET EXPENDITURE		880,722	1,747,398
Finance income	21	2,281,008	2,040,160
Profit / (Loss) on disposal of PPE	22	22,013	(1,953)
TOTAL OTHER INCOME		2,303,021	2,038,207
SURPLUS FOR THE YEAR		3,183,743	3,785,605

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2020

	Accumulated Surplus R	Total R
Balance as at 01 April 2018	13,366,829	13,366,829
Surplus for the year	3,785,605	3,785,605
Balance as at 1 April 2019	17,152,429	17,152,429
Surplus for the year	3,183,743	3,183,743
Balance as at 31 March 2020	20,336,175	20,336,175

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 R	2019 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Gambling fees and taxes		210,419,342	201,424,304
DEDEAT Grant		58,710,000	55,761,000
Other receipts		13,326,059	16,550,791
		282,455,401	273,736,095
Payments			
Gambling fees and taxes paid to the Province		199,549,880	191,306,183
Payment to suppliers, employees and other payments		82,548,869	78,109,226
		282,098,749	269,415,409
Net cash flows from operating activities	22	356,650	4,320,686
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	22	2,281,008	1,878,295
Proceeds from sale of property, plant and equipment	22	157,024	203,074
Purchase of property, plant and equipment		(3,283,175)	(2,185,644)
Purchase of intangible assets	8	(406,123)	(3,678,581)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(164,252)	(296,841)
Net cash flows from investing and financing activities		(1,415,518)	(4,079,697)
Net increase in cash and cash equivalents		(1,058,868)	240,989
Cash and cash equivalents at beginning of the year		18,170,216	17,929,227
Cash and cash equivalents at end of the year	2	17,111,348	18,170,216

STATEMENT OF COMPARISON OF ACTUAL AND BUDGET AMOUNTS FOR THE YEAR ENDED 31 MARCH 2020

	Note	Approved Budget	Final Adjusted Budget	Actual Amounts	Difference: Final Budget and Actual	Variance
		R	R	R	R	%
REVENUE						
Revenue from exchange transactions	34	15,936,500	15,936,116	14,425,988	(1,510,128)	(9.5%)
Revenue from non-exchange transactions		58,710,000	58,710,000	58,710,000	(0)	(0.0%)
		74,646,500	74,646,116	73,135,988	(1,510,128)	(2.0%)
EXPENDITURE						
Administrative expenditure		9,787,000	10,106,732	9,569,849	(536,883)	(5.3%)
Corporate social investment		424,000	524,153	561,662	37,509	7.2%
Consumer protection and public education		2,164,071	2,414,071	2,568,019	153,948	6.4%
Depreciation and impairment of PPE		1,214,900	1,714,593	1,735,812	21,219	1.2%
Amortisation of intangible assets		521,693	321,693	316,499	(5,194)	(1.6%)
Employee costs		48,585,000	46,915,985	46,900,236	(15,749)	(0.0%)
Legal costs	34	2,030,000	3,329,919	3,929,082	599,163	18.0%
Marketing and research costs	34	1,300,000	1,389,563	552,859	(836,704)	(60.2%)
Other operating expenditure		6,201,000	4,491,157	4,878,324	387,167	8.6%
Statutory audit fees		1,428,000	1,327,899	1,242,924	(84,975)	(6.4%)
TOTAL EXPENDITURE		73,655,664	72,535,765	72,255,266	(280,499)	(0.4%)
TOTAL (DEFICIT) / SURPLUS		990,836	2,110,351	880,722	(1,229,629)	(58.3%)
Finance income		1,963,500	2,263,500	2,281,008	17,508	0.8%
Profit on disposal of PPE		-	-	22,013	22,013	100.0%
		1,963,500	2,263,500	2,303,021	39,521	1.7%
SURPLUS FOR THE YEAR		2,954,336	4,373,851	3,183,743	(1,190,108)	(27.2%)
CAPITAL EXPENDITURE	34	4,691,057	8,697,947	4,306,413	(4,391,534)	(50.5%)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 ACCOUNTING POLICIES FOR THE YEAR-ENDED 31 MARCH 2020

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 29 and the accounting policies have been applied consistently throughout the period, and consistent with the previous period except as noted below due to the adoption of new GRAP standards. They Annual Financial Statements are presented in South African Rand.

The following Standards of GRAP became effective in the current financial period:

Reference	Topic	Nature of change and Impact on reporting framework
GRAP 108	Statutory Receivables	Receivables previously classified as financial instruments have been reclassified as statutory receivables in accordance with paragraph 1.2.8 below. No adjustments to amounts previously disclosed was required.
GRAP 20	Related Party Disclosures	The Board has applied its accounting policies consistently with prior periods as they adequately addressed these standards. Where relevant additional disclosures have been added.
GRAP 109	Accounting by principles and agents	
iGRAP 19	Liabilities to pay levies	The scope of these standards is not relevant to the Board's activities, and as such they did not have a material impact.
iGRAP 18	Recognition and derecognition of land	
GRAP 32 and IGRAP 17	Service Concession Arrangements: Grantor	

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 2020, except for GRAP 104 that has no effective date:

GRAP 104	Financial Instruments (Revised)	Compliance with these standards is not yet required, however the possible impact on future reporting periods is not considered to be material.
iGRAP 20	Accounting for Adjustments to Revenue	
GRAP 34 to 38	Interests in Other Entities	The scope of these standards is not relevant to the Board's activities, and as such the possible impact is not considered to be material.
GRAP 110	Living and Non-living Resources	

FINANCIAL INFORMATION

A summary of the significant accounting policies, 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 in accordance with the Standard of GRAP on Impairment of Non-cash-generating Assets, specifically considering events which 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,
- 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 in accordance with the Standard of GRAP on Impairment of Non-cash-generating Assets. Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, or if the asset is not yet ready for use, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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.

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

Item	Average useful life
Computer Software	3 years
Internally generated software	6 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:

Other receivables

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
- 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.

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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 33.

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;
- 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.

- 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.

1.2.7 Gambling taxes and fees collected on behalf of the Provincial Treasury

The Board acts as an agent to the Provincial Revenue Fund and all gambling taxes and part of the fees collected are paid over at the end of each month as prescribed by the Gambling and Betting Act. (Amounts are remitted to DEDEAT which is the Executive Authority, refer note 26 for further details and reconciliation of amounts due at year-end.) 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 the legislated amount and carried at Amortised Cost. The Board does not receive any separable amount of revenue as compensation for the collection and distribution of taxes and fees, as it is established to oversee all gambling and betting activities in the Province, and funding is appropriated in order to enable it to perform all the various functions under the Act.

1.2.8 Statutory Receivables

Statutory receivables arise in terms of the taxes, fees, interest and penalties as described in notes 1.2.6 and 1.2.7 above. These amounts are levied on licenced operators in terms of the Eastern Cape Gambling and Betting Act (Act 5 of 1997, as amended) and its associated regulations. They are initially measured at their transaction amount as specified in schedule III of the Act and regulation 135, and subsequently carried at amortised cost, which is the initial carrying amount, plus interest at the prescribed rate, less repayments and impairments.

The Board assesses at each reporting date whether there are any indications that individually significant receivables are impaired, or that groups of similar, individually insignificant, receivables within each sector are impaired. Evidence of impairment may include indications that the debtors or 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.

The Board measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. Consequently, where the effect of the time value of money is material, the estimated future cash flows are discounted using the prescribed interest rate.

1.2.9 Employee benefits

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

Short-term employee benefits include items such as:

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

1.2.10 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.

1.2.11 Prepayments

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

1.2.12 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.

1.2.13 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 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.

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1.2.14 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).

1.2.15 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.

1.2.16 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.

1.2.17 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 and the estimation of the remaining useful lives of each item of property, plant and equipment (refer note 7).
- The estimation of the level of performance of staff in providing for performance bonuses at year-end (refer note 11).
- Assessment and classification of finance and operating leases (refer note 12 and 23).

1.2.18 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.

1.2.19 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.

	2020	2019
	R	R
2. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Bank balances	13,028,603	13,419,593
Cash on hand	5,000	5,000
	13,033,603	13,424,593
Investigation deposits	4,077,745	4,745,623
	17,111,348	18,170,216

3. PREPAYMENTS

Business licences	525,397	111,767
Other prepaid expenditure	48,466	123,312
	573,863	235,079

4. STATUTORY RECEIVABLES FOR DISTRIBUTION FROM NON-EXCHANGE TRANSACTIONS

Government taxes and levies from non-exchange transactions	8,058,063	17,075,890
Less: Impairment of statutory receivables for distribution	(198,379)	-
	7,859,684	17,075,890

Taxes and levies are gambling taxes for March 2020 that were not yet due or received at period-end. There was only one overdue account relating to a bookmaker that closed down during the year under review, and this has been impaired fully as a result.

5. STATUTORY RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	33,360	4,599
	33,360	4,599

Trade debtors - Age analysis

120 days and older	-	-
90 days	17,600	-
60 days	-	-
30 days	-	-
Current	15,760	4,599
TOTAL	33,360	4,599

Amounts past due, but not impaired (greater than 30 days ageing)	17,600	-
------------------------------------------------------------------	--------	---

Trade debtors have been reclassified as statutory receivables due to the adoption of GRAP 108.

6. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits	16,830	16,830
Sundry debtors	232,163	224,125
	248,993	240,955

Sundry debtors at year-end relate primarily to refunds due from a supplier and SARS.

7. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost (R)	Accumulated depreciation and impairment (R)	Carrying value (R)	Cost (R)	Accumulated depreciation and impairment (R)	Carrying value (R)
Buildings	7,386,088	1,016,218	6,369,870	5,830,719	987,718	4,843,001
Cell phones leased	723,903	264,775	459,128	336,271	232,463	103,808
Computer equipment	4,204,205	2,475,402	1,728,803	3,520,904	1,830,717	1,690,187
Fixtures and fittings	2,251,584	797,619	1,453,965	2,055,623	591,179	1,464,444
Furniture and equipment	1,766,519	1,032,802	733,717	1,521,099	986,188	534,912
Land	1,070,750	-	1,070,750	1,070,750	-	1,070,750
Library books	-	-	-	-	-	-
Motor vehicles	3,000,089	803,829	2,196,260	2,854,646	578,721	2,275,925
	20,403,138	6,390,646	14,012,493	17,190,012	5,206,986	11,983,027

Reconciliation of property, plant and equipment - 31 March 2020

	Opening balance (R)	Additions (R)	Disposals (R)	Depreciation (R)	Impairment (R)	Total (R)
Buildings	4,843,001	1,555,369	-	28,500	-	6,369,870
Cell phones leased	103,808	472,442	1,723	112,020	3,379	459,128
Computer equipment	1,690,187	977,141	48,289	890,236	-	1,728,803
Fixtures and fittings	1,464,444	195,961	-	206,440	-	1,453,965
Furniture and equipment	534,912	322,322	0	123,517	-	733,717
Land	1,070,750	-	-	-	-	1,070,750
Motor vehicles	2,275,925	377,055	85,000	371,720	-	2,196,260
	11,983,027	3,900,290	135,012	1,732,433	3,379	14,012,493

Land and Buildings comprise a sub-division of Erf2863, Beacon Bay, measuring 2371 m², purchased in 2002 together with an office building. During the last quarter of the year under review a project to extend the building commenced and was still in progress at year-end. The additions for the year represent the construction costs to date, and the remaining commitment is disclosed in note 32.

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 15 items of computer equipment and 194 items of furniture and equipment with a historical acquisition cost of R55 793 and R648 696 respectively, included in the balances reflected above.

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

Included in Note 19 is expenditure incurred on assets to repair and maintain them totalling R290 051.

Computer equipment reflected above includes 13 leased iPads with a carrying value of R149 824 as at year-end.

Indicators of any possible change in useful life or residual values were considered and assessed by management including inspection and assessment of the condition of assets at year-end, no indications of impairment were present apart from the damaged cellphones impaired above.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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
Total	11,544,897	2,288,896	235,750	1,615,016	-	11,983,027

8. INTANGIBLE ASSETS

Summary	2020			2019		
	Cost (R)	Accumulated Amortisation (R)	Carrying Value (R)	Cost (R)	Accumulated Amortisation (R)	Carrying Value (R)
Computer software	4,774,472	948,237	3,826,235	4,368,349	631,738	3,736,612
Total	4,774,472	948,237	3,826,235	4,368,349	631,738	3,736,612

Reconciliation of intangible assets - 31 March 2020

	Opening Balance (R)	Additions (R)	Disposals (R)	Transfers (R)	Amortisation (R)	Total (R)
Computer software	89,909	138,003	-	-	55,511	172,400
Internally generated software	3,646,703	268,120	-	-	260,988	3,653,835
Total	3,736,612	406,123	-	-	316,499	3,826,235

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
Internally generated software	-	3,646,703	-	-	-	3,646,703
Total	159,059	3,678,581	-	-	101,029	3,736,612

Internally generated software represents the contractual costs for a proprietary Gambling Regulatory System that was under development as at 31 March 2019 but completed and launched during the year under review. The contract with the developer includes operational costs relating to the maintenance of the system for 48 months and amortisation commenced during the year under review once the maintenance phase began. As a result of this maintenance contract the estimated useful life has been assessed as 6 years.

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

	2020	2019
	R	R
9. COLLECTIONS FOR DISTRIBUTION FROM NON-EXCHANGE TRANSACTIONS		
Taxes and levies	8,006,041	17,024,786
	8,006,041	17,024,786

Taxes and levies for distribution are gambling taxes for March 2020 that were distributed to the provincial revenue fund after year-end.

10. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Accruals	4,990,133	4,245,896
Investigation deposit accounts	4,077,745	4,745,623
Trade payables	2,213,497	4,275,474
	11,281,375	13,266,993

No Trade payables are overdue and relate to goods and services received in March 2020.

11. PROVISIONS

Current Provisions		
Performance bonus provision opening balance	3,347,150	5,638,394
Provision used during the year	(3,857,474)	(6,198,481)
Over/ (Under) provision	(510,324)	(560,087)
Provision for the year	3,425,430	3,907,237
Performance bonus provision closing balance	2,915,106	3,347,150

Current portion of Provision for Long service awards	72,203	164,643
Current provisions closing balance	2,987,309	3,511,793

Non-Current Provisions		
Provision for long service award opening balance	515,398	473,068
Provision used during the year	(207,000)	(146,000)
(Over)/ Under provision	-	-
Provision for the year	226,402	188,330
Less: current portion	(72,203)	(164,643)
Non-current provisions closing balance	462,597	350,755

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 after the external audit each year. Payouts are also limited to the funds / budget available at the time.

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 twelve months. The non-current portion relates to those who may qualify within in the next five years. Management has discounted and adjusted this amount for the probability of staff leaving the employ of the entity before they are eligible for an award.

	2020	2019
	R	R
12. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
- within one year	323,480	124,696
- later than one year but not later than five years	268,999	14,926
Present value of minimum lease payments	592,479	139,622
Current liabilities	323,480	124,696
Non-current liabilities	268,999	14,926

Mobile devices were acquired through cellular airtime agreements which are for a two-year lease term after which ownership of the device is retained by the Board.

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.

13. REVENUE

Revenue from exchange transactions:

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

Fees	11,518,345	11,881,420
Recoveries	2,521,093	2,391,775
Sundry income	386,550	309,327
	14,425,988	14,582,522

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	58,710,000	55,761,000
Other grant income	-	-
	58,710,000	55,761,000

	2020	2019
	R	R
14. ADMINISTRATIVE EXPENDITURE		
Bank charges	61,444	57,364
Board members - fees	1,151,300	819,350
Board members - travel and subsistence	390,938	367,516
Internal audit fees	585,391	644,186
Consultation fees	269,703	1,246,265
Evaluation and hearings	1,336,605	985,500
Inspection, investigation, compliance and audit costs	896,487	775,138
Stationery and printing	598,360	492,638
Training and development	1,721,997	2,447,595
Travelling and subsistence	1,397,378	1,504,997
Stakeholder events	1,160,246	511,129
	9,569,849	9,851,678

Evaluation and hearings costs reflected above are recovered from investigation deposit accounts as reflected in Note 10.

15. CORPORATE SOCIAL INVESTMENT

The Board has supported various schools and projects in the year under review including focus on the Education Basket as per the CSI Policy, investing in learner support material for mathematics and science from Grade R – 7. The total direct amount spent on Corporate Social Investment is R561 662 (2019: R292 056).

16. CONSUMER PROTECTION AND PUBLIC EDUCATION

The Board undertook various consumer protection and public education activities amounting to R2 568 019 (2019: R4 691 296). 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 Eastern Cape Music Awards and the Ebubeleni Music Festival. Twelve awareness and responsible gambling programmes were hosted successfully during the reporting period.

	2020	2019
	R	R
17. EMPLOYEE COSTS		
Basic salary	36,378,918	31,485,326
Casual and temporary labour	40,000	25,032
Funeral benefit	7,604	7,078
Insurance	122,526	69,938
Medical aid - company contributions	1,672,858	1,345,306
Pension	3,574,446	2,968,062
Performance awards	3,425,430	3,907,237
Recruitment costs	218,774	86,647
Other non-pensionable allowances	931,490	824,418
Unemployment Insurance Fund	104,910	92,926
Skills development levy	423,280	378,966
	46,900,236	41,190,936
Senior Management Remuneration:		
Remuneration of the Chief Executive Officer		
Allowances	120,000	120,000
Bonus	308,400	498,448
Fund contributions	389,413	387,016
Salary	2,683,778	2,608,289
Long Service award	-	22,000
13th Cheque	259,609	259,608
	3,761,200	3,895,361
Remuneration of the Chief Financial Officer		
Allowances	70,000	70,000
Bonus	187,246	302,634
Fund contributions	193,532	140,987
Salary	1,675,219	1,680,478
Long Service award	5,000	-
13th Cheque	157,622	157,622
	2,288,619	2,351,721
Remuneration of the Compliance & Licensing Manager		
Allowances	108,000	108,000
Bonus	187,246	302,634
Fund contributions	256,023	197,381
Salary	1,574,728	1,586,084
13th Cheque	157,622	157,622
	2,283,619	2,351,721
	8,333,437	8,598,803
SENIOR MANAGEMENT REMUNERATION		

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

	2020	2019
	R	R
18. MARKETING AND RESEARCH COSTS		
The costs for marketing and research include the following:		
Advertising, subscriptions and publications	270,899	459,629
Research and public education	281,960	240,016
	552,859	699,645

19. OTHER OPERATING EXPENDITURE

Canteen and catering	197,773	195,631
Communication costs	1,007,826	691,019
Computer consumables	42,083	105,753
Courier and delivery charges	1,426	4,770
Consumables	8,008	16,094
Fuel, oil and licences	335,785	317,725
Insurance premiums	306,793	270,886
Software support	29,527	16,560
Maintenance and repairs	387,603	262,782
Municipal services	507,325	521,136
Rentals in respect of operating leases - plant, machinery and equipment	158,199	327,378
Security services	391,464	382,317
Software annual licence fees	1,420,544	805,149
Staff wellness programme	81,320	80,977
Uniforms and crockery	2,648	3,718
	4,878,324	4,001,895

20. STATUTORY AUDIT FEES

Statutory Audit - Auditor-General	1,242,924	1,270,560
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21. FINANCE INCOME

Interest Revenue		
Bank	2,260,976	2,001,969
Statutory receivables	20,032	38,191
	2,281,008	2,040,160

	2020 R	2019 R
22. CASH GENERATED FROM OPERATIONS		
Surplus	3,183,743	3,785,605
Adjustments for:		
Amortisation of intangible assets	316,499	101,029
Depreciation and impairment of PPE	1,735,812	1,615,016
Interest income	(2,281,008)	(1,878,295)
Cash (profit) / loss on disposal of assets (refer below)	(22,013)	11,373
Changes in working capital:		
Increase in trade and other payables and provisions	(11,417,005)	1,336,816
(Increase) / Decrease in statutory and other receivables and prepayments	8,840,623	(650,858)
	356,650	4,320,686

Disposal of Property, Plant and Equipment		
Proceeds received	(157,024)	(203,074)
Carrying value of disposals	135,011	214,447
Cash loss on assets disposed during the year	(22,013)	11,373
Proceeds receivable (excluded above)	-	(9,420)
(Profit) / Loss on disposal of PPE	(22,013)	1,953

23. OPERATING LEASE COMMITMENTS

Minimum lease payments due		
- within one year	56,878	158,205
- later than one year and not later than five years	-	56,878
Present value of minimum lease payments	56,878	215,083

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.

	2020	2019
	R	R
24. TRAINING AND DEVELOPMENT COSTS		
Overseas Travel		
Car hire	751	3,545
Daily allowance	83,824	223,741
Training	56,577	139,129
Travel and accommodation	537,763	1,005,125
Local Travel		
Car hire	151,280	27,026
Daily allowance	40,601	52,395
Training	320,691	498,805
Travel and accommodation	377,809	357,344
Bursary		
Registration fees and books	152,701	140,486
	1,721,997	2,447,595

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.

25. BOARD AND COMMITTEE MEMBERS EMOLUMENTS

	Board Fees	Expenses / Allowances	Sub Committees	Other	Total
	R	R	R	R	R
31 March 2020					
For services as Board and committee members	696,000	-	198,000	257,300	1,151,300
31 March 2019					
For services as Board and committee members	402,750	-	204,600	212,000	819,350

Detailed Board members emoluments:

	31 March 2020				
Board Members	Board Fees	Retainer	Board Committee Fees	Training Overseas & Local	Total
	R	R	R	R	R
Adv N Mayosi	156,000	144,000			300,000
M Vena	102,000		25,600	17,000	144,600
O Mtati	200,000		33,200	25,500	258,700
P White	119,000		31,100	25,500	175,600
V Fredericks (resigned May 2019)	-		4,500		4,500
T Huisman	119,000		38,000	29,750	186,750
	696,000	144,000	132,400	97,750	1,070,150

Audit committee members (who are not Board members)

L Smith	-	-	37,500	6,050	43,550
T Mnqeta	-	-	28,100	9,500	37,600
T Mbedhli	-	-	-	-	-
	-	-	65,600	15,550	81,150
TOTAL	696,000	144,000	198,000	113,300	1,151,300

In 2019/20 R78 000 (2018/19: R0) 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 13.

Mr Mbedhli was employed in the Public Sector and as a result did not earn remuneration for his services as an Audit Committee member during the year under review.

31 March 2019

Board Members	Board Fees	Retainer	Board Committee Fees	Training Overseas & 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
	402,750	144,000	126,900	68,000	741,650

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
TOTAL	402,750	144,000	204,600	68,000	819,350

	Notes	2020 R	2019 R
26. 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 ECCB receives a grant from the DEDEAT for its operations as disclosed in Note 13, collects gambling taxes and fees on DEDEAT's behalf and pays them over monthly.			
b) Key management personnel			
Refer Note 25 and Note 17 for details of Board members and Senior Management remuneration respectively.			
Transactions:			
a) DEDEAT			
COLLECTIONS FOR DISTRIBUTION			
Opening balance		17,024,786	16,173,547
Taxes and levies billed on behalf of DEDEAT/Provincial Revenue Fund		190,531,135	192,157,421
Taxes and levies paid over to DEDEAT/Provincial Revenue Fund		(199,549,880)	(191,306,183)
Outstanding collections for distribution at year-end	9	8,006,041	17,024,786
STATUTORY RECEIVABLES			
Amounts collected from licencees not paid over at year-end		(222,669)	(159,610)
Amounts payable to East Cape Racing (refer note 37)		76,312	210,714
Debts written-off		-	-
Outstanding receivables at year-end	5	7,859,684	17,075,890

	2020	2019
	R	R

27. 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 twelve months equal their carrying balances as the impact of discounting is not significant.

Maturity analysis of non-derivative financial liabilities

Contractual maturities due

- within one year	19,610,896	30,416,475
- in second year	268,999	14,926
	19,879,895	30,431,401

Credit Risk: Credit risk consists mainly of cash deposits, cash equivalents and other receivables. The Board only deposits cash with major banks with high credit standards and therefore has no concentration of credit risks. Other receivables relate primarily to timing of refunds that may be contractually due over the year-end, or outstanding staff debt. These are both assessed as having low credit risk due to the ongoing contractual terms and employment contracts. As at 31 March 2020, other receivables were not impaired.

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	17,111,348	18,170,216
Other receivables from exchange transactions	248,993	240,955

28. FINANCIAL INSTRUMENTS

	Amortised Cost	Fair Value
31 March 2020		
Financial Assets	248,993	17,111,348
Cash and cash equivalents		17,111,348
Other receivables from exchange transactions	248,993	
Financial Liabilities	(19,879,895)	-
Payable on collection for distributions	(8,006,041)	
Trade and other payables from exchange transactions	(11,281,375)	
Finance lease obligation	(592,479)	

	Amortised Cost	Fair Value
31 March 2019		
Financial Assets	240,955	18,170,216
Cash and cash equivalents		18,170,216
Other receivables from exchange transactions	240,955	
Financial Liabilities	(30,431,401)	-
Payable on collection for distributions	(17,024,786)	
Trade and other payables from exchange transactions	(13,266,993)	
Finance lease obligation	(139,622)	

Taxes, levies and fees that are collected by the Board in terms of the Eastern Cape Gambling Act have been reclassified as Statutory receivables due to the adoption of GRAP 108, which became effective on 1 April 2019. They no longer meet the definition of financial instruments and have accordingly been removed from this disclosure, including the comparative figures reflected above.

	2020	2019
	R	R

29. 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.

30. EVENTS AFTER REPORTING DATE

Management has reviewed the events between 31 March 2020 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 2020, except for the information included in Note 33. The impact of the COVID pandemic and National lockdown have been specifically considered, and while this will have a significant impact on the financial statements for the next financial year, there is no direct impact on the key assumptions or amounts recognised as at the end of March 2020.

31. 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).

32. COMMITMENTS

Capital Commitments

Approved and Contracted for:

Property, plant and equipment - Buildings	9,893,155	597,601
- Computer equipment	417,042	-
- Motor vehicles	-	292,056
- Furniture and equipment	-	315,309
Intangible Assets		
- Computer Software	28,632	1,440,386
	10,338,829	2,645,352

The building commitment has been budgeted for in both 2019/20 and 2020/21.

33. CONTINGENCIES

CONTINGENT LIABILITIES

Civil litigation proceedings	6,000,000	3,500,000
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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.

CONTINGENT ASSETS

During the financial year two court 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.

34. BUDGET VERSUS ACTUAL

The budget disclosed in the comparison of budget to actual amounts covers the period 01 April 2019 to 31 March 2020 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	Actual to Budget Variance	
	R	%
Revenue from exchange transactions		
Less revenue was generated owing to lower annual fees than projected (reduced number of gambling machines exposed to play and certain bookmaker sites that closed.) Furthermore delays in licensing projects contributed to lower recoveries revenue.	1,510,128	9.5%
Legal costs		
The variance on legal costs was due to unavoidable litigation against the Board primarily due to the matters described in Note 33.	599,163	18.0%
Marketing and research costs		
The savings on research costs is due primarily to deferral of one research assignment, and an effective procurement process on another enabling it to be conducted for less than originally budgeted.	(836,704)	(60.2%)
Capital Expenditure		
Capital expenditure is underspent primarily due to delays in obtaining approved building plans from the municipality. This delayed the start of construction on the building extension project to the last quarter of the financial year. The capital commitment for this project is included in the capital commitments disclosed in Note 32.	(4,391,534)	(50.5%)

Changes from approved to final budget

Changes between the approved and final budget are due to reallocations within the approved budget to utilise budget savings in areas of cost pressures. Furthermore the capital expenditure budget was adjusted upwards mainly due to the use of available funds relating to prior year capital commitments.

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

No material losses suffered, therefore no disciplinary steps taken.

36. SURRENDERING OF SURPLUS FUNDS

The Board has no surplus funds on-hand as at 31 March 2020, 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.

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37. PRINCIPAL-AGENT ARRANGEMENTS

Refer to note 26 for details of the taxes collected and paid to the Provincial Revenue Fund /DEDEAT. In addition to this a portion of bookmaker taxes are required to be paid to East Cape Racing as prescribed in schedule III, part B of the Act. The balance at year-end in this regard is included in Trade payables.

Eastern Cape (EC) Racing

Opening balance	527,828	304,823
Taxes and levies billed to bookmakers	9,486,972	9,785,634
Taxes and levies paid over to EC Racing	(9,887,493)	(9,562,629)
Amounts impaired	(50,995)	-
Outstanding payable at year-end	76,312	527,828



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